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KENMEC MECHANICAL ENGINEERING CO., LTD.

2023 Annual Report

Printed on April 30, 2024

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

I. Information of spokesperson and deputy spokesperson

	Spokesperson	Deputy Spokesperson
Name	Gloria Shen	Sharon Chiou
Title	President	Director
Tel	(02)2786-3797	(02)2786-3797
E-mail	gloria@kenmec.com	sharonchiou@kenmec.com

II.Headquarters, Branches & Plants

1. **Headquarters**

Registered Address：No. 69, Ting Ping Road, Juifang Industrial Zone, Juifang Township, Taipei County 224, Taiwan
Contact address：Floor 5, No. 97, Section 2, Nan Kang Road, Nan Kang District, Taipei City 115, Taiwan
Tel：+886-2-2786-3797

2. **Branches**：None
3. **Plants**：

Jui Fang Plant
No. 69, Ting Ping Road, Juifang Industrial Zone, Juifang Township, Taipei County 224, Taiwan
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Kao Hsiung Plant
No. 9, Aly. 1, Ln. 19, Meishan Rd., Niaosong Dist., Kaohsiung City 833, Taiwan
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Zhongli Plant
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Tel：+886-3-463-9922

III.Common Share Transfer Agent and Registrar

President Securities Corporation
Address：B1F., No. 8, Dongxing Rd., Songshan Dist., Taipei City , Taiwan
Website：https://www.pscnet.com.tw
Tel：+886-2-2747-8266

IV.Auditors

Deloitte & Touche
Auditors：Li-Huang Li, CPA、Po-Jen Weng, CPA
Address：20F, No. 100, Songren Rd., Xinyi Dist., Taipei, 11073, Taiwan
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V.Overseas Securities Exchange：None

VI.Corporate Website：https://www.kenmec.com

KENMEC MECHANICAL ENGINEERING CO., LTD.
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One.Letter to Shareholders

I. 2023 business results

It has been 47 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 2023, the consolidated operating revenue was NTD 5,551,490 thousand, an increase of NTD 192,282 thousand from 2022. The consolidated net loss before tax was NTD 754,343 thousand, a significant increase of NTD 297,895 from 2022, which was mainly due to operating profs from losses of a subsidiary. The operating performance of 2023 is summarized as follows:

1.Business plan and implementation

Unit: NTD thousand

Item	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Operating income	5,551,490	100.0	5,359,208	100.0	192,282	3.6
Gross profit from operations	1,149,322	20.7	998,083	18.6	151,239	15.2
Operating (loss) profit	(94,096)	(1.7)	53,025	1.0	(147,121)	(277.5)
Net profit before tax	754,344	13.6	456,448	8.5	297,896	65.3

2.Status of budget implementation: The Company was not required to disclose its financial forecast in 2023.

3.Revenues, expenses, and profitability analysis

Unit: NTD thousand

			2023	2022	% of increase (decrease)
Revenues and expenses	Operating revenue		5,551,490	5,359,208	3.6
	Operating gross profit		1,149,322	998,083	15.2
	Net profit before tax		754,344	456,448	65.3
Profitability	Return on assets		6.07	4.42	37.5
	Return on equity (%)		11.46	8.66	32.3
	Ratio to paid-up capital (%)	Operating profit	(3.78)	2.13	(277.5)
		Net income before tax	30.29	18.33	65.3
	Net profit margin (%)		11.65	8.28	40.8
	EPS (NTD)		3.20	1.91	67.5

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 2024

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 2024 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 2014.11	Subsidiary Tainergy Tech. Co., Ltd. was awarded the 8th Annual Excellent Enterprise 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.
2019.12	Obtained patent No. 678494 for the invention of blind interpolation channel divergence device in Taiwan.
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.

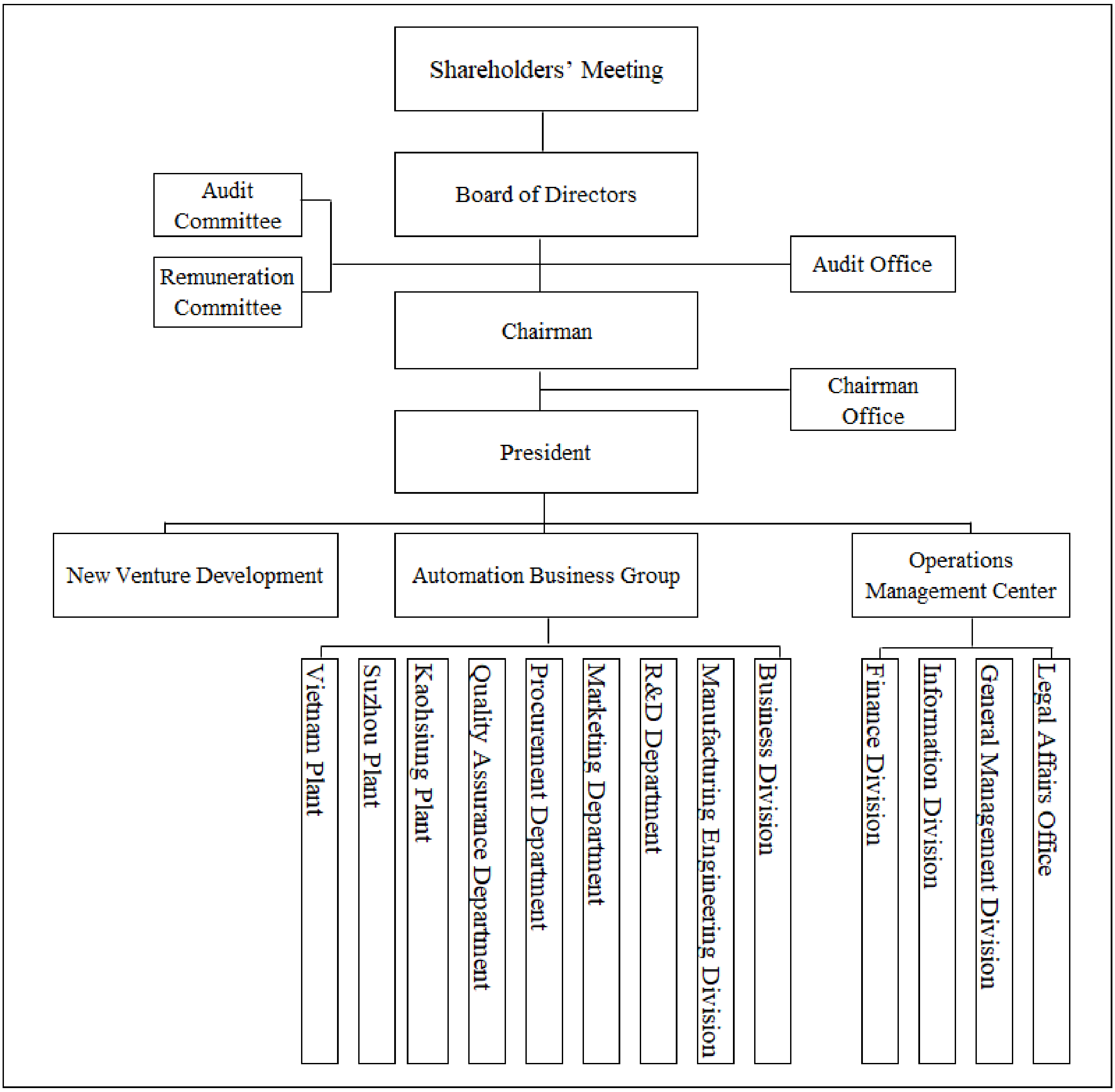
Month Year	Important Events
2021.07	Acquired 100% equity in Kenmec Construction Co. , Ltd.
2021.08	Established Chief Global Logistics Co., Ltd.
2021.11	Subsidiary Tainergy Tech. Co., Ltd. increased its capital by NTD 250,000,000, and the paid-in capital after the capital increase was NTD 2,250,000,000.
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.
2022.07	Obtained Taiwan's new patent No. 629638 for "cabinet and its heat dissipation door panel".
2022.08	Obtained Mainland China's new patent No. 17275705 for "cabinet and its heat dissipation door panel".
2022.08	Obtained Taiwan's new patent No. 630873 for "heat exchange system (1)".
2022.08	Obtained Mainland China's new patent No. 17105134 for "heat exchange system (1)".
2022.08	Subsidiary Chief Global Logistics Co., Ltd. increased its capital by NTD 19,000,000, and the paid-in capital after the capital increase was NTD 20,000,000.
2022.09	Kunshan SENSIC Electronic Materials Co., Ltd. changed its name to Kunshan Kunfu Electronic Materials Co., Ltd.
2022.09	Obtained Taiwan's new patent No. 631447 for "heat exchange system (2)".
2022.09	Obtained Taiwan's new patent No. 631630 for "heat exchange system (3)".
2022.09	Obtained Taiwan's new patent No. 632345 for "heat exchange system (4)".
2022.09	Obtained Taiwan's new patent No. 632346 for "heat exchange system (5)".
2022.09	Obtained Mainland China's new patent No. 17480511 for "heat exchange system".
2022.09	Obtained Mainland China's new patent No. 17480513 for "heat exchange system".
2022.10	Obtained Mainland China's new patent No. 17531118 for "heat exchange system".
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.
2022.11	Obtained Mainland China's new patent No. 17711859 for "heat exchange system".
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.”

Month Year	Important Events
2022.12	Won the “22nd Public Construction Golden Quality Award” by the Executive Yuan.
2023.04	Purchase real estate located at No. 5, Gongye 3rd Road, Pingzhen District, Taoyuan City.
2023.05	Established KENMEC AUTOMATION (THAILAND) CO. LTD.
2023.05	Obtain Taiwan Invention Patent No. 802371 for "Cabinet and Its Heat Dissipation Door Panel."
2023.07	Awarded the third prize in the Outstanding Engineering category of the 24th Golden Road Award by the Ministry of Transportation.
2023.07	Obtain Taiwan Invention Patent No. 808724 for " heat exchange system (1)."
2023.08	Subsidiary Kenmec Construction Co. , Ltd. increased its capital by NTD 170,000,000, and the paid-in capital after the capital increase was NTD 200,000,000.
2023.10	Awarded the Asian Service Award by the Asian Network for Quality (ANQ).
2023.12	Established TAI VISION CO., LTD.
2023.12	Obtain Taiwan Invention Patent No. 825762 for " heat exchange system (2)."
2024.01	Obtained Taiwan's new patent No.650250 for " heat exchange system for Communication Equipment."
2024.02	Obtain Taiwan Invention Patent No. 832274 for " heat exchange system (4)."

Three. Corporate Governance Report

I. Organizational System

1.Organizational structure



2. Operations of main divisions

Department	Main responsibilities
Chairman Office	● Be responsible to all shareholders following the resolution of the board of directors. ● Formulate the group's overall business goals and execution plan. ● Ensure the group's operations and future development direction. ● Approval of major group decisions and signing of important contracts.
Audit Office	● Evaluating and recommending effective implementation of the internal control system and carrying out internal audits.
Legal office	● Handle litigation and non-litigation cases, issue legal opinions, manage intellectual property rights, participate in business negotiations, provide contract review consultation, participate in decision-making on major matters, etc.
General Management Division	● Formulate and implement human resources policies. ● Perform human resource functions such as selection, training, education, employment, and retention. ● Maintain employee relations ● General administrative affairs, import and export customs affairs, product insurance, and fixed asset management.
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.
Business Division	● Marketing and development of domestic business and assessment of project feasibility. ● 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 (Intelligent Transportation Department)	● 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. ● Technology transfer for new products.
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, procurement of commercially available standard products, and outsourcing of processed parts. ● Engineering and system outsourcing operations. ● Development and supply chain management of third parties. ● Supplier payment processing
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 2, 2024

Title	Nationality or Record of Birth	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
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relationship	
Chairman	Taiwan	CHING-FU HSIEH	Male 72 years old	2019.06.25	3 years	2001.04.18	23,358,707	9.20	14,253,707	5.72	10,117,345	4.06	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. Chairman of Wei Shin Investment 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 Special assistant at the Chairman Office/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 Record of Birth	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
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relationship	
Director	Taiwan	CHOU-HUANG PAI	Male 71 years old	2019.06.25	3 years	2001.04.18	11,985,086	4.72	6,140,086	2.47	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. Chairman of MegaCity Investment 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 68 years old	2019.06.25	3 years	92.04.15	17,923,345	7.06	10,117,345	4.06	14,253,707	5.72	0	0	Graduated from Hujiang Senior High School Accountant, President, Assistant Vice President, Special Assistant of President Office, President of the Operation and Management Center 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. Special assistant at the Chairman Office 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. 14. Supervisor of Chairman of Wei Shin Investment CO., LTD.	Chairman/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 Record of Birth	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
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relationship	
Corporate director	Taiwan	Shun-Zhong Investment Co., Ltd.	-	2019.06.25	3 years	105.06.30	193,084	0.01	355,084	0.14	0	0	0	0	None	None	None	None	None	
Corporate director representative	Taiwan	MING-KAI HSIEH	Male 47 years old	2019.06.25	3 years	108.06.25	3,801,346	1.53	2,183,346	0.88	1,000	0.00	20,000,000	8.03	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. CEO of the Automation Business Group at KENMEC MECHANICAL ENGINEERING 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. 10. Chairman of Kenmec Construction Co. , Ltd. 11. Chairman of TAI VISION CO., LTD.	Chairman/Director and Special assistant at the Chairman Office/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 68 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 Record of Birth	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
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relationship	
Independent director	Taiwan	CHU-JU PENG	Female 59 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 50 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 ITrust Certified Public 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:

April 2, 2024

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 Chief Strategy Officer	Taiwan	CHING-FU HSIEH	Male	1976.06.01	14,253,707	5.72	10,117,345	4.06	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. Chairman of Wei Shin Investment 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 Special assistant in the Chairman Office /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	
CEO, Automation Business Group	Taiwan	MING-KAI HSIEH	Male	2019.03.01	2,183,346	0.88	1,000	0.00	20,000,000	8.03	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. Corporate director representative of KENMEC MECHANICAL ENGINEERING 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. 10. Chairman of Kenmec Construction Co. , Ltd. 11. Chairman of TAI VISION CO., LTD.	Chairman /Director and Special assistant in the Chairman Office /Vice President of Automation Business Group	CHING-FU HSIEH YUEH-CHEN LIN MING-CHIH HSIEH	Father-son Mother-son Brothers	
President	Taiwan	CHIH-CHUN KO	Male	2023.05.05	395,927	0.16	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,President of Automation Business Group 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	
Special assistant in the Chairman Office	Taiwan	YUEH-CHEN LIN	Female	1986.05.15	10,117,345	4.06	14,253,707	5.72	20,000,000	8.03	Graduated from Hujiang Senior High School Accountant, President, Assistant Vice President, Special Assistant of President Office, President of the Operation and Management Center 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. (Legal Representative) 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. Special assistant at the Chairman Office 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. 14. Supervisor of Chairman of Wei Shin Investment CO., LTD.	Chairman /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	
President, Operation and Management Center	Taiwan	LI-CHUAN SHEN	Female	2023.05.05	342,923	0.14	0	0	0	0	Graduated from Department of Business Administration, National Taipei University of Business Graduated from National Taipei University EMBA Department of Business Administration (Master) Accountant, secretary, section chief, assistant manager of management department, manager,Vice President, the Operation and Management Cente 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 T Chairman of TAI VISION CO., LTD. 4. Director of Tao Garden Hotel Co., Ltd. (Legal Representative) 5. Supervisor of Chief Global Logistics Co., Ltd. (Legal Representative) 6. Director of Tainergy Tech. Co., Ltd. (Legal Representative)	None	None	None	
Vice President, Automation Business Group	Taiwan	MING-CHIH HSIEH	Male	2016.01.01	510,850	0.21	129,716	0.05	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 Vice Chairman of Anhui Rongyun Real Estate Development Co., Ltd.	Chairman /Director and Special assistant in the Chairman Office / CEO, Automation Business Group	CHING-FU HSIEH YUEH-CHEN LIN MING-KAI 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	
Vice President, Automation Business Group	Taiwan	LIEN-YUAN WENG	Male	2014.07.01	51,000	0.02	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.	1. President of Chief Global Logistics Co., Ltd. 2. 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	29,011	0.01	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	
Assistant vice president Automation Business Group	Taiwan	CHIH-MAO CHANG	Male	2023.06.01	0	0	0	0.00	0	0	Graduated from Ruifang High School of Mechanical Engineering. Assistant Section Chief of Production Control Team, Deputy Manager of Procurement Department, Deputy Manager of Manufacturing Department, Manager, Ruifang Factory Director, Engineering Department Director, Integration Department Director of KENMEC MECHANICAL ENGINEERING CO., LTD.	None	None	None	None	
Assistant vice president of Heat Transfer Business Unit	Taiwan	KUEI-YUA HUANG	Male	2023.09.05	0	0	0	0.00	0	0	Graduated from Mechanical Engineering Department, Asia University of Technology. Manager of Gangyun Industry Co., Ltd. Mechanical Design Engineer, Team Leader, Section Chief, Deputy Manager, Deputy Manager of R&D Department, Deputy Manager of Engineering Department, Manager, Mechanical Department Manager, Integration Department Manager, Heat Transfer Business Group Director of KENMEC MECHANICAL ENGINEERING CO., LTD. Director of KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	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.

(1) 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									Industrial experience			Professional competence		State of independence (Note)	Number of public companies in which concurrently serves as an independent director
	Nationality	Gender	With employee status	Age				Years of service of independent directors		Business and supply	Mechanical and engineering	Financial affairs and finance	Financial affairs	Risk management		
				40–50 years old	51–60 years old	61–70 years old	71–80 years old	0–3 years	Over 9 years							
CHING-FU HSIEH	Taiwan	Male	V				V			V	V			V	The Company has 7 directors, including 5 male directors and 2 female director. All directors are Taiwanese, with an average age of 62 years. Of these directors, 3 are independent directors, accounting for 42.86% 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	V			V				V	V			V		0
YUEH-CHEN LIN		Female	V			V						V	V			0
Legal representative of Shun-Zhong Investment Co., Ltd. – MING-KAI HSIEH		Male	V	V						V				V		0
YI-YU LI		Male				V	V	V		V		V	V	V		1
CHU-JU PENG		Female			V		V	V		V		V	V	V		0
CHIEN-CHOU CHU		Male		V					V			V	V	V		2

(2) Diversity and Independence of the Board:

The composition of the Board of Directors of the company should consider diversity and possess the knowledge, skills, and qualities necessary to fulfill their duties. To achieve the ideal goal of corporate governance, the overall capabilities that the Board should possess are as follows:

①Operational judgment ability.
②Accounting and financial analysis ability.
③Business management ability.
④Crisis handling ability.
⑤Industry knowledge.
⑥International market perspective.
⑦Leadership ability.
⑧Decision-making ability.

In the spirit of diversity, the Board of Directors of the company is composed of industry elites and experts from various fields. The Board consists of 7 members, including 3 independent directors (43%), of which no more than two consecutive terms (67%) are allowed.

Among the directors, 4 are aged 60 or above, 1 is aged between 50-59, and 2 are aged below 50. To promote gender equality and enhance the participation of women in decision-making and the soundness of the board structure, the company emphasizes gender equality in the composition of board members, with the goal of maintaining at least one female director. Currently, there are 2 female directors (29%), meeting the target.

Considering the 7 directors of the company (including 3 independent directors), they all possess abilities such as business judgment, leadership decision-making, business management, international market perspective, and crisis handling, as well as industry experience and professional capabilities. Chairman Ching-Fu Hsieh, Director Chou-Huang Pai, and Director Ming-Kai Hsieh have experience in mechanical and engineering; Director Yueh-Chen Lin excels in finance ; Independent Directors Yi-Yu Li and Chu-Ju Peng are professors in the Department of Business Administration at National Chengchi University; Independent Director Chien-Chou Chu possesses professional accounting and financial capabilities and practical experience in practice and management.

Note 1：For the professional qualifications and experience of directors, please refer to the "Part .II.(I)Director Information" of this annual report, and all directors have no circumstances stipulated in Article 30 of the Company Law.

Note 2：All independent directors meet the following conditions:

- ●Compliance with the provisions of Article 14-2 of the Securities Exchange Act and the "Regulations Governing the Establishment and Compliance Matters for Independent Directors of Public Issuers" promulgated by the Financial Supervisory Commission, subparagraphs 5 to 8 of Article 3, Section 1.
- ●Neither the individual (or using another person's name), spouse, nor minor children hold company shares.
- ●No compensation has been received in the past two years for business, legal, financial, or accounting services provided to the company or its affiliates.

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, 2023; 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	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	The Company		All the companies included in the financial reports (Note 7)		The Company	All the companies included in the consolidated financial reports (Note 8)	
																Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
Director	CHING-FU HSIEH	18,679	26,839	0	0	3,561	3,561	30	68	22,270 2.7976%	30,467 3.8275%	29,381	41,072	0	0	9,545	0	9,545	0	61,195 7.6878%	81,084 10.1865%	0
Director	CHOU-HUANG PAI YUEH-CHEN LIN Shun-Zhong Investment Co., Ltd. Legal Representative – MING-KAI HSIEH	16,863	21,459	0	0	4,747	5,093	85	125	21,695 2.7256%	26,678 3.3515%	21,798	28,126	204	327	7,637	0	7,637	0	51,335 6.4492%	62,768 7.8854%	0
Director	YI-YU LI CHU-JU PENG CHIEN-CHOU CHU	1,800	1,800	0	0	3,561	3,561	105	105	5,466 1%	5,466 1%	0	0	0	0	0	0	0	0	5,466 1%	5,466 1%	0

a)	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.
b)	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.

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 last 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.
   (7) For listed and over-the-counter (OTC) companies, if the net profit after tax for the most recent fiscal year has increased by more than ten percent, but the average annual salary of full-time employees not in managerial positions has not increased compared to the previous year.
   (8) For listed and over-the-counter (OTC) companies, if the net profit after tax has declined by more than ten percent and exceeded NT$5 million in the most recent fiscal year, and if the average remuneration per director (excluding remuneration for concurrent employee roles) has increased by more than ten percent and exceeded NT$100,000.
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. In the most recent fiscal year, was there any payment of director retirement benefits? Yes, this represents the settlement of the old retirement benefit system, therefore a total of NT$32,900 thousand was paid for the old retirement benefits, recorded under payroll expenses. Among these, NT$18,000 thousand was paid to Chairman Xie Qingfu, and the remaining directors received a total of NT$149,000 thousand.
4. Only Chairman Hsieh was provided with an official car to carry out duties. The provision for retirement benefits expensed by the company in the fiscal year 112 amounted to NT$18,350 thousand.
5. The motion for the 2023 earnings distribution was resolved by the Board of Directors' meeting held on March 7, 2024; the motion for remuneration to directors/supervisors and employees was resolved by the Board of Directors' meeting held on March 7, 2024, 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	None	None	None	None
NTD 1,000,000 (inclusive) – NTD 2,000,000 (exclusive)	YI-YU LI, CHU-JU PENG	YI-YU LI, CHU-JU PENG	YI-YU LI, CHU-JU PENG	YI-YU LI, CHU-JU PENG
NTD 2,000,000 (inclusive) – NTD 3,500,000 (exclusive)	CHOU-HUANG PAI, CHIEN-CHOU CHU	CHOU-HUANG PAI, CHIEN-CHOU CHU	CHOU-HUANG PAI, CHIEN-CHOU CHU	CHOU-HUANG PAI, CHIEN-CHOU CHU
NTD 3,500,000 (inclusive) – NTD 5,000,000 (exclusive)	legal representative of Shun-Zhong Investment Co., Ltd. – MING-KAI HSIEH,	None	None	None
NTD 5,000,000 (inclusive) – NTD 10,000,000 (exclusive)	None	legal representative of Shun-Zhong Investment Co., Ltd. – MING-KAI HSIEH,	None	None
NTD 10,000,000 (inclusive) – NTD 15,000,000 (exclusive)	YUEH-CHEN LIN	YUEH-CHEN LIN	legal representative of Shun-Zhong Investment Co., Ltd. – MING-KAI HSIEH,	None
NTD 15,000,000 (inclusive) – NTD 30,000,000 (exclusive)	CHING-FU HSIEH	None	None	legal representative of Shun-Zhong Investment Co., Ltd. – MING-KAI HSIEH,
NTD 30,000,000 (inclusive) – NTD 50,000,000 (exclusive)	None	CHING-FU HSIEH	YUEH-CHEN LIN	YUEH-CHEN LIN
NTD 50,000,000 (inclusive) – NTD 100,000,000 (exclusive)	None	None	CHING-FU HSIEH	CHING-FU HSIEH
NTD 100,000,000 and above	None	None	None	None
Total (Note)	7	7	7	7

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, 2023; Unit: NTD thousand

Title	Name (Note 1)	Salary (A) (Note 2)		Retirement pension (B)		Bonuses, special allowances, etc. (C) (Note 3)		Employee remuneration amount (D) (Note 4)				Sum of A, B, C, and D as Percentage of Net Income (%) (Note 8)		Remuneration from invested businesses other than subsidiaries or the parent company (Note 9)
		The Company	All the companies included in the financial reports (Note 5)	The Company	All the companies included in the financial reports (Note 5)	The Company	All the companies included in the financial reports (Note 5)	The Company		All the companies included in the financial reports (Note 5)		The Company	All the companies included in the financial reports (Note 5)	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
Chairman and Chief Strategy Officer (Note 1)	CHING-FU HSIEH	50,311	65,112	636	780	32,372	42,006	25,445	0	25,445	0	108,764 13.66%	133,343 16.75%	None
Special Assistant, Chairman Office (President Level)	YUEH-CHEN LIN													
President (Note 1)	CHIH-CHUN KO													
President, Management Center	LI-CHUAN SHEN													
CEO, Automation Business Group (Note 1)	MING-KAI HSIEH													
Special Assistant, Chairman Office (Vice President Level) (Note 2)	CHOU-HUANG PAI													
Vice President, Automation Business Group (Note 1)	LIEN-YUAN WENG													
Vice President, Automation Business Group	MING-CHIH HSIEH													

Note 1: An official car is provided and depreciation expense is included in remuneration for the current period.
Note 2: CHOU-HUANG PAI retired on June 30, 2023.

Range of Remuneration

Range of remuneration to the President and Vice President	Names of the president and vice president	
	The Company (Note 7)	All the companies included in the financial statements (Note 8) (E)
Below NTD 1,000,000	CHOU-HUANG PAI	CHOU-HUANG PAI
NTD 1,000,000 (inclusive) – NTD 2,000,000 (exclusive)	None	None
NTD 2,000,000 (inclusive) – NTD 3,500,000 (exclusive)	MING-CHIH HSIEH	None
NTD 3,500,000 (inclusive) – NTD 5,000,000 (exclusive)	MING-KAI HSIEH	None
NTD 5,000,000 (inclusive) – NTD 10,000,000 (exclusive)	LIEN-YUAN WENG, CHIH-CHUN KO	LIEN-YUAN WENG, MING-CHIH HSIEH, CHIH-CHUN KO
NTD 10,000,000 (inclusive) – NTD 15,000,000 (exclusive)	LI-CHUAN SHEN, YUEH-CHEN LIN	MING-KAI HSIEH, LI-CHUAN SHEN
NTD 15,000,000 (inclusive) – NTD 30,000,000 (exclusive)	CHING-FU HSIEH	YUEH-CHEN LIN
NTD 30,000,000 (inclusive) – NTD 50,000,000 (exclusive)	None	CHING-FU HSIEH
NTD 50,000,000 (inclusive) – NTD 100,000,000 (exclusive)	None	None
NTD 100,000,000 and above	None	None
Total	8	8

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, 2023; 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	Chairman and Chief Strategy Officer	CHING-FU HSIEH	0	25,911	25,911	3.26%
	Special Assistant of the Chairman (vice president level)	CHOU-HUANG PAI				
	Special Assistant of the Chairman(President Level)	YUEH-CHEN LIN				
	CEO, Automation Business Group	MING-KAI HSIEH				
	President, the Operation and Management Center	LI-CHUAN SHEN				
	President	CHIH-CHUN KO				
	Vice President, Automation Business Group	MING-CHIH HSIEH				
	Vice President, Automation Business Group	LIEN-YUAN WENG				
	Assistant vice president, Department of Finance	CHIN-I LAI				
	Assistant vice president, Automation Business Group	CHIH-MAO CHANG				
	Assistant vice president, Heat Transfer Business Unit	KUEI-YUA HUANG				

Note: CHOU-HUANG PAI retired on June 30, 2023.

* 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			
	2023		2022	
	The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements
Director	14.82%	18.76%	12.23%	16.29%
President and Vice President	13.66%	16.75%	17.19%	21.36%

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 5 (A) meetings in the most recent year (2023); the attendance of directors is summarized as follows:

Title	Name (Note 1)	Actual Attendance B	Attendance by proxy	Actual attendance rate [B/A]
Chairman	CHING-FU HSIEH	4	1	80
Director	CHOU-HUANG PAI	4	1	80
Director	YUEH-CHEN LIN	5	0	100
Director	Shun-Zhong Investment Co., Ltd. Legal Representative – MING-KAI HSIEH	4	0	80
Independent director	YI-YU LI	5	0	100
Independent director	CHIEN-CHOU CHU	4	1	80
Independent director	CHU-JU PENG	5	0	100

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, 2023 End: December 31, 2023	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 7, 2024.	The internal self-evaluation of the Board of Directors: all evaluation item results were excellent; however, the following items require improvement: 1. Low frequency of board meetings 2. For independent directors who have served three consecutive terms, consideration should be given to whether this compromises their independence. 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, 2023 End: December 31, 2023	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 continuing education; and internal control, reported to the directors on March 7,	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. The attendance rate of directors at board meetings (excluding attendance by delegation) 2. Adequacy of time devoted by directors to Board-related matters 3. Directors also serving as a director/supervisor at multiple companies	

Number	Evaluation cycle	Evaluation method	Evaluation period	Evaluation scope	Evaluation content	Evaluation result	Remarks
					2024.		
3	Once a year	Internal self-evaluation of the Board of Directors	Start: January 1, 2023 End: December 31, 2023	The Functional Committee	Participation in the operation of the company; awareness of the duties of the audit committee; improvement of quality of decisions made by the audit committee; makeup of the audit committee and election of its members and internal control, reported to the directors on March 7, 2024.	The internal self-evaluation of the Audit Committee: all evaluation item results were excellent; however, the following items require improvement: 1. The Audit Committee still needs to strengthen the assessment and supervision of various risks existing or potential within the company.	
4	Once a year	Internal self-evaluation of the Board of Directors	Start: January 1, 2023 End: December 31, 2023	The Functional Committee	Participation in the operation of the company; awareness of the duties of the remuneration committee; improvement of quality of decisions made by the remuneration committee; makeup of the remuneration committee and election of its members and internal control, reported to the directors on March 7, 2024.	The internal self-evaluation of the Remuneration Committee: all evaluation item results were excellent; 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	

(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 2023; 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 2023 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 10, 2023 and the Board meeting held on March 10, 2023 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 (2023), 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)
Independent director	YI-YU LI	5	0	100
Independent director	CHIEN-CHOU CHU	5	0	100
Independent director	CHU-JU PENG	5	0	100

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
4th meeting of the 3rd term 2023/03/10	1. Motion for the amendments to the Company’s “Rules of Procedure for Board of Directors Meeting.”		None	Reviewed and passed by the Audit Committee
	2. Motion for amendments to the Company’s “Procedures of Acquisition or Disposal of Assets.”		None	Reviewed and passed by the Audit Committee
	3. Motion for amendment to the Company’s “Operating Procedures of Acquisition or Disposal of Assets.”		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
	4. 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
	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
6th meeting of the 3rd term 2023/05/05	1. Ratification of the motion for the Company's consolidated financial statements for Q1 2023.	V	None	Reviewed and passed by the Audit Committee
	2. It is planned to formulate the audit method for the company to pre-approval the certification accountant to provide non-confidence services.		None	Reviewed and passed by the Audit Committee
7th meeting of the 3rd term 2023/08/04	1. Ratification of the motion for the Company's consolidated financial statements for Q2 2023.	V	None	Reviewed and passed by the Audit Committee
	2. 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
	3. Motion for the proposed loaning of funds of NTD 30 million to the Company's subsidiary – Kenmec Construction 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
8th meeting of the 3rd term 2023/11/03	1. Ratification of the motion for the Company's consolidated financial statements for Q3 2023.	V	None	Reviewed and passed by the Audit Committee
	2. Motion for the 2024 audit plan.		None	Reviewed and passed by the Audit Committee
	3. Motion for the proposed cancellation of the remaining balance of NTD 30 million to subsidiary –Kenmec Construction Co. , Ltd.	V	None	Reviewed and passed by the Audit Committee
	4. Motion to pursue the case of endorsement and guarantee by Kentec Inc.	V	None	Reviewed and passed by the Audit Committee
	5. Proposed acquisition of 60% equity of KENMEC COMMUNICATION HOLDING (BVI) CO., LTD.	V	None	Reviewed and passed by the Audit Committee
	6. The subsidiary- KENMEC AUTOMATION ENGINEERING (KUNSHAN) is planning to sell its equity stake in Kentec Electronics (Suzhou) Co., Ltd	V	None	Reviewed and passed by the Audit Committee
9th meeting of the 3rd term 2024/03/07	1. Motion for the acknowledgment of the Company's 2023 business report, financial statements and consolidated financial statements.	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
	2. Motion for the issuance of the Company's 2023 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 formulate the Company's "Risk management policy and procedures."		None	Reviewed and passed by the Audit Committee
	5. Motion for the cancellation of the proposed loaning of remaining funds of RMB 20 million to subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Reviewed and passed by the Audit Committee
10th meeting of the 3rd term 2024/04/19	1. The company plans to handle the issuance of new shares through a cash increase and the issuance of the fifth domestic unsecured convertible corporate bonds.	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	V		V		V	V	V	The members of the Company's Remuneration Committee are independent directors of the Board. As of March 31, 2024, 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	V		V		V	V	V		0
Independent director	CHIEN-CHOU CHU		V			V	V	V		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. 14 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
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
4th meeting of the 5th term 2023/05/05	1. Report only: The HR Manager presented information regarding internal staff promotions.	None	None
5th meeting of the 5th term 2023/08/04	1. 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
6th meeting of the 5th term 2023/11/03	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 2023 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
7th meeting of the 5th term 2024/03/07	1. Motion for the distribution of the Company's 2023 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 4 (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)
Convener	YI-YU LI	4	0	100
Committee member	CHU-JU PENG	4	0	100
Committee member	CHIEN-CHOU CHU	4	0	100

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 formulated the "Corporate Governance Best Practice Principles" and disclosed them on the Taiwan Stock Exchange's website and the company's own website.	Compliant with the "Corporate Governance Best Practice Principles"
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.
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.

Item	State of operation			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(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.

Item	State of operation			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(IV) Does the company carry out assessments on the independence of the certified public accountant(s)?	V		(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 7, 2024, and submitted to the Board of Directors for resolution and approval on March 7, 2024. 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.	None.

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 2023.	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. (https://mops.twse.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.

Item	State of operation			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			provide employment opportunities in order to fulfill our social responsibility.	

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, 36%–50% in 2022. , and 21%–35% in 2023. 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 2023 is as follows

Number	Institution	Name of course	Duration		Course
			Start	End	Number of hours
1	Taiwan Institute of Directors	2023 Anho Leadership Institute Forum: Opportunities and Challenges in the Net Zero Wave	2023/04/13	2023/04/13	3
2	TWSE vs TPEx	Promotion Conference on Sustainable Development Action Plans for Listed Companies	2023/07/13	2023/07/13	3
3	Taiwan Corporate Governance Association	Crisis Decoded – Sustaining Business Longevity in the Age of Black Swans	2023/08/04	2023/08/04	3
4	TPEx	Internal Equity Advocacy Seminar for OTC and Emerging Stock Companies	2023/08/09	2023/08/09	3
5	Taiwan Corporate Governance Association	Practical Analysis of Board and Shareholders' Meeting Operations through Indicator Cases	2023/11/03	2023/11/03	3

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

Kenmec’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.

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	
I. Has the company constructed a governance structure to promote sustainable development and established a dedicated (concurrent) unit for the 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?	V		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 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 end of Year 2022 and will be renamed to "Sustainability Implementation 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 "Sustainability Implementation 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 "Sustainability Implementation 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-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.	In line with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies".
II. Has the company implemented the risk assessment of environmental, social, and corporate governance issues	V		To enhance corporate governance and establish an effective risk management mechanism to ensure the company achieves its sustainability goals, the company has formulated risk management policies and procedures. These include processes such as risk identification, risk analysis and assessment, risk monitoring, risk response, and risk reporting.	In line with the "Corporate Social Responsibility Best Practice

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 to corporate operation and established relevant risk management policies or strategies based on the principle of materiality? (Note 2)			The company assesses the probability of risk occurrence and its impact on the company, and then implements risk responses for specific high-risk items. It identifies and manages risk categories related to environmental, social, and corporate governance issues. The internal risk management policies and procedures established by the company require reporting to the Board of Directors and Audit Committee on the status of risk management at least once a year for reference, ensuring the proper functioning of the management framework and risk control functions.	Principles for TWSE/TPEx Listed Companies".
III. Environmental issues (I) Has the company implemented environmental policies suitable for the Company's industry characteristics?	V		(I)The company has established an appropriate environmental management system based on industry characteristics, such as promoting 6S environmental management audits.	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 is committed to enhancing environmental awareness among all employees and ensuring that the products produced by the company comply with environmental regulations, while actively working to improve the efficiency of various resources in the long term. 1. Product lightweighting: Efforts are made to reduce product weight by using lighter materials while ensuring product quality is not compromised. 2. Greening the supply chain: Collaboration with suppliers to select environmentally friendly products and reduce carbon footprint. 3. Efficient use of resources: By improving design and production processes, waste of materials and energy consumption are reduced. 4. Adoption of efficient equipment: The use of energy-saving and efficient production and transportation equipment to reduce unnecessary energy loss. 5. Maintenance and upgrading of existing equipment: Keeping equipment in optimal operating condition through regular maintenance and upgrades to ensure maximum energy efficiency. 6. Optimization of production scheduling: Proper scheduling of production to reduce energy waste and transportation costs. 7. Encouraging employee participation: Training employees on energy-saving awareness and encouraging their participation in carbon reduction and energy-saving activities to play an active role.	

<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>(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?</td><td>V</td><td></td><td>(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.</td><td></td></tr>
<tr><td>(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?</td><td>V</td><td></td><td>(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.

The direct and indirect greenhouse gas emissions statistics for our company in the year 112 are as follows:

The total direct greenhouse gas emissions volume
<table>
<tr><th rowspan="2"></th><th colspan="5">Category 1</th></tr>
<tr><th>Fixed emissions</th><th>Mobile emissions</th><th>Fugitive emissions</th><th>Process emissions</th><th>Land use</th></tr>
<tr><td rowspan="2">Emissions intensity (metric tons CO2e/year)</td><td colspan="5">912.9326</td></tr>
<tr><td>41.7988</td><td>495.6446</td><td>0.3557</td><td>375.1337</td><td>0.0000</td></tr>
<tr><td rowspan="2">Percentage distribution by gas type</td><td colspan="5">100.00%</td></tr>
<tr><td>4.58%</td><td>54.29%</td><td>0.04%</td><td>41.09%</td><td>0.00%</td></tr>
</table></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	

Total indirect greenhouse gas emissions

	Category 2	Category 3	Category 4	Category 5	Category 6
	Indirect GHG emissions from energy generation	Indirect GHG emissions from transportation	Indirect GHG emissions from products used by the organization	Indirect GHG emissions associated with products used by the organization	Indirect GHG emissions from other sources
Emissions intensity (metric tons CO2e/year)	862.4481	0.0000	0.0000	0.0000	0.0000

The seven types of greenhouse gas emissions from direct sources

	CO2	CH4	N2O	HFCs	PFCs	SF6	NF3	Annual total greenhouse gas emissions equivalent for the seven types of greenhouse gases
Emissions intensity (metric tons CO2e/year)	893.4672	4.5683	14.5529	0.3443	0.0000	0.0000	0.0000	912.9326
Percentage distribution by gas type	97.87%	0.50%	1.59%	0.04%	0.00%	0.00%	0.00%	100.00%

Greenhouse gas emission intensity	Annual revenue (millions of yuan)	Total emissions of Guangyun Company (metric tons CO2e)	Unit revenue intensity (metric tons/million yuan)
2022 年	2,260.18	1,662.70	0.74
2023 年	2,784.12	1,775.38	0.64

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".
(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? (III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V 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) 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. Occupational safety and health promotions and toolbox meetings are conducted for outsourced vendors before they go to the company's relevant sites for construction work to ensure a safe and healthy working environment. The total number of occupational accidents in 2023 was 8 (3 due to occupational accidents and 5 due to commuting accidents), accounting for	

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	
			2% of the total number of employees. No fire accidents occurred in 2023, and relevant preventive measures have been implemented: continuous training of dedicated fire prevention management personnel, regular inspections of fire protection equipment, employee fire drills, and electrical safety control.	
(IV) Does the Company have an effective career capacity development training program established for the employees? (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		(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) 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 will prepare the 2022 sustainability report in 2023 in accordance with the regulations, and will provide relevant information based on actual operations. Disclosed on the company's website and the corporate governance area of the Public Information Observatory. (https://mops.twse.com.tw)	Our Sustainability Report is being planned and will be prepared in accordance with laws and regulations.
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: The company's "Sustainable Development Code of Practice" was approved by the board of directors on March 10, 2023, and its operation is no different from the established code.				
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.				

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) 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 2023, the Company spent NTD 746,000 ,A total of 15 manufacturers have benefited, 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 2023, we donated 190 bags of blood; in 2022, we donated 164 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. 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

<table>
<tr><th rowspan="2">Item</th><th colspan="3">State of operation</th><th rowspan="2">Deviations from Ethical Corporate Management 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>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?</td><td>V</td><td></td><td>(I) The company designates the General Manager's Office as the dedicated unit for integrity management, responsible for promoting integrity management, anti-corruption, anti-bribery, and compliance with laws and regulations within the group. It reports its implementation to the company's board of directors annually. The "Code of Integrity Management" of the company is implemented after approval by the Audit Committee and the Board of Directors. The board of directors of the company fulfills its duty of care as a prudent manager, overseeing the company to prevent dishonest behavior and ensure the implementation of integrity management policies.

The execution status of the integrity operation in 2023 is as follows:.
<table>
<tr><td>Supplier Commitments:</td><td>1.Implementation of Supply Chain Code of Conduct.
2.Suppliers signing the Integrity and Anti Corruption Commitment</td></tr>
<tr><td>Education and Training:</td><td>1.New employee training: 513 participants, totaling 1,958 hours.
2.Annual training for all employees: 6,263 participants, totaling 16,928 hours.</td></tr>
<tr><td>Commitments:</td><td>1.Employee signing of the Employee Integrity Service Code upon joining, with a 100% completion rate.
2.Directors and senior managers signing the Integrity and Business Ethics Statement.</td></tr>
<tr><td>Promotion and Awareness:</td><td>1.Monthly integrity reading for all employees.
2.Whistleblowing system - Reporting and Complaints Procedure available at kenmec@kenmec.com</td></tr>
</table></td><td>No deviation</td></tr>
<tr><td>(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities</td><td>V</td><td></td><td>(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</td><td>No deviation</td></tr>
</table>

Item	State of operation			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
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"?			act risks to facilitate the prevention of unethical and illegal conduct.	
(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 2023, 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 203 people participated, totaling 401 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		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

Item	State of operation			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
management policy, prevention program of unethical conduct and implementation status of supervision to the board of directors?				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
(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	 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	No deviation

Item	State of operation			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
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		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.	
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
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, through a resolution passed by the Board of Directors on March 10, 2023, has established the "Code of Integrity Management" to implement and adhere to its 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): The company will review and amend the "Code of Integrity Management" as necessary in accordance with business development and relevant regulations on integrity management.				

(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

On March 10, 2023, the Board of Directors of the company passed the "Corporate Governance Best Practices Guidelines," and relevant information will be disclosed on the company's website. Website: kenmec.com/tw/investor06-5.aspx

(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 2023 Annual General Meeting was held on June 28, 2023. 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 2022 business report and financial statements.	The resolution was passed and implemented.
2	Passed the motion for 2022 earnings distribution.	July 14, 2023 was set as the ex-dividend date and July 28, 2023 the distribution date (at NTD 1.62 cash dividend per share). The implementation was completed.
3	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.
4	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.

2. The following is a summary of the significant resolutions made by the Company's Board of Directors from January 1, 2023 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
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
	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

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
	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
2023-3 2023/05/05	1.Ratification of the motion for the Company's consolidated financial statements for Q1 2023.	V	None	Resolved and passed by directors present at the board meeting
	2.It is planned to formulate the audit method for the company to pre-approval the certification accountant to provide non-confidence services.		None	Resolved and passed by directors present at the board meeting
	3.Appointment of Mr. CHIH-CHUN KO as General Manager of the Company.	V	None	Resolved and passed by directors present at the board meeting
2023-4 2023/08/04	1.Ratification of the motion for the Company's consolidated financial statements for Q2 2023.	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 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 NTD 30 million to the Company's subsidiary –Kenmec Construction Co. , Ltd.	V	None	Resolved and passed by directors present at the board meeting
2023-5 2023/11/03	1.Ratification of the motion for the Company's consolidated financial statements for Q3 2023.	V	None	Resolved and passed by directors present at the board meeting
	2.Motion for the 2024 audit plan.		None	Resolved and passed by directors present at the board meeting
	3.Motion for the proposed cancellation of the remaining balance of NTD 30 million to subsidiary –Kenmec Construction Co. , Ltd.	V	None	Resolved and passed by directors present at the board meeting
	4.Motion to pursue the case of endorsement and guarantee by Kentec Inc.	V	None	Resolved and passed by directors present at the board meeting
	5.Proposed acquisition of 60% equity of KENMEC COMMUNICATION HOLDING (BVI) CO., LTD.	V	None	Resolved and passed by directors present at the board meeting
	6.The subsidiary- KENMEC AUTOMATION ENGINEERING (KUNSHAN) is planning to sell its equity stake in Kentec Electronics (Suzhou) Co., Ltd	V	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
2024-1 2024/03/07	1.Motion for the acknowledgment of the Company's 2023 business report, financial statements and consolidated financial statements.	V	None	Resolved and passed by directors present at the board meeting
	2.Motion for the issuance of the Company's 2023 internal control system declaration.		None	Resolved and passed by directors present at the board meeting
	3. 3.Motion for the Company's 2023 earnings distribution; please review.		None	Resolved and passed by directors present at the board meeting
	4..Motion for the issuance of the Company's 2023 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 2024 budget.		None	Resolved and passed by directors present at the board meeting
	7.Motion for the recognition of 2023 related parties, specific companies and enterprise groups.		None	Resolved and passed by directors present at the board meeting
	8.Date, time, location and motions for the convening the Company's 2024 Annual General Meeting.		None	Resolved and passed by directors present at the board meeting
	9.Motion to formulate the Company's "Risk management policy and procedures."		None	Resolved and passed by directors present at the board meeting
	10.Amendment to the Company's "Organizational Regulations of the Compensation Committee. "		None	Resolved and passed by directors present at the board meeting
	11. Amendment to the Company's "Rules of Procedure of the Board of Directors. "		None	Resolved and passed by directors present at the board meeting
	12. Amendment to the Company's "Board of Directors Self-Assessment Measures"		None	Resolved and passed by directors present at the board meeting
	13.Motion for the cancellation of the proposed loaning of remaining funds of RMB 20 million to subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Resolved and passed by directors present at the board meeting
	14.Resolution on matters related to setting the ex-dividend date for cash dividends.		None	Resolved and passed by directors present at the board meeting
2024-2 2024/04/19	1.The company plans to handle the issuance of new shares through a cash increase and the issuance of the fifth domestic unsecured convertible corporate bonds.	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	2023.01.01~2023.12.31	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	2023.01.01-2023.12.31 2023.01.01-2023.12.31	3,580	679	4,259	Tax audit fee: NTD 300 thousand; transfer pricing fee: NTD 200 thousand; foreign company maintenance fee: NTD85thousand. Director's employment certificate is $15 thousand, liquidation service fee is $58 thousand, and capital increase service fee is $21 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	2023		By March 31 of 2024	
		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 Chief Strategy Officer	CHING-FU HSIEH	(9,990,000)	None	None	None
Special assistant to the chairman's office	CHOU-HUANG PAI	(6,120,000)	None	(10,000)	None
Special assistant to the chairman's office	YUEH-CHEN LIN	(8,100,000)	None	None	None
CEO, Automation Business Group	MING-KAI HSIEH	(1,999,000)	(2,000,000)	(19,000)	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.	162,000	None	None	None
General Manager of the Operation and Management Center	LI-CHUAN SHEN	(62,000)	None	(66,000)	None
managing director	CHIH-CHUN KE	(62,000)	None	(60,000)	None
Vice President, Automation Business Group	LIEN-YUAN WENG	(26,000)	None	(26,000)	None
Vice President, Automation Business Group	MING-CHIH HSIEH	(4,000)	None	None	None
Assistant Manager, Department of Finance	CHIN-I LAI	(52,000)	None	(45,000)	None
Associate of Automation Business Group	Zhang Zhimao	6,000	None	(6,000)	None
Associate of Hot Transmission Business Group	Huang Gui wishes	None	None	None	None

(1) Information on directors, managers and major shareholders during the transfer of shares in which the counterparty is a related party: None.

(2) 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 2, 2024 (Note)

Name (Note 1)	Shares held by the shareholder		Shareholdings of spouse and underage children		Total shares held in the names of others		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.	20,000,000	8.03	None	None	None	None	None	None	None
Wei-Xin Investment Co., Ltd. Representative: CHING-FU HSIEH	14,253,707	5.72	10,117,345	4.06	20,000,000	8.03	CHING-FU HSIEH	Person in charge	None
							YUEH-CHEN LIN	Spouse of the person in charge	
CHING-FU HSIEH	14,253,707	5.72	10,117,345	4.06	20,000,000	8.03	YUEH-CHEN LIN	Husband-wife	None
							Wei-Xin Investment Co., Ltd.,	Person in charge	
Zhao Cheng Investment Co., Ltd.	13,000,000	5.22	None	None	None	None	None	None	None
Zhao Cheng Investment Co., Ltd. Representative: CHOU-HUANG PAI	6,140,086	2.47	1,205,606	0.48	13,000,000	5.22	CHOU-HUANG PAI	Person in charge	None
							DONG-SYUE HONG	Spouse of the person in charge	
YUEH-CHEN LIN	10,117,345	4.06	14,253,707	5.72	20,000,000	8.03	CHING-FU HSIEH	Husband-wife	None
							Wei-Xin Investment Co., Ltd.	Spouse of the person in charge	
CHOU-HUANG PAI	6,140,086	2.47	1,205,606	0.48	13,000,000	5.22	Zhao Cheng Investment Co., Ltd., Preparatory Office	Person in charge	None
							DONG-SYUE HONG	Husband-wife	
MING-KAI HSIEH	2,183,346	0.88	1,000	0.00	20,000,000	8.03	CHING-FU HSIEH	Father- son	None
							YUEH-CHEN LIN	Mother- son	
YONG-CHANG CAI	1,391,000	0.56	None	None	None	None	None	None	None
DONG-SYUE HONG	1,205,606	0.48	6,140,086	2.47	13,000,000	5.22	CHOU-HUANG PAI	Husband-wife	None
							Zhao Cheng Investment Co., Ltd.	Spouse of the person in charge	
RU-SIN DU	1,145,000	0.46	None	None	None	None	None	None	None
DA-CHENG LAI	946,000	0.38	None	None	None	None	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, 2024/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
Tainergy Tech. Co., Ltd.	61,133	27.17	840	0.37	61,973	27.54
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.	20,000	100.00	-	-	20,000	100.00
Chief Global Logistics Co., Ltd.	1,040	52.00	320	16.00	1,360	68.00
Kenmec Communication Holding (BVI) Co., Ltd.	16,852	60.00	11,235	40.00	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.	-	-	-	96.13	-	96.13
Tainergy Technology (Kunshan) Co., Ltd.	-	-	-	27.17	-	27.17
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.	-	-	-	-	-	-
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	-	-	-	34.51	-	34.51
KENMEC AUTOMATION (THAILAND) CO., LTD.	349	99.99	1	0.01	350	100.00
Anhui Rongyun Real Estate Development Co., Ltd	-	-	-	39.59	-	39.59
TAI VISION CO., LTD.	-	-	-	80.00	-	80.00

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 70,000 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 2, 2024; 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 2, 2024 (Note)

Composition of shareholders / Quantity	Government Agency	Financial Institution	Other Corporate Entities	Individuals	Foreign Institutions and Foreigners	Total
Number of Persons	—	—	291	75,319	101	75,711
Number of shares held	—	—	37,736,948	205,134,258	6,139,944	249,011,150
Shareholding percentage	—	—	15.15	82.38	2.47	100.00

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

(IV) Distribution of equity

April 2, 2024 (Note)

Range of Shareholding	Number of Shareholders	Number of shares held	Shareholding ratio
1-999	35,995	1,602,351	0.64
1,000-5,000	34,033	63,522,593	25.51
5,001-10,000	3,231	26,038,988	10.46
10,001-15,000	797	10,277,720	4.13
15,001-20,000	558	10,397,525	4.18
20,001-30,000	451	11,562,295	4.64
30,001-40,000	197	7,009,050	2.81
40,001-50,000	130	6,019,263	2.42
50,001-100,000	201	14,852,758	5.96
100,001-200,000	64	9,126,777	3.67
200,001-400,000	30	9,319,232	3.74
400,001-600,000	5	2,415,850	0.97
600,001-800,000	8	5,599,658	2.25
800,001-1,000,000	2	1,831,000	0.74
1,000,001 shares and above	9	69,436,090	27.88
Total	75,711	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 2, 2024 (Note)

Name of major shareholder/shareholding	Number of shareholding	Shareholding percentage (%)
Wei-Xin Investment Co., Ltd. Representative: CHING-FU HSIEH	20,000,000	8.03
CHING-FU HSIEH	14,243,707	5.72
Zhao Cheng Investment Co., Ltd. Representative: CHOU-HUANG PAI	13,000,000	5.22
YUEH-CHEN LIN	10,117,345	4.06
CHOU-HUANG PAI	6,140,086	2.47
MING-KAI HSIEH	2,183,346	0.88
YONG-CHANG CAIi	1,391,000	0.56
DONG-XUE HONG	1,205,606	0.48
XIN-RU DU	1,145,000	0.46
DAC-CHENG LAI	946,000	0.38

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			2022	2023	First quarter of 2024 (Note 8)
Market price per share (Note 1)	Highest		34.00	108.50	95.60
	Lowest		22.00	25.10	56.00
	Average		26.98	50.49	71.46
Net value per share (Note 2)	Before distribution		14.49	16.11	14.54
	After distribution		12.87	—	—
EPS	Weighted average number of shares (thousand shares)		249,011	249,011	249,011
	EPS (Note 3)	Before retrospective adjustment	1.91	3.20	0.06
		After retrospective adjustment	—	—	—
Dividends per share	Cash dividend		1.62	1.70	—
	Stock bonus	Dividends from earnings	—	—	—
		Dividends from capital reserve	—	—	—
	Accumulated unpaid dividends (Note 4)		—	—	—
ROI analysis	P/E ratio (Note 5)		14.13	15.78	1,191.00
	P/D ratio (Note 6)		16.65	29.70	—
	Cash dividend yield (%) (Note 7)		6.00	3.37	—

*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	206,091,992
Less: Organizational restructuring adjustments	(151,564,086)
Add: Retained earnings adjusted by investment accounted for using the equity method	392,626
Add: Remeasurement of defined benefit plans recognized as retained profits	(2,325,468)
Undistributed earnings after adjustment	52,595,064
Add: Net income (loss) after tax for the period	795,997,108
Less: Profits set aside as legal reserves (10%)	(64,250,018)
Distributable earnings for the current period	784,342,154
Distribution of earnings for the current period:	
Shareholder bonus – cash	(423,318,955)
Total amount distributed	(423,318,955)
Undistributed earnings at the end of the period	361,023,199
Notes: NTD 61,885,823 allocated as remuneration to employees NTD 11,868,514 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 2023 earnings distribution was resolved by the Board of Directors' meeting held on March 7, 2024, 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 2023, 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 2023 earnings distribution passed by resolution by the Board of Directors on March 7, 2024 – NTD 61,885,823 was allocated as remuneration to employees; NTD 11,868,514 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	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%

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	2,000,000
Cumulative number of the Company’s shares	0
Cumulative number of the Company’s shares to the total number of shares issued (%)	0%

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	2022		2023	
	Amount	%	Amount	%
Automated logistics system	2,311,070	43.12	2,972,529	53.54
Solar cell	2,217,751	41.38	2,127,840	38.33
Electronics parts and components	584,846	10.91	237,300	4.27
Building (construction) materials	204,181	3.81	164,100	2.96
Others	41,360	0.78	49,721	0.90
Total	5,359,208	100.00	5,551,490	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, with the increasing impact of global warming and extreme weather, the survival and development of human beings have been threatened like never before. Countries or regions around the world have set carbon neutrality targets one after another, and are committed to promoting green energy-related policies, which has also contributed to the rapid growth of the solar energy market, one of the renewable energy sources. As the cost of solar power continues to be optimized, making it even more competitive than traditional energy sources in many regions, coupled with the introduction of solar development policies and incentives in many countries and regions, the solar market has expanded, and the global installed demand will reach 358GW in 2023, with an annual growth rate of 56%.

However, some research agencies mentioned in a report earlier this year that the growth of the global solar market is likely to follow a typical S-curve, with PV economic growth climbing rapidly along the steepest part of the curve in the past four to five years, and the growth rate will slow down as the solar market matures. It is expected that from 2024 onwards, the industry will officially pass a turning point, and the growth model will slow down, especially during the period from 2024 to 2028, the average annual growth will enter a period of consolidation, and the global annual installation volume will be slightly flat. Nonetheless, we should take a more optimistic view of the development of the solar market, which is now many times larger than the annual global solar installations just a few years ago, and this annual demand will continue to lead the world towards net-zero carbon emissions.

A. China: China, the world's largest PV market, is likely to see a slight contraction in growth in 2024 as overall investment in grid infrastructure remains insufficient. After years of explosive growth in power generation capacity, China's PV industry needs more storage capacity to match. In addition, with the removal of some subsidies and the change of compensation schemes, the growth of distributed solar will also slow.

B. Europe: In line with global trends, the EU's solar market grew by 38% in 2022 and 26% in 2023, while the continent's annual growth rate could slow to around 4% over the next five years. The urgency of the energy crisis triggered by the Russia-Ukraine war has diminished as retail prices in the energy market fell by 40% last year, but this also means that the distributed solar market in several parts of Europe will be suppressed and will have a knock-on impact on the overall installation demand in Europe, as the growth of utility-scale centralized solar has been limited by the capacity of the grid infrastructure. It is worth noting that during the new crown epidemic and the early stage of the Russia-Ukraine war, the European market has accumulated a large number of inventories due to excessive procurement of solar modules, resulting in mediocre import momentum in 2023. In addition, in February 2024, the European Union finalized the contents of the new legislation Net-Zero Industry Act (NZIA), laying the groundwork for the path to clean energy, including solar energy, for local manufacturing. This is a preliminary bill, symbolic, and the first to be introduced by the European Union under the initiative of Made in Europe. The main reason is that the United States introduced the Inflation Reduction Act (IRA) in 2022 to encourage local manufacturing and reduce dependence on Chinese imports. The launch of NZIA will make the two major regional markets in Europe and the United States more firmly resist China's imported photovoltaic products.

C. United States: Since the fourth quarter of 2023, due to the serious oversupply in the market environment, coupled with the Federal Reserve's repeated interest rate hikes since the mid-to-late stage of the new crown epidemic, the capital cost of solar projects has been raised and the return rate has plummeted, especially in the traditional rooftop market with high unit prices and preferences for high-end products, the return period has been greatly extended due to high loan interest, which has seriously hit users' willingness to apply for installation. Under an optimistic scenario, the US solar installed capacity is estimated to be around 38GW in 2024, up 17% from 32.4GW in 2023, and the growth rate is far less robust than the 51% growth in 2022-2023. On the other hand, the benefits of the IRA will be felt in 2024, with 40GW of module capacity expected to be operational in the US by the end of this year, a nearly two-fold increase. In fact, although the US solar module production capacity is planned to grow to 120GW by 2026 after the IRA comes into effect, the actual module manufacturing capacity in the US has only increased by a few GW since the introduction of the law, which is related to the complicated construction process and the time-consuming procurement, transportation and installation of equipment. In terms of overall installations, the study expects the US solar market to grow at a neutral average of around 6% between 2024 and 2028, which is well below the average growth rate of 27% between 2019 and 2023. As 2024 is the presidential election year in the United States, the market is full of uncertainty and a wait-and-see attitude until the direction of the future of US PV policies and trade barriers is unclear. The timing of interest rate cuts, the release of domestic manufacturing capacity, and tariffs on imports will be closely linked to the overall US solar installation in 2024 and the proportion of this demand supplied by domestic capacity.

D. India: In order to achieve the ambitious policy target of 337GW of cumulative installed renewable energy capacity by 2026-2027, of which solar energy accounts for 186GW, the Indian government has introduced various demand incentives in recent years, including the CPSU government producer program Phase-II (the government provides feasibility gap funds to government agencies or public enterprises to build ground-mounted power plants), solar parks and mega-solar project development plans (The state provides subsidies and is managed by SECI, India's state-owned solar energy company, and the state governments allocate project land and select park developers to be responsible for the construction of solar parks), PM-KUSUM Farmers' Energy Security and Development Program (subsidizes the construction of solar power plants on agricultural land, installs solar power irrigation pumps on agricultural land, and converts 3.5 million pumps already connected to the grid to solar power, etc.), PM-Surya Ghar Prime Minister Solar Family Program (Through subsidies, it is hoped that the cumulative installed capacity of rooftop distributed capacity will reach 40GW by 2026), etc. By the end of 2023, India's cumulative solar capacity was 73.3GW, 110GW away from the policy target, and the slower growth rate was mainly due to difficulties in land acquisition, sluggish administrative processes, and the high cost of solar energy that most residents still cannot afford despite subsidies. Although it is challenging to overcome these problems in the short term and quickly increase the installed capacity, in the long term, India is moving towards greater investment and simplified institutional implementation. In terms of encouraging local manufacturing, the Basic Customs Duty (BCD) currently imposes tariffs of 25% and 40% on imported cells and modules, respectively, in addition to the list of ALMM modules that prefer local suppliers in India is expected to be re-launched in the second quarter of 2024, and the PLI capacity bidding program to encourage manufacturers to establish vertically integrated module + cell capacity or even more upstream to strengthen the local solar supply chain. Although these measures are in line with the policy direction of the Indian authorities to support the domestic PV industry, due to the sharp drop in module prices in China after 2023, the impact of BCD tariffs on the import of Chinese PV products is gradually decreasing, and it is expected that in the next few years, India's domestic installed capacity will be affected by the competition between imports and local products, and the solar installation is expected to be 17~20GW in 2024.

E. In addition to the demand from the four regional markets mentioned above, the Americas market outside the United States, especially the sunny Brazil, has sprung up in the past two years, and the number of solar installations and market share has even surpassed India, with the number of modules imported from China reaching 20.6GW in 2023, an increase of 15% from 17.9GW in 2022, accounting for about 8% of the total module imports from the Americas to China. The buzz in the Brazilian market is mainly affected by the country's Law 14.300, which came into force in January 2023, which introduced a new institutional framework for distributed generation and also led to a rush to install, but due to the expiration of the stipulated installation deadline, the demand boom for distributed projects has receded, coupled with the impact of the 9.6% solar module import tariff on the road in early 2024, Brazil's installed capacity in 2024 may not be able to maintain the same growth rate as in 2023. In other places, such as Japan, the Middle East, Southeast Asia, Africa and other places, the photovoltaic industry continues to develop steadily. In particular, Saudi Arabia in the Middle East and South America in Africa will have more than half of the installed demand and cargo volume of solar modules in the region in 2023, which is very dazzling, and it is expected to perform well in 2024.

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

Although there was a severe shortage of polysilicon in 2021~2022, making the overall PV supply chain at a high level for more than a year, the production capacity of polysilicon has increased significantly in the past two years. The production capacity of upstream polysilicon manufacturers exceeded 500 GW at the end of 2022, and a large number of new polysilicon manufacturers will be deployed in 2023, with an annual growth rate of 69%. On the other hand, with the continuous optimization of N-type solar technology in 2023, the rise and capacity expansion of TOPCon cells have gradually reduced the production capacity of Mono PERC cells, which originally dominated the market, In other words, the market demand for N-type wafers has increased significantly, but the polysilicon that can meet their quality requirements is relatively insufficient, which makes the seemingly oversupplied raw material supply situation turn into a competition for resources for high-quality N-type silicon by N-type wafer manufacturers. However, the production capacity of a large number of P-type polysilicon corresponds to the rapid reduction of demand. Overall, polysilicon prices in China are expected to remain flat for a short time after a slight rebound during the Chinese New Year in February, followed by a slight decline in the second quarter due to underlying supply and demand issues. Under the N-type wave, low-quality polysilicon production capacity may face a decline. Although polysilicon supply tends to be stable, prices are expected to decline steadily and slowly as the ability of the manufacturing side to reduce costs is approaching a bottleneck, and there will still be short-term price fluctuations due to supply fluctuations such as maintenance or early stocking in some seasons of the year.

B. Silicon Wafer Supply

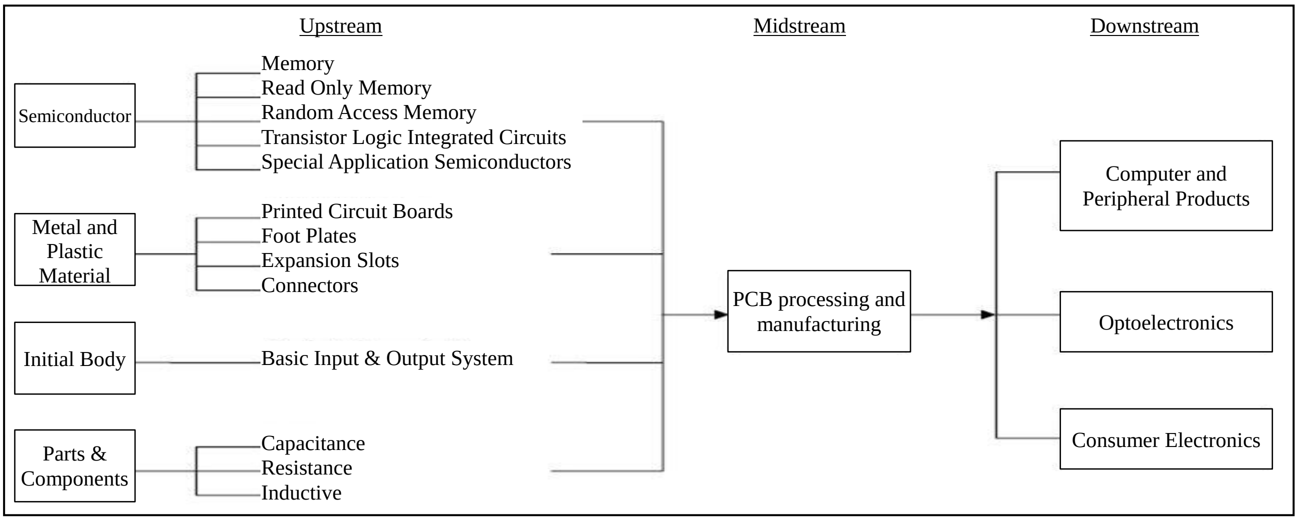
Wafer production capacity has expanded significantly in recent years, and there has been no obvious sign of easing in the past two years. With the acceleration of wafer manufacturers' capacity expansion, the global production capacity reached 960 GW by the end of 2023, a year-on-year increase of about 60%, and although the overall production capacity of polysilicon is still unreachable, with the release of the production capacity of major polysilicon manufacturers and many new factories in 2024, polysilicon will no longer be a bottleneck in the development of the industrial chain, and the supply of polysilicon and wafers will be far enough to meet the global downstream installed capacity demand, or even a significant surplus. Wafer prices are expected to follow the same trend as polysilicon prices, slowly declining. By the end of 2023, most wafer manufacturers have increased their N-type output targets to more than 50% of their own production capacity, and a few companies are focusing on N-type wafer production at nearly 100%. At the beginning of 2024, the penetration rate of N-type wafers reached 55% of the industry, and it is expected to reach more than 75% in the second quarter of 2024. With the gradual increase in the output of N-type wafers, it also indirectly highlights the relatively tight supply of high-quality polysilicon required for N-type wafer pulling, and the price has been strongly supported.

C. Market Supply and Demand

However, China's main PV supply chain (polysilicon, wafers, cells, modules) alone has more than 1TW of solar module manufacturing capacity, which is about three times the global demand, compared to only about 350GW of global installations in 2024. Therefore, it is inevitable that such a large capacity cannot be fully utilized, and the capacity utilization rate will drop from 70% in 2021 to less than 40% in 2023. This oversupply is one of the reasons why solar module prices hit record lows in 2023. Although the imbalance between supply and demand will promote the survival competition of the weak and the strong, it is conceivable that the overall market will be in a situation of overcapacity in the short and medium term, and there will be fierce price competition in the supply chain. In terms of bargaining power, the initiative has gradually shifted from the upstream wafer and polysilicon links to the downstream cell and module links.

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 48 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. Wafers and production equipment continue to evolve in the direction of large size: The transition of the PV industry to large-size silicon wafers/cells in 2022~2024 has not stopped. So far, most PV manufacturers in China have opted to produce 182mm and 210mm sizes, while smaller sizes such as 158.75mm and 166mm have long since faded. In 2023, modules based on 182mm size have dominated the market, followed by 210mm modules, and there is no much demand for 166mm size products, and 158.75mm size mono products are almost extinct. Although the size conversion of overseas markets mainly in Europe and the United States is slow, and some of the early production lines can only produce products below 166mm, and most of the residential rooftop markets in Europe and the United States still use small-sized products due to installation convenience considerations, and many early-stage projects still require small-size modules for maintenance and replacement, the pressure of size transformation led by the Asian production and supply side has gradually been transmitted to the downstream, and European and American module manufacturers have been forced to change their machines when they are unable to obtain sufficient supply of small-size cells or their prices are too high to afford, set up a new line or close the factory. At present, the market share of smaller sizes (less than 166 mm) has dropped to less than 5%, while sizes of 182 mm and 210 mm and above account for more than 95%.

B. Rapid rise of N-type products: Although monocrystalline PERC cells have occupied a mainstream position in the market in the past few years due to their better performance in yield and cost, with the technological development of PERC cells and the improvement of efficiency approaching the bottleneck, the profits of PERC products are gradually decreasing under the competition in the general environment. With the reduction of production costs and the improvement of yield, N-type batteries will surpass P-type batteries to become the mainstream of the new generation of the market in 2023~2024. However, after years of competition between different technical routes of N-type cells, most of the leading manufacturers choose processes that can be integrated with PERC, and the cost can be close to PERC's TOPCon technology for major expansion planning. According to statistics, in 2022, about 20GW of N-type high-efficiency products will be shipped, with a market share of more than 7%, and by the end of 2023, TOPCon's production capacity has been claimed to be 560GW, HJT and XBC's production capacity has reached 45GW and 48GW respectively, while PERC's existing production capacity is around 512GW and is gradually declining. This means that in 2024, the share of N-type high-efficiency cell technology capacity will exceed that of PERC across the board, and the replacement of PERC capacity will be accelerated with a devastating trend.

C. Silicon wafers continue to be thin: With the continuous advancement of large sizes since 2019, the thickness of silicon wafers has stayed at 170-180um for at least 3 years. However, since 2021, due to the shortage of polysilicon and the rising price of polysilicon, as well as the introduction of large-size advanced equipment, the promotion of thinning has suddenly accelerated, and the thickness of silicon wafers has decreased by more than 15um in just over a year, and the trend is continuing to decline. In the face of high polysilicon prices, the most direct and effective measure to reduce the cost of wafers is to reduce the amount of polysilicon used. Wafer thinning is a specific method of material saving, which has outstanding advantages in reducing costs in the industrial chain. At present, the mainstream thickness of P-type 182mm and 210mm sizes of leading wafer manufacturers has dropped to less than 150um, while the thickness of N-type wafers in mass production on the market is even thinner, only 130um, and Zhonghuan has even launched N-type silicon wafers with a thickness of 110um. Overall, there is an increasing demand for thinner wafers, both on the wafer and cell sides, which are accelerating the switching between product thicknesses. Now that the technology of thinning technology has been broken, even if the price of polysilicon and wafers has fallen, it is unlikely that the thickness of the wafer will return due to the consideration of cost reduction. However, excessive wafer thinning will lead to an increase in the breakage rate of cells and modules in the processing process, so it is expected that the trend of thinning will slow down when it reaches a bottleneck.

D. Competitive landscape: Overall, China, with its vast vertically integrated manufacturing capabilities, will continue to disrupt markets such as the United States and India that are trying to build domestic supply chains. Faced with low-price competition and a rigorous return on investment (ROI) from Chinese exports, many facilities in the U.S., India, and Europe will inevitably fail to materialize, and even many existing facilities will struggle to maintain operations as capacity utilization declines. Even in China, multiple announcements of factory set-ups in the past few months have affected manufacturers' production costs, forcing some suppliers to reduce profits to zero. Although the U.S. PV manufacturing industry will issue a series of announcements on investment and factory construction in 2023 with the support of the IRA, 2024 will test which companies have the confidence and financial resources to continue to move forward. Solar manufacturing is notoriously challenging, but over the years the industry has grown to an unprecedented size. As global demand growth slows, manufacturers must continue to innovate and improve in order to stay afloat.

(III) Overview of the Technology and R&D

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

Unit: NTD thousand

Item/Year	2019	2020	2021 (after restatement)	2022	2023	First quarter of 2024
R&D expense	101,833	107,507	161,342	254,970	358,827	67,778
Operating revenue	4,363,773	4,298,290	4,039,778	5,359,208	5,551,490	609,542
R&D expenses as a percentage of revenue	2.33%	2.50%	3.99%	4.76%	6.46%	11.12%

(2) R&D personnel and their education background

Unit: person

Year	2022	2023	First quarter of 2024

Education background	Number of Persons	%	Number of Persons	%	Number of Persons	%
Doctoral Degree	8	5%	8	4%	8	4%
Master's degree	19	11%	32	15%	37	16%
College or below	144	84%	173	81%	180	80%
Total	171	100%	213	100%	225	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
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
2023	Portable map scanning system The second generation of KENMEC intelligent control board KM-ICB02 The AMR in the factory area is fully introduced into the 5G enterprise private network AMR Field Application (Kaohsiung/Ruifang 2F Demo) Water-to-gas CDU products 5G water-cooled CDU

(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		2022		2023	
		Amount	%	Amount	%
Domestic market		2,480,534	46.29	3,095,033	55.75
Export	Oceania	6,327	0.12	-	-
	Asia	1,323,253	24.69	1,183,956	21.33
	Americas	1,532,451	28.59	1,248,036	22.48
	Europe	16,643	0.31	24,465	0.44
	Subtotal	2,878,674	53.71	2,456,457	44.25
Total		5,359,208	100.00	5,551,490	100.00

In the year 2023, compared to 2022, our company experienced an increase in domestic sales primarily due to the rise in orders for automated products. As a result, the proportion of domestic sales has increased, with the Americas being the main export region.

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 47 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)

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.

(2)

①Favorable factors - the US solar market is booming

A. The Investment Tax Credit (ITC) has been a significant driver of U.S. solar installation growth over the past 10 years. Originally, after several policy changes, the U.S. government planned to phase out the ITC from 2022 and eliminate the tax credit for residential power plants from 2024, but after the U.S. passed the Inflation Reduction Act (IRA) in August 2022, the subsidy policy was extended for 10 years, and the high 30% tax credit rate will be delayed until 2033, which will allow the domestic solar installation power in the United States to continue. Combined with the policy incentives of various states or local governments and the stable and sufficient supply of solar products, the installed demand will grow steadily over the next 10 years.

B. In terms of governance, U.S. President Joe Biden has proposed an eight-year, $2.25 trillion infrastructure plan, including investment in clean energy research and the construction of wind and solar power plants. In terms of the long-term strategy to move towards net-zero emissions, we have set targets to achieve net-zero emissions by 2050, achieve 100% clean electricity by 2035, and reduce greenhouse gas emissions by 50% by 2030.

C. It is estimated that the installed solar capacity in the United States will be about 38GW in 2024, and the demand will grow steadily in 2024~2030, with an annual growth rate of at least 6%.

D. The U.S.-China trade war brings new opportunities: U.S. President Joe Biden's National Security Strategy after taking office still prioritizes the fight against China. In the solar energy industry, the United States still imposes heavy taxes on China's imports of photovoltaic products (crystalline silicon solar cells, solar modules, etc.), including Section 301, Article 201 and double anti-tariffs.

②Disadvantages - possible challenges and countermeasures

A. The U.S. ban and withholding order (WRO) on products from China's Xinjiang region since the second half of 2021 have hit the demand for PV products, as a large proportion of the world's polysilicon used to make solar cells and modules comes from Xinjiang. Under the signed Uyghur Forced Labor Prevention Act, the U.S. banned the import of all goods or finished products made from raw materials produced in China's Xinjiang Uyghur Autonomous Region in June 2022, which means that solar products exported to the U.S. must provide valid traceability certificates.

B. In March 2022, the U.S. Department of Commerce (DOF) filed an investigation into whether four Southeast Asian countries (Malaysia, Cambodia, Thailand, and Vietnam) had circumvented the U.S. anti-dumping and countervailing duties imposed on Chinese crystalline silicon solar cells (and modules encapsulated from them) due to the request of the U.S. module manufacturers. The uncertainty generated by this survey has led to a significant reduction in the number of solar panels imported from the United States to Southeast Asia, which has seriously affected the supply of raw materials for the construction of large-scale power plants in the United States, and also caused the United States to install solar energy in 2022 to be less than expected, or even decline compared to 2021. In August 2023, the Ministry of Commerce (MOFCOM) made a final judgment on the investigation, determining that the four Southeast Asian countries had indeed evaded the anti-tariff rules, and that if the solar cells and modules directly exported from the four countries to the United States in the future could not meet the raw material conditions defined by the Ministry of Commerce (such as using silicon wafers that are not produced in China or more than 4 of the 6 types of module auxiliary materials are not made in China), the importers will be subject to the double anti-tariff imposed by the U.S. Customs on Chinese exports.

C. Upstream polysilicon manufacturers and leading wafer makers control raw material prices, especially for small-size or P-type wafers, which are gradually becoming a niche market, and wafer manufacturers are driving up the prices of small-size and non-Xinjiang wafers in the face of the traceability regulations of the Xinjiang Act in the US, which will also affect changes in the downstream market.

D. The solar industry as a whole is still oversupplied, especially in 2023, with a large amount of new capacity invested in all links of the supply chain, and the overcapacity is becoming more and more obvious, which has caused suppliers to compete for price reductions and sales, product prices continue to fall, and corporate profit margins are seriously compressed.

E. More and more solar giants are adopting vertical integration to increase the efficiency of supply chain cooperation to gain cost advantages and improve bargaining power. For example, LONGi, Jinko and other integrated manufacturers highlight the advantages of technology + cost + brand, and module shipments and gross profit are better, which also causes competitive pressure on professional factories in all links of the original supply chain.

③Countermeasures

A. Establish long-term strategic partnerships with different customers, and if necessary, customers will supply the main raw materials (silicon wafers) that can meet their needs, and Taiji will produce batteries by OEM, so as to reduce the business risk under the requirements of non-Xinjiang and even non-Chinese raw materials in the United States.

B. Establish in-depth strategic cooperation with specific customers to jointly develop and produce customized products, and ensure order volume and gross sales margin through product differentiation in difficult market conditions.

C. Actively negotiate with suppliers or sign long-term contracts to ensure the supply of goods and obtain competitive supply prices, so as to reduce product production costs and achieve mutual benefit and win-win results.

D. Establish upstream and downstream raw material quality control models and technical exchange channels to improve the conversion efficiency of the batteries produced by the factory, increase the value of products, and enhance competitiveness.

E. Taking advantage of the transfer order effect brought about by the anti-dumping policy in the United States, it undertakes demand in a third place, produces legal and compliant solar cells, and supplies domestic module factories in the United States, on the one hand, supports the demand for solar energy development in the United States, and on the other hand, forms a regional supply advantage and enhances the company's strategic position.

F. Actively seek out high-quality customers in different geographical regions and build long-term relationships with them to diversify risks and improve competitiveness.

G. As the solar industry continues to innovate and make breakthroughs in technology and product iteration, it is necessary to pay close attention to the investment environment, market changes and tariff policies of various countries, and carefully evaluate the feasibility of investing in the production of next-generation products or setting up new factories and develop the best solutions.

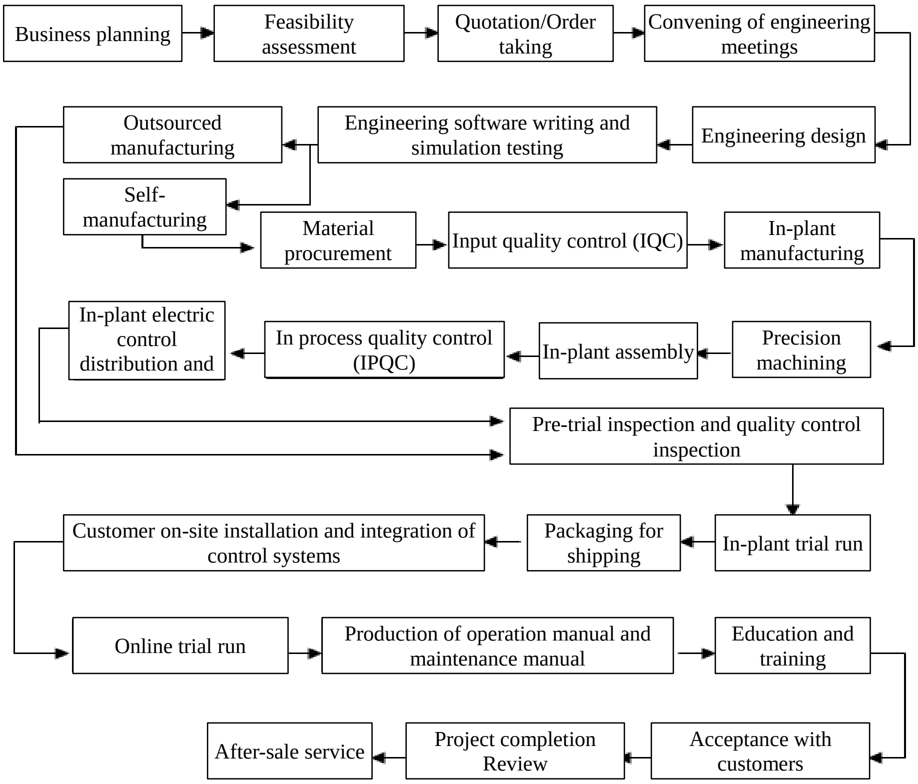
(II) Important Purposes and Production Processes of Main Products

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	2022				2023				First quarter of 2024			
	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	JINKO SOLAR (VIETNAM)	1,032,354	29.44	None	JINKO SOLAR (VIETNAM)	485,006	16.56	None	The amounts from suppliers in the first quarter of 2024 did not reach 10% of the annual purchases, therefore disclosure is not provided.			
2	Retek	545,334	15.55	None	Retek	419,209	14.31	None				
3	JINKO SOLAR	466,680	13.31	None	None	None	None	None				
4	Others	1,462,098	41.70		Others	2,024,525	69.13		Others	341,212	100.00	
	Net procurement	3,506,466	100.00		Net procurement	2,928,740	100.00		Net procurement	341,212	100.00	

The main suppliers for 2023 and 2022 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	2022				2023				First quarter of 2024			
	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	AB	750,530	14.00	None	AB	753,312	13.60	None	AD	64,087	10.51	None
2	AC	668,496	12.50	None	None	None	None	None	None	None	None	None
3	None	None	None	None	None	None	None	None	None	None	None	None
	Others	3,940,182	73.50		Others	4,798,178	86.40		Others	545,455	89.49	
	Net sales	5,359,208	100.00		Net sales	5,551,490	100.00		Net sales	609,542	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 2024. 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	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Automated logistics system	Note 1	Note 2	1,659,703	Note 1	Note 2	2,091,767
Solar cell	109,851	109,851	2,011,397	80,134	80,134	1,616,530
Electronics parts and components	3,943	3,943	415,017	2,121	2,121	196,733
Building (construction) materials	Note 1	Note 2	177,562	Note 1	Note 2	116,950
Others	6	6	72,202	5	5	112,015
Total	113,800	113,800	4,335,881	82,260	82,260	4,133,995

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	2022				2023			
	Domestic market		Export		Domestic market		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Automated logistics system	Note 1	2,017,944	Note 1	293,125	Note 1	2,709,800	Note 1	262,730
Solar cell	14,399	98,917	104,984	2,118,833	4,017	122,150	79,764	2,005,689
Electronics parts and components	4,710	322,664	2,699	262,182	8,498	218,909	3,447	18,391
Building (construction) materials	-	-	Note 1	204,182	-	-	Note 1	164,100
Others	-	41,009	-	352	1	44,174	-	5,547
Total	19,109	2,480,534	107,683	2,878,674	12,516	3,095,033	83,211	2,456,457

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 2022	End of 2023	March 31, 2024
Number of employees	Manager	106	106	107
	Production line workers	625	583	492
	General employees	626	658	686
	Total	1,357	1,347	1,285
Average age		40.18	40.96	41.06
Average years of service		8.7	9.52	9.04
Education distribution %	Doctoral Degree	0.44%	0.45%	0.54%
	Master's degree	6.34%	7.79%	8.40%
	College or below	93.22%	91.77%	91.06%

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, 2024; 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 2023education and training results are as follows:

Item	Number of courses	Total participants	Total hours	Total amount (NTD)
1. New employee training	168	513	1,958	41,819
2. Promotional functional training	310	2,915	11,000	2,663,913
3. General training	186	2,745	3,764	205,297
4. Self-inspired training	8	90	206	21,080
Total	672	6,263	16,928	2,932,109

(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 2023, 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 203 people participated, totaling 401 hours.

No.	Course type	Participants	Hours of the course	Remarks
1	Ethical corporate management statutory compliance	179	329	Including integrity promotion for newcomers
2	Accounting system and internal control	24	72	
	Total	203	401	

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

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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. Furthermore, we are currently implementing ISO 27001 to enhance the quality of our operational processes. 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	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	First Commercial Bank, Nangang Branch	2023.12.01-2043.12.01	Long-term Mortgage Loans	None
Loan Contract	Bank of Taiwan, Nangang Branch	2023.07.24-2025.07.24	Long-term Mortgage Loans	None
Development Contract	Taipei Computer Association KENMEC MECHANICAL ENGINEERING CO.,LTD.	2023.07.01-2024.09.30	5G-enabled automated logistics engineering for the transformation and development of smart manufacturing	None
Development Contract	Taipei Computer Association KENMEC MECHANICAL ENGINEERING CO.,LTD.	2023.12.01-2026.05.31	Forward-looking intelligent low-carbon equipment for the integration and development of third-class semiconductor substrate manufacturing technology	None
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. 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
Development Contract	TAISIC MATERIALS CO. KENMEC MECHANICAL ENGINEERING CO.,LTD.	2022.07.07-2025.06.30	Development of 8-inch semi-insulating silicon carbide crystal growth equipment and verification development of key materials	None
Rental contract	Kunshan Huan-Shen-Zhi-Gu Technology Industrial Park Management Co., Ltd.	2021.05.28~2036.05.27	Plant and office leasing	None

Nature of Contract	Counterparty	Commencement Date of the Contract	Contents	Restrictive Clauses
	TAINERGY TECHNOLOGY (KUNSHAN) CO., LTD.			
Lease contract	Tainergy Tech. Co., Ltd. KENMEC MECHANICAL ENGINEERING CO., LTD.	2020.11.01-2025.10.31	Plant and office leasing	None
Lease contract	TAISIC MATERIALS CO. 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, 2024 (Note 2)
		2019	2020	2021 (after restatement)	2022	2023	
Current assets		5,204,429	5,402,476	5,639,392	5,817,164	4,572,283	4,892,858
Property, plant and equipment		3,234,084	3,308,834	2,550,447	2,388,132	4,130,074	4,154,324
Intangible assets		25,557	24,833	22,287	15,384	14,665	12,754
Other assets		1,778,198	1,515,380	2,286,871	2,874,308	2,943,006	2,912,600
Total assets		10,242,268	10,251,523	10,498,997	11,094,988	11,660,028	11,972,536
Current liabilities	Before distribution	2,984,487	3,561,801	4,397,840	4,147,075	3,177,137	3,954,084
	After distribution	2,984,487	3,561,801	4,793,058	4,548,960	Note 4	Note 4
Non-current liabilities		1,399,625	1,387,603	1,369,072	1,433,021	2,702,241	2,686,562
Total liabilities	Before distribution	4,384,112	4,949,404	5,766,912	5,580,096	5,879,378	6,640,646
	After distribution	4,384,112	4,949,404	6,162,130	5,981,981	Note 4	Note 4
Equity attributable to the owner of the parent company		4,540,569	3,997,356	3,384,847	3,607,808	4,011,371	3,621,459
Share capital		2,490,112	2,490,112	2,490,112	2,490,112	2,490,112	2,490,112
Capital reserves	Before distribution	887,095	903,455	604,226	293,869	456,725	456,214
	After distribution	887,095	903,455	209,008	293,869	456,725	456,214
Retained earnings	Before distribution	1,467,202	882,706	603,377	1,087,866	1,328,481	918,887
	After distribution	1,467,202	882,706	603,377	685,981	Note 4	Note 4
Other equity		(272,727)	(278,917)	(263,272)	(241,247)	(263,947)	(243,754)
Treasury stocks		(31,113)	0	(49,596)	(22,792)	0	0
Non-controlling equity		1,317,587	1,304,763	1,347,238	1,907,084	1,769,279	1,710,431
Total equity	Before distribution	5,858,156	5,302,119	4,732,085	5,514,892	5,780,650	5,331,890
	After distribution	5,858,156	5,302,119	4,336,867	5,113,007	Note 4	Note 4

Note 1: The financial information for 2019–2023 has been audited by CPAs.
Note 2: The financial information for the first quarter of 2024 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)				
		2019	2020	2021 (after restatement)	2022	2023
Current assets		2,912,304	2,468,779	2,465,882	3,109,849	2,601,361
Property, plant and equipment		794,178	1,119,159	1,116,827	1,237,653	2,986,623
Intangible assets		5,868	7,168	4,949	13,638	10,021
Other assets		2,141,070	2,032,107	2,223,710	2,267,636	3,429,915
Total assets		5,853,420	5,627,213	5,811,368	6,628,776	9,027,920
Current liabilities	Before distribution	1,035,502	1,034,592	1,545,411	1,847,256	2,537,784
	After distribution	1,035,502	1,034,592	1,545,411	2,249,141	Note 3
Non-current liabilities		277,349	595,149	881,110	1,173,712	2,478,765
Total liabilities	Before distribution	1,312,851	1,629,741	2,426,521	3,020,968	5,016,549
	After distribution	1,312,851	1,629,741	2,426,521	3,422,853	Note 3
Equity attributable to the owner of the parent company		4,540,569	3,997,472	3,384,847	3,607,808	4,011,371
Share capital		2,490,112	2,490,112	2,490,112	2,490,112	2,490,112
Capital reserves		887,095	903,455	604,226	293,869	456,725
Retained earnings	Before distribution	1,467,202	882,822	603,377	1,087,866	1,328,481
	After distribution	1,467,202	882,822	603,377	685,981	Note 3
Other equity		(272,727)	(278,917)	(263,272)	(241,247)	(263,947)
Treasury stocks		(31,113)	0	(49,596)	(22,792)	0
Non-controlling interests		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Total equity	Before distribution	4,540,569	3,997,472	3,384,847	3,607,808	4,011,371
	After distribution	4,540,569	3,997,472	3,384,847	3,205,923	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, 2024 (Note 2)
	2019	2020	2021 (after restatement)	2022	2023	
Operating revenue	4,363,773	4,298,290	4,039,778	5,359,208	5,551,490	609,542
Realized operating gross profit	321,207	536,987	168,777	998,083	1,149,322	91,953
Operating profit and loss	(743,866)	(153,324)	(747,513)	53,025	(94,096)	(154,728)
Non-operating revenue and expenses	1,723,389	50,196	(160,376)	403,423	848,440	103,694
Profit before tax	979,523	(103,128)	(907,889)	456,448	754,344	(51,034
Net profit of continuing operations for the period	995,096	(99,625)	(973,721)	443,750	647,020	(62,199)
Loss of discontinued operations	-	-	-	-	-	-
Net profit (loss) for the year	995,096	(99,625)	(973,721)	443,750	647,020	(62,199)
Other comprehensive income for the period (Net after tax)	(86,744)	(32,953)	39,956	53,236	(59,303	36,758
Total comprehensive income for the period	908,352	(132,578)	(933,765)	496,986	587,717	(25,441)
Net profit attributable to the owner of parent company	1,345,203	(97,152)	(287,356)	470,074	795,997	13,725
Net profit attributable to non-controlling equity	(350,107)	(2,473)	(686,365)	(26,324)	(148,977)	(75,924)
Total comprehensive income attributable to the owner of the parent company	1,300,205	(98,292)	(269,562)	498,732	776,568	33,918
Total comprehensive income attributable to non-controlling equity	(391,853)	(34,286)	(664,203)	(1,746)	(188,851	(59,359)
EPS	5.47	(0.39)	(1.16)	1.91	3.20	0.06

Note 1: The financial information for 2019–2023 has been audited by CPAs.

Note 2: The financial information for the first quarter of 2024 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

Year / Item	Financial information for the most recent 5 years (Note 1, Note 3)				
	2019	2020	2021 (after restatement)	2022	2023
Operating revenue	1,007,179	950,584	1,350,130	2,260,178	2,784,115
Gross operating profit (Note 2)	387,214	241,892	340,703	633,906	761,169
Operating profit and loss	(83,357)	(48,778)	(6,314)	228,250	204,089
Non-operating revenue and expenses	1,437,464	(41,649)	(260,015)	238,595	597,115
Profit before tax	1,354,107	(90,427)	(266,329)	466,845	801,204
Net profit of continuing operations for the period	1,345,203	(97,152)	(287,356)	470,074	795,997
Loss of discontinued operations	—	—	—	—	—
Net profit (loss) for the year	1,345,203	(97,152)	(287,356)	470,074	795,997
Other comprehensive income for the period (Net after tax)	(44,998)	(1,140)	17,947	28,658	(19,429)
Total comprehensive income for the period	1,300,205	(98,292)	(269,409)	498,732	776,568
Net profit attributable to the owner of parent company	1,300,205	(98,292)	(269,409)	498,732	776,568
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	1,300,205	(98,292)	(269,409)	498,732	776,568
Total comprehensive income attributable to non-controlling interests	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
EPS	5.47	(0.39)	(1.16)	1.91	3.20

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
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
2023	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, 2024 (Note 2)
		2019	2020	2021 (after restatement)	2022	2023	
Financial structure (%)	Ratio of liabilities to assets	42.80	48.28	54.93	50.29	50.42	55.47
	Ratio of long-term capital to property, plant and equipment	224.42	202.18	239.22	290.94	205.39	193.01
Solvency %	Current ratio	174.38	151.68	128.23	140.27	143.91	123.74
	Quick ratio	94.82	84.37	90.75	100.35	104.51	89.85
	Times interest earned	12.60	(0.34)	(15.26)	12.06	14.75	(1.35)
Operating ability	Accounts receivable turnover ratio (times)	4.93	6.26	7.39	10.35	11.19	5.38
	Average collection days	74.03	58.30	49.39	35.26	32.61	67.84
	Inventory turnover ratio (times) (Note 3)	-	-	-	-	-	-
	Accounts payable turnover ratio (times)	6.62	6.57	6.36	7.14	6.66	3.41
	Average sales days	-	-	-	-	-	-
	Property, plant and equipment turnover (times)	1.22	1.30	1.38	2.17	1.7	0.59
	Total asset turnover ratio (times)	0.41	0.42	0.39	0.50	0.49	0.20
Profitability	Return on assets (%)	9.87	(0.37)	(8.95)	4.42	6.07	(1.52)
	Return on equity ratio (%)	18.21	(1.79)	(19.41)	8.66	11.46	(4.48)
	Ratio of pre-tax income to paid-in capital (%)	39.34	(4.14)	(36.46)	18.33	30.29	(8.20)
	Net profit margin (%)	22.80	(2.32)	(24.10)	8.28	11.65	(10.20)
	EPS (NTD)	5.47	(0.39)	(1.16)	1.91	3.20	0.06
Cash flow	Cash flow ratio (%)	(3.91)	24.71	34.79	29.39	(27.03)	(4.25)
	Cash flow adequacy ratio (%)	59.40	26.61	78.13	122.03	54.07	49.67
	Cash reinvestment ratio (%)	(2.06)	3.43	13.17	8.91	(11.88)	(1.61)
Leverage	Operating leverage	0.14	(2.12)	0.45	7.77	(3.69)	(0.39)
	Financial leverage	0.90	0.67	0.93	4.52	0.63	1.16

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 decrease in ratio of long-term capital to property, plant and equipment (%) was due to the increase in property, plant and equipment 2023. 2. The increase in times interest earned (times) was due to the increase in net income before income tax and interest expense in 2023. 3. The decrease in property, plant and equipment turnover rate (times) was due to the increase in property, plant and equipment in 2023. 4. The increase in return on assets (%) was due to the increase in net income after tax in 2023. 5. The increase in return on equity (%) was due to the increase in net income after tax in 2023. 6. 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 2023. 7. The increase in net income ratio (%) was due to the increase in net income after tax in 2023. 8. The increase in earnings per share (NTD) was due to the increase in net income attributable to the owners of the parent company in 2023. 9. The decrease in cash flow (%) was due to the decrease in net cash flow from operating activities in 2023. 10. The decrease in cash flow adequacy ratio (%) was due to the decrease in net cash flow from operating activities in 2023. 11. The decrease in cash reinvestment ratio (%) was due to the decrease in net cash flow from operating activities in 2023. 12. The decrease in operating leverage was due to the decrease in net operating income in 2023. 13. The decrease in financial leverage was due to the decrease in operating income in 2023.

Note 1: The financial information for 2019–2023 has been audited by CPAs.

Note 2: The financial information for the first quarter of 2024 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)		Financial analysis for the most recent five years				
		2019	2020	2021	2022	2023
Financial structure (%)	Ratio of liabilities to assets	22.43	28.96	41.75	45.57	55.56
	Ratio of long-term capital to property, plant and equipment	586.68	410.35	381.97	386.34	217.31
Solvency %	Current ratio	281.25	238.62	159.56	168.35	102.51
	Quick ratio	278.55	231.79	153.48	151.10	88.46
	Times interest earned	106.63	(7.75)	(22.29)	32.29	24.10
Operating ability	Accounts receivable turnover ratio (times)	4.79	5.53	9.12	15.44	9.49
	Average collection days	76.20	66.00	40.02	23.64	38.46
	Inventory turnover ratio (times) (Note 2)	-	-	-	-	
	Accounts payable turnover ratio (times)	3.46	4.75	4.06	3.82	3.71
	Average sales days	-	-	-	-	
	Property, plant and equipment turnover (times)	1.27	0.85	1.21	1.83	0.93
	Total asset turnover ratio (times)	0.17	0.17	0.23	0.34	0.31
Profitability	Return on assets (%)	23.22	(1.55)	(4.87)	7.75	10.52
	Return on equity ratio (%)	34.18	(2.28)	(7.79)	13.44	20.89
	Ratio of profit before tax to paid-in capital (%) (Note 7)	54.38	(3.63)	(10.70)	18.75	32.18
	Net profit margin (%)	133.56	(10.22)	(21.28)	20.80	28.59
	EPS (NTD)	5.47	(0.39)	(1.16)	1.91	3.20
Cash flow	Cash flow ratio (%)	2.02	(2.47)	48.99	1.79	5.87
	Cash flow adequacy ratio (%)	40.20	27.47	46.74	38.03	40.20
	Cash reinvestment ratio (%)	(2.09)	(10.96)	9.58	(7.98)	(4.05)
Leverage	Operating leverage	0.86	0.32	(8.11)	1.31	1.47
	Financial leverage	0.87	0.83	0.36	1.07	1.20

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 liabilities to assets was due to the increase in short-term loans and long-term loans in 2023.
2. The decrease in ratio of long-term capital to property, plant and equipment was due to the increase in property, plant and equipment in 2023.
3. The decrease in current ratio was due to the increase in short-term loans in 2023.
4. The decrease in quick ratio was due to the increase in short-term loans in 2023.
5. The decreased in times interest earned (times) was due to the increase in interest expense in 2023.
6. The decrease in accounts receivable turnover rate (times) was due to the increase in accounts receivable in 2023.
7. The increase in the average collection days was due to the increase in accounts receivable in 2023.
8. The decrease in property, plant and equipment turnover rate (times) was due to the increase in property, plant and equipment in 2023.
9. 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 2023.
10. Ratio of profit before tax to paid-in capital (%) increased due to the increase in net profit before tax in 2023.
11. The increases in cash flow ratio (%) was due to the increase in net cash inflow from operating activities in 2023.
12. The decreases in cash flow adequacy ratio (%) was due to the decrease in net cash flow from operating activities in the most recent five years and increase in property, plant and equipment in the most recent five years.
13. The increase in cash reinvestment ratio (%) was due to the increase in property, plant and equipment in 2023.

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 2023 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

2024 Annual General Meeting of KENMEC MECHANICAL ENGINEERING CO., LTD.

Members of the Audit Committee: YI-YU LI

March 28, 2024

IV. Financial statements for the most recent year

Refer to pp. 116-233

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

Refer to pp. 234-367

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.

Stock Code: 6125

KENMEC MECHANICAL ENGINEERING CO., LTD.

Parent Company Only Financial Report with Independent Auditors' Report

2023 and 2022

Address: 1F., No. 69, Ruifang Industrial Park, Dingping Rd., Ruifang Dist., New Taipei City, Taiwan (R.O.C.)

Tel.: (02)2786-3797

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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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, and the parent company only financial performance and cash flows for the periods from January 1 to December 31, 2023 and 2022.

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 2023. 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 2023 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.

Responsibility of the management and governance unit for the 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 2023 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, 2024

KENMEC MECHANICAL ENGINEERING CO., LTD.

Parent Company Only Balance Sheet

December 31, 2023 and 2022

Unit: NTD thousand

Code	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 616,927	7	$ 845,636	13
1110	Financial assets measured at fair value through profit or loss – current (Note 7)	177,277	2	292,909	5
1136	Financial assets measured at amortized cost – current (Note 9)	166,248	2	284,677	4
1140	Contract assets – current (Notes 22 and 24)	680,727	8	543,469	8
1150	Notes receivable – non-related parties (Note 10)	27	-	3,194	-
1170	Accounts receivable – non-related parties (Note 10)	376,079	4	159,709	2
1180	Accounts receivable – related parties (Notes 10 and 34)	43,207	-	4,229	-
1200	Other receivables (Note 10)	22,726	-	19,252	-
1210	Other receivables – related parties (Notes 10 and 34)	439	-	444,296	7
1220	Current income tax assets (Note 26)	6,852	-	9,220	-
130X	Inventory (Note 11)	237,782	3	226,137	4
1429	Prepayments (Note 16)	118,620	1	92,450	1
1470	Other current assets (Notes 16 and 35)	154,450	2	184,671	3
11XX	Total current assets	2,601,361	29	3,109,849	47
	Non-current assets				
1510	Financial assets measured at fair value through profit or loss – non-current (Note 7)	131,797	1	86,436	1
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 8)	59,167	1	38,368	1
1535	Financial assets measured at amortized cost – non-current (Note 9)	69,930	1	70,049	1
1550	Investment under the equity method (Note 12)	2,350,516	26	1,279,462	19
1600	Property, plants and equipment (Notes 13 and 35)	2,986,623	33	1,237,653	19
1755	Right-of-use assets (Note 14)	355,696	4	360,423	5
1780	Other intangible assets (Note 15)	10,021	-	13,638	-
1840	Deferred income tax assets (Note 26)	180,555	2	176,918	3
1990	Other non-current assets (Notes 16, 21, and 35)	282,254	3	255,980	4
15XX	Total non-current assets	6,426,559	71	3,518,927	53
1XXX	Total assets	$ 9,027,920	100	$ 6,628,776	100

Code	Liabilities and equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities				
2100	Short-term loans (Note 17)	$ 510,000	6	$ -	-
2130	Contract liabilities – current (Notes 22 and 24)	481,272	5	1,003,527	15
2150	Notes payable – non-related parties (Note 18)	-	-	1,348	-
2170	Accounts payable – non-related parties (Note 18)	559,286	6	473,684	7
2180	Accounts payable – related parties (Note 18 and 34)	34,130	-	25,816	1
2219	Other payables (Note 19)	274,995	3	216,734	3
2220	Other payables – related parties (Notes 19 and 34)	489,237	6	-	-
2250	Liability reserve – current (Note 20)	43,838	1	21,740	1
2280	Lease liabilities – current (Note 14)	28,768	-	14,539	-
2313	Deferred revenue (Note 29)	35,000	-	-	-
2320	Long-term loans maturing within one year (Note 17)	77,122	1	81,279	1
2399	Other current liabilities	4,136	-	8,589	-
21XX	Total current liabilities	2,537,784	28	1,847,256	28
	Non-current liabilities				
2540	Long-term loans (Note 17)	2,142,628	24	789,593	12
2580	Lease liabilities – non-current (Note 14)	255,422	3	266,119	4
2570	Deferred income tax liabilities (Note 26)	57,404	1	56,552	1
2640	Net defined benefit liabilities – non-current (Note 21)	-	-	55,836	1
2650	Credit balance of investments accounted for using the equity method (Note 12)	10,381	-	-	-
2670	Other non-current liabilities (Note 19)	12,930	-	5,612	-
25XX	Total non-current liabilities	2,478,765	28	1,173,712	18
2XXX	Total liabilities	5,016,549	56	3,020,968	46
	Equity (Note 23)				
3110	Common stock capital	2,490,112	27	2,490,112	38
3200	Capital reserves	456,725	5	293,869	4
	Retained earnings				
3310	Legal reserves	182,797	2	134,786	2
3320	Special reserves	297,092	3	319,117	5
3350	Undistributed earnings	848,592	10	633,963	9
3300	Total retained earnings	1,328,481	15	1,087,866	16
	Other equity				
3410	Exchange differences on translation of financial statements of foreign operations	(255,739)	(3)	(229,740)	(4)
3420	Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income	(8,208)	-	(11,507)	-
3400	Total of other equity	(263,947)	(3)	(241,247)	(4)
3500	Treasury stocks	-	-	(22,792)	-
31XX	Total equity	4,011,371	44	3,607,808	54
	Total liabilities and equity	$ 9,027,920	100	$ 6,628,776	100

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

Chairman: CHING-FU HSIEH Manager: CHIH-CHUN KE Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.

Parent Company Only Statement of Comprehensive Income

January 1 to December 31, 2023 and 2022

Unit: NTD thousand; however earnings per share is in NTD

Code		2023 Amount	2023 %	2022 Amount	2022 %
	Operating revenue (Notes 5, 24 and 34)				
4100	Sales revenue	$ 4,224	-	$ 5,521	-
4520	Project income	2,723,299	98	2,206,095	98
4600	Service income	56,592	2	48,562	2
4000	Total operating revenue	2,784,115	100	2,260,178	100
	Operating costs (Notes 11, 21 and 34)				
5110	Cost of sales	(168)	-	(2,936)	-
5520	Project cost	(1,916,799)	(69)	(1,566,762)	(69)
5600	Service cost	(65,119)	(2)	(39,373)	(2)
5800	Other operating costs	(46,896)	(2)	(11,740)	(1)
5000	Total operating costs	(2,028,982)	(73)	(1,620,811)	(72)
5900	Operating gross profit	755,133	27	639,367	28
5910	Unrealized profits/losses from subsidiaries, associates and joint ventures (Note 34)	(19,520)	(1)	(35,676)	(1)
5920	Realized profits/losses from subsidiaries, associates and joint ventures (Note 34)	25,556	1	30,215	1
5950	Realized operating gross profit	761,169	27	633,906	28
	Operating expenses (Notes 10, 21 and 34)				
6100	Marketing expense	(146,979)	(5)	(142,064)	(6)
6200	Administrative expense	(255,032)	(9)	(170,478)	(8)
6300	R&D expense	(168,929)	(6)	(102,269)	(4)
6450	Reversal gain of expected credit impairment	13,860	-	9,155	-
6000	Total operating expenses	(557,080)	(20)	(405,656)	(18)

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Code		2023 Amount	2023 %	2022 Amount	2022 %
6900	Operating profit – net	$ 204,089	7	$ 228,250	10
	Non-operating revenue and expenses (Notes 25 and 34)				
7100	Interest income	41,552	1	35,582	2
7010	Other revenue	71,834	3	37,922	2
7020	Other gains and losses	48,225	2	41,254	2
7050	Financial costs	(34,684)	(1)	(14,922)	(1)
7070	Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	470,188	17	138,759	6
7000	Total non-operating revenue and expenses	597,115	22	238,595	11
7900	Net profit before tax	801,204	29	466,845	21
7950	Income tax (expense) gains (Note 26)	(5,207)	-	3,229	-
8200	Net profit for the current year	795,997	29	470,074	21
	Other comprehensive income (Notes 21, 23 and 26)				
	Titles not reclassified as profit or loss:				
8311	Remeasurement of defined benefit plans	(2,907)	-	16,088	-
8316	Unrealized valuation profit/loss on investment in equity instruments measured at fair value through other comprehensive income	3,299	-	(5,352)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures under the equity method	393	-	2,603	-
8349	Income tax relating to non-reclassified items	581	-	(3,219)	-
8310		1,366	-	10,120	-

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Code		2023 Amount	2023 %	2022 Amount	2022 %
	Titles likely to be reclassified as profit or loss subsequently:				
8361	Exchange differences on translation of financial statements of foreign operations	($ 11,020)	-	$ 7,536	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures under the equity method	(12,092)	(1)	12,192	1
8399	Income tax related to items likely to be reclassified	2,317	-	(1,190)	-
8360		(20,795)	(1)	18,538	1
8300	Total other comprehensive income (net) for the year	(19,429)	(1)	28,658	1
8500	Total comprehensive income for the year	$ 776,568	28	$ 498,732	22
	Earnings per share (Note 27)				
9710	Basic	$ 3.20		$ 1.91	
9810	Diluted	$ 3.19		$ 1.89	

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

Chairman: CHING-FU HSIEH Manager: CHIH-CHUN KE Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.

Parent Company Only Statement of Changes in Equity

January 1 to December 31, 2023 and 2022

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: Retained 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, 2022	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	Reversal of special reserves	-	-	-	-	(9,455)	9,455	-	-	-	-
B5	Cash dividends to the shareholders of the Company	-	-	(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
	Allocation and distribution of earnings in 2022										
B1	Appropriation of legal reserve	-	-	-	48,011	-	(48,011)	-	-	-	-
B3	Reversal of special reserves	-	-	-	-	(22,025)	22,025	-	-	-	-
B5	Cash dividends to the shareholders of the Company	-	-	-	-	-	(401,885)	-	-	-	(401,885)
	Other changes in capital reserves										
C7	Changes regarding associates and joint ventures under equity method	-	-	(220)	-	-	-	-	-	-	(220)
M7	Changes in ownership interests in subsidiaries	-	-	122,144	-	-	(151,564)	(5,204)	-	-	(34,624)
N1	Employee stock options issued by the Company	-	-	40,932	-	-	-	-	-	22,792	63,724
D1	Net profit in 2023	-	-	-	-	-	795,997	-	-	-	795,997
D3	Other comprehensive income after tax in 2023	-	-	-	-	-	(1,933)	(20,795)	3,299	-	(19,429)
D5	Total comprehensive income in 2023	-	-	-	-	-	794,064	(20,795)	3,299	-	776,568
Z1	Balance on December 31, 2023	249,011	$ 2,490,112	$ 456,725	$ 182,797	$ 297,092	$ 848,592	($ 255,739)	($ 8,208)	$ -	$ 4,011,371

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

Chairman: CHING-FU HSIEH　　Manager: CHIH-CHUN KE　　Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.

Parent Company Only Statement of Cash Flow

January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Code		2023	2022
	Cash flow from operating activities		
A10000	Net profit before tax for the current year	$ 801,204	$ 466,845
A20010	Profit and expense/loss:		
A20100	Depreciation expenses	87,672	52,577
A20200	Amortization expenses	6,237	3,670
A20300	Reversal gain of expected credit impairment	(13,860)	(9,155)
A20400	Net loss (profit) on financial assets and liabilities measured at fair value through profit or loss	(42,303)	6,719
A20900	Financial costs	34,684	14,922
A21200	Interest income	(41,552)	(35,582)
A21300	Dividend revenue	(2,113)	(2,097)
A21900	Compensation cost of employee stock options	40,993	5,303
A22500	Disposal of property, plant and equipment losses (gains)	35	(68)
A22400	Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	(470,188)	(138,759)
A23200	Loss on disposal of investment under the equity method	-	384
A23700	Loss on inventory devaluation and obsolescence	27,709	1,144
A23800	Property, plant and equipment impairment loss	14,052	-
A23900	Unrealized profits/losses from subsidiaries, associates and joint ventures	19,520	35,676
A24000	Realized profits/losses from subsidiaries, associates and joint ventures	(25,556)	(30,215)
A29900	Profit on lease modification	(1)	-
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(140,153)	(322,079)
A31130	Notes receivable	3,167	(2,758)
A31150	Accounts receivable	(202,510)	(28,245)
A31160	Accounts receivable – related parties	(38,978)	(1,592)
A31180	Other receivables	(6,543)	(286)
A31190	Other receivables – related parties	12,457	69
A31200	Inventory	(39,354)	(177,485)
A31230	Prepayments	(26,170)	(48,236)

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Code		2023	2022
A31240	Other current assets	$ 35,156	($ 52,734)
A31250	Other non-current assets	512	9,468
A32125	Contract liabilities	(522,255)	32,134
A32130	Notes payable	(1,348)	1,117
A32150	Accounts payable	85,602	139,323
A32160	Accounts payable – related parties	8,314	13,082
A32180	Other payables	59,313	79,697
A32190	Other payables – related parties	489,237	-
A32200	Liability reserve	22,098	8,755
A32230	Other current liabilities	(4,453)	4,796
A32240	Net defined benefit liabilities	(59,932)	(322)
A32990	Deferred income	35,000	-
A33000	Cash generated from operations	145,693	26,068
A33100	Interest received	40,665	30,687
A33300	Interest paid	(34,684)	(14,922)
A33500	Income tax paid	(2,726)	(8,762)
AAAA	Net cash inflow from operating activities	148,948	33,071
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(17,500)	(7,500)
B00040	Acquisition of financial assets measured at amortized cost	-	(123,746)
B00050	Disposal of financial assets measured at amortized cost	118,548	-
B00100	Acquisition of financial assets measured at fair value through profit or loss	(1,705,922)	(1,360,683)
B00200	Disposal of financial assets measured at fair value through profit or loss	1,818,496	1,459,890
B01800	Acquisition of investment under the equity method	(691,347)	(79,400)
B02400	Repatriation of earnings of subsidiaries	-	320,674
B02700	Purchase of property, plants and equipment	(1,822,406)	(41,190)
B02800	Proceeds from disposal of property, plant and equipment	1,157	84
B03700	Increase in guarantee deposits paid	(72,949)	-
B03800	Decrease in guarantee deposits paid	-	10,131
B04100	Other receivables	3,956	(10,909)
B04300	Other receivables – related parties	431,400	361,728
B04500	Purchase of intangible assets	(2,620)	(12,359)
B05350	Acquisition of right-of-use assets	(75)	-
B07100	Increase in prepayments for equipment	-	(21,466)
B07200	Decrease in prepaid equipment purchase	42,417	-

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Code		2023	2022
B07600	Dividends received	$ 2,113	$ 2,097
B09900	Dividends received from subsidiaries	49,335	-
BBBB	Net cash inflow (outflow) from investing activities	(1,845,397)	497,351
	Cash flows from financing activities		
C01700	Repayment of long-term loans	(481,122)	(64,796)
C01600	Borrowing of long-term loans	1,830,000	403,630
C00100	Increase in short-term loans	510,000	-
C00200	Decrease in short-term loans	-	(20,000)
C03000	Increase in guarantee deposits received	7,318	-
C03100	Decrease in guarantee deposits received	-	(121)
C04020	Repayment of the principal of leases	(19,302)	(8,033)
C04500	Payment of dividends	(401,885)	(395,218)
C04900	Payment of costs of transactions in treasury stocks	(61)	(225)
C09900	Purchase of treasury stocks	-	(48,037)
C05100	Purchase of treasury stocks by employees	22,792	74,841
C05500	Disposal of equity in subsidiaries	-	1,547
CCCC	Net cash inflow (outflow) from financing activities	1,467,740	(56,412)
EEEE	Net increase (decrease) in cash and cash equivalents	(228,709)	474,010
E00100	Balance of cash and cash equivalents at beginning of the year	845,636	371,626
E00200	Balance of cash and cash equivalents at ending of the year	$ 616,927	$ 845,636

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

Chairman: CHING-FU HSIEH Manager: CHIH-CHUN KE Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Notes to the Parent Company Only Financial Statements
January 1 to December 31, 2023 and 2022
(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 7, 2024.

III. Application of new and amended standards and interpretation

(I) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

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

1. Amendments to IAS 1, “Disclosure of Accounting Policies”

When the amendments are applied, the Company determines the significant accounting policy information that should be disclosed based on 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. In addition:

- 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.

Accounting policy information may be material if it relates to a significant transaction, other event, or situation and:

(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.

For the disclosure of related accounting policies, please refer to Note 4.

2. Amendments to IAS 8, “Definition of Accounting Estimates”

The amendments were applied to the Company on January 1, 2023, which specifies that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. 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.

3. Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”

The amendments introduce an exception to IAS 12, which specifies that the Group shall not recognize deferred income tax assets and liabilities related to Pillar 2 income tax, and shall not disclose information related to such deferred income tax, but shall disclose the exception that the Company has applied and shall separately disclose the income tax expense (profit) of the current period related to Pillar 2 income tax. In addition, during the period when the Pillar 2 act has been enacted or has been substantively enacted but not yet taken effect, the Company shall disclose qualitative and quantitative information that is helpful to users in understanding its exposure to pillar 2 income tax, which is known or can be reasonably estimated. After the promulgation of this amendment, the exceptions to this subparagraph shall be applied retrospectively immediately and the applicable facts shall be disclosed. Other disclosure requirements shall be applicable for the annual reporting period beginning on or after January 1, 2023. These other disclosure requirements are not applicable to the interim financial reporting periods ending before December 31, 2023.

(II) FSC-approved IFRSs to be applied in 2024

New/Amended/Revised Standards and Interpretation	Effective Date per IASB (Note 1)
IFRS 16 amendment “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1, “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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.

Note 3: Partial exemption from disclosure requirements upon first application of these amendments.

1. 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 amendments in 2020 clarify that when determining whether a liability is classified as non-current, it shall assess whether the Company has the right to defer the settlement of the liability at the end of the reporting period for 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.

2. Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”

Financing arrangements with suppliers are characterized by a commitment by one or more finance providers to pay an enterprise for the amount payable to its supplier, and the enterprise agrees to make payments in accordance with the terms and conditions of the arrangements on the same date (or a later date) when the supplier is paid. According to the amendments, the Company shall provide disclosures that enable users of financial statements to assess the impact of supplier financing arrangements on the Company’s liabilities, cash flows, and liquidity risk exposure.

Except for the above-mentioned effects, up to the approval and release date of the parent company only financial reports, 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 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 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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: Applicable to annual reporting periods beginning on or after January 1, 2025. When the amendment is applied for the first time, the effect is recognized in the retained earnings on the date of initial application. When the Company uses a non-functional currency as the presentation currency, it will affect the exchange differences of foreign operations under equity on the date of initial application.

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 Company 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 Company loses control over any of the subsidiaries that meets the aforesaid definition and maintains significant influence (or joint control) over the subsidiary, the Company recognizes all the profits or losses generated from such transactions.

However, if the Company 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 Company 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 Company's share of the profit or loss shall be eliminated.

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 year in the consolidated financial reports with the profit or loss, other comprehensive income and equity of the period 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, and joint ventures under the equity method," "share of other comprehensive income of subsidiaries, 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 due to be settled within 12 months after the balance sheet date; and
3. liabilities whose due date cannot be unconditionally extended by more than 12 months after the balance sheet date.

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 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 the Company and its 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.

(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 investment in subsidiaries using the equity method.

A subsidiary refers to an 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.

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.

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 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.

(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 is any of 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 becomes a party to 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 that are measured at fair value through profit or loss must be measured at fair value through profit and loss. The financial assets mandatorily 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.

Financial assets at FVTPL are measured at fair value, and dividends, interest, and remeasurement gains or losses are recognized in other gains or losses. 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 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 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 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 reacquisition 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 in 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 needed 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 its 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 cost, prior service cost, and settlement gains or losses) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expenses as they incur or when the settlement incurs. 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

<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 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 accounting policies, estimates and basic assumptions adopted by the Company have been evaluated by management of the Company and are free of significant accounting judgment, estimate and assumption uncertainty.

Main sources of uncertainties of estimates, and assumptions

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.

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, 2023	December 31, 2022
Cash on hand and working capital	$ 1,079	$ 1,340
Bank check and demand deposit	195,181	172,567
Cash equivalents (investment with an initial maturity date within 3 months)		
Bank Time deposit	420,667	671,729
	$ 616,927	$ 845,636

Interest rate range of bank deposits on the balance sheet date

	December 31, 2023	December 31, 2022
Bank deposit	0.001%～1.45%	0.001%～1.05%
Bank deposit with an initial maturity date within 3 months	1.45%～5.48%	1.05%～4.85%

VII. Financial instruments at fair value through profit or loss

	December 31, 2023	December 31, 2022
Financial assets – current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
– Overseas listed (OTC) stocks	$ 13,034	$ 10,815
– Fund beneficiary certificates	164,243	282,094
	$ 177,277	$ 292,909
Financial assets – non-current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
– Domestic non-listed (non-OTC) stocks	$ 131,797	$ 86,436

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

Investment in equity instruments

	December 31, 2023	December 31, 2022
Non-current		
Domestic investment		
Non-listed (Non-OTC) stock		
Common stock of United Information System Service Co., Ltd.	$ 33,267	$ 29,968
Common stock of Ecatch Automation Co., Ltd.	900	900
Meng-Lue Venture Investment Limited Partnership	15,000	7,500
Common stock of Wonder Automation Co., Ltd.	10,000	-
	$ 59,167	$ 38,368

According to the long-term strategy, the Company invested in United Information System Service, common stock of Ecatch Automation Co., Ltd., Wonder 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, 2023	December 31, 2022
Current		
Domestic investment		
Time deposit with an initial maturity date over 3 months(I)	$ 166,248	$ 284,677
Less: Loss allowance	-	-
	$ 166,248	$ 284,677
Non-current		
Domestic investment		
Time deposit with an initial maturity date over 3 months(I)	$ 69,930	$ 70,049
Less: Loss allowance	-	-
	$ 69,930	$ 70,049

(I) As of December 31, 2023 and 2022, the interest rate range of the time deposit with an initial maturity date over 3 months was 0.55%–5.64% and 0.45%–5.05%, 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, 2023	December 31, 2022
Notes receivable		
Measurement at amortized cost		
Total book value	$ 27	$ 3,194
Less: Loss allowance	-	-
	$ 27	$ 3,194
Accounts receivable		
Measurement at amortized cost		
Total book value	$ 376,079	$ 159,709
Less: Loss allowance	-	-
	$ 376,079	$ 159,709
Accounts receivable – related parties (Note 34)	$ 43,207	$ 4,229
Other receivables		
Interest receivable	$ 6,118	$ 5,231
Proceeds receivable from disposal of investments	7,745	11,701
Government grants receivable (Note 29)	6,507	-
Others	2,356	2,320
	$ 22,726	$ 19,252
Other receivables – related parties (Note 34)	$ 439	$ 444,296

(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 historical experience indicates 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 writes 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, 2023

	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%	0%	0%	0%	100%	
Total book value	$ 419,313	$ -	$ -	$ -	$ -	$ 419,313
Loss allowance (lifetime expected credit losses)	-	-	-	-	-	-
Amortized cost	$ 419,313	$ -	$ -	$ -	$ -	$ 419,313

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	0%	0%	0%	0%	100%	
Total book value	$ 167,132	$ -	$ -	$ -	$ -	$ 167,132
Loss allowance (lifetime expected credit losses)	-	-	-	-	-	-
Amortized cost	$ 167,132	$ -	$ -	$ -	$ -	$ 167,132

Information on changes in the allowance for losses on notes receivable and accounts receivable is as follows:

	2023	2022
Balance – beginning of the year	$ -	$ 3,113
Add: Written off bad debts recovered	13,860	6,278
Less: Impairment loss reversed in the year	(13,860)	(9,155)
Less: Actual amount written off in the year	-	(236)
Balance – ending of the year	$ -	$ -

(II) Other receivables

The interest on 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 historical experience indicates 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, 2023	December 31, 2022
Work in process	$ 4,240	$ 1,355
Raw material	225,899	217,395
Finished goods	7,643	7,387
	$ 237,782	$ 226,137

The nature of costs of sales is shown below:

	2023	2022
Cost of inventory sold	$ 19,355	$ 13,532
Inventory devaluation loss	27,709	1,144
	$ 47,064	$ 14,676

XII. Investment under the equity method

Investment in subsidiaries

	December 31, 2023	December 31, 2022
Publicly quoted company		
Tainergy Tech. Co., Ltd.	$ 554,731	$ 543,472
Non-publicly quoted entity		
KENTEC INC.	914,528	562,198
Kenmec International Holding (BVI) Co., Ltd.	188,282	5,490
KENMEC VIETNAM COMPANY LIMITED	104,647	105,344
TAISIC MATERIALS CO.	(10,381)	26,798
Hua-Xia Construction Co., Ltd.	187,929	17,872
Chief Global Logistics Co., Ltd.	13,896	18,288
KENMEC AUTOMATION ENGINEERING (THAILAND) Co., Ltd.	21,205	-
Kenmec Communication Holding (BVI) Co., Ltd.	365,298	-
	$ 2,340,135	$ 1,279,462

	Proportion of Ownership and Voting Right	
Name of the subsidiary	December 31, 2023	December 31, 2022
Tainergy Tech. Co., Ltd.	27.17%	27.17%
KENTEC INC.	89.16%	89.16%
Kenmec International Holding (BVI) Co., Ltd.	100%	100%
KENMEC VIETNAM COMPANY LIMITED	100%	100%
TAISIC MATERIALS CO.	8.8%	8.8%
Hua-Xia Construction Co., Ltd.	100%	100%
Chief Global Logistics Co., Ltd.	52%	52%
KENMEC AUTOMATION ENGINEERING (THAILAND) Co., Ltd.	99.9996%	-
Kenmec Communication Holding (BVI) Co., Ltd.	60%	-

In response to the Group’s operational plan, the Company adjusted the investment structure in November 2023, from the 100%-owned subsidiary Kenmec Communication of Kentec to 60% owned by the Company. The shareholding of Kenmec Communication by Kentec was reduced to 40%.

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.

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, 2023	$ 865,945	$ 442,433	$ 303,256	$ 40,074	$ 62,809	$ 8,468	$ 3,066	$ 11,627	$1,737,678
Addition	1,240,137	553,016	4,635	-	11,050	-	193	12,323	1,821,354
Disposal	-	-	(11,399)	(3,081)	(6,062)	-	-	-	(20,542)
Reclassification	-	-	6,095	-	(3,200)	-	-	-	2,895
Balance on December 31, 2023	$2,106,082	$ 995,449	$ 302,587	$ 36,993	$ 64,597	$ 8,468	$ 3,259	$ 23,950	$3,541,385
Accumulated depreciation and impairment									
Balance on January 1, 2023	$ -	$ 286,760	$ 128,509	$ 31,236	$ 42,116	$ 8,454	$ 2,950	$ -	$ 500,025
Impairment loss	-	-	14,052	-	-	-	-	-	14,052
Depreciation expenses	-	20,398	28,916	2,792	7,845	14	70	-	60,035
Disposal	-	-	(10,207)	(3,081)	(6,062)	-	-	-	(19,350)
Balance on December 31, 2023	$ -	$ 307,158	$ 161,270	$ 30,947	$ 43,899	$ 8,468	$ 3,020	$ -	$ 554,762
Net amount on December 31, 2023	$2,106,082	$ 688,291	$ 141,317	$ 6,046	$ 20,698	$ -	$ 239	$ 23,950	$2,986,623
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

As assessed by management of Kentec, an entity of the Company, the sales of some heat transfer products were poor on the market and, thus, the machine and equipment used for the production of these products lost their value of use. Hence, management recognized NTD 14,052 thousand as annual impairment loss in 2023. The impairment loss was stated under other gains and losses in the consolidated statement of comprehensive income.

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

House and building	2–40 years
Machinery and equipment	1–18 years
Transport equipment	6–7 years
Office equipment	2–11 years
Leasehold improvement	1–16 years
Other equipment	3–6 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, 2023	December 31, 2022
Book value of right-of-use assets		
Building	$ 346,767	$ 360,423
Transport equipment	7,590	-
Land	1,339	-
	$ 355,696	$ 360,423

	2023	2022
Addition of right-of-use assets	$ 20,628	$ 18,871
Lease modification of right-of-use assets	$ 2,282	$ -
Depreciation expense of right-of-use assets		
Building	$ 25,724	$ 4,926
Transport equipment	1,839	-
Land	74	-
	$ 27,637	$ 4,926
Capitalization of depreciation expenses	$ -	$ 18,650

The Company built equipment on the leased right-of-use asset in 2022. 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 2023 and 2022, the Company did not conduct impairment assessment.

(II) Lease liabilities

	December 31, 2023	December 31, 2022
Book value of lease liabilities		
Current	$ 28,768	$ 14,539
Non-current	255,422	266,119
	$ 284,190	$ 280,658

The discount rate for lease liabilities is as follows:

	December 31, 2023	December 31, 2022
Building	1.68%~2.1%	1.68%~2.1%
Transport equipment	2.1%	-
Land	2.1%	-

(III) Other lease information

	2023	2022
Short-term lease and lease expense of low-value assets	$ 7,356	$ 9,805
Total cash (outflow) amount for lease	($ 31,957)	($ 18,235)

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	
Balance on January 1, 2023	$ 40,477
Acquired separately	2,620
Balance on December 31, 2023	$ 43,097
Accumulated amortization	
Balance on January 1, 2023	$ 26,839
Amortization expenses	6,237
Balance on December 31, 2023	$ 33,076
Net amount on December 31, 2023	$ 10,021

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	Computer software
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

Since there was no sign of impairment in 2023 and 2022, the Company did not conduct impairment assessment.

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

Computer software	1–3 years

Summary of amortization expenses by function:

	2023	2022
Operating costs	$ 2,743	$ 1,733
Marketing expense	827	694
Administrative expense	1,696	475
R&D expense	971	768
	$ 6,237	$ 3,670

XVI. Other assets

	December 31, 2023	December 31, 2022
Current		
Prepayments		
Prepayments for purchase (Note 34)	$ 61,904	$ 39,398
Prepaid expenses	35,714	33,220
Overpaid tax retained for offsetting the future tax payable	21,002	19,832
	$ 118,620	$ 92,450

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	December 31, 2023	December 31, 2022
Other current assets		
Other financial assets – reserve account (Note 35)	$ 128,313	$ 163,469
Construction guarantee deposits paid	26,137	21,202
	$ 154,450	$ 184,671
Non-current		
Other non-current assets		
Prepayment for equipment	$ 55,648	$ 98,065
Guarantee deposits paid	74,965	6,951
Net defined benefit assets (Note 21)	1,189	-
Other financial assets – reserve account (Note 35)	147,000	147,514
Others	3,452	3,450
	$ 282,254	$ 255,980

(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.

XVII. Borrowings

(I) Short-term loans

	December 31, 2023	December 31, 2022
Secured borrowings (Note 35)		
Bank borrowings (1)	$ 460,000	$ -
Unsecured loans		
Borrowings within credit lines (2)	50,000	-
	$ 510,000	$ -

(1) The interest rate of working loans on December 31, 2023 was 2.15%–2.175%.

(2) The interest rate of working loans on December 31, 2023 was 2.1%.

(II) Long-term loans

	Maturity date	Material terms	Effective interest rate	December 31, 2023	December 31, 2022
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.	2.85%	$ 45,478	$ 65,559
Secured borrowings (Note 35)					
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.	2.48%	63,142	69,465
First Commercial Bank	December 1, 2043	The total amount of borrowings is NTD 1,430,000 thousand, with a grace period of 3 years, a one-time disbursement of the loan, and interest is paid monthly. The principal is amortized and repaid evenly every month from the expiration date of the grace period.	1.83%	1,430,000	-
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.	2.20%	225,000	245,000
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.	2.63%	52,500	82,500
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).	2.095%	3,630	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.	2.175%	400,000	400,000
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
				2,219,750	870,872
Less: Due within one year				(77,122)	(81,279)
Long-term loans				$ 2,142,628	$ 789,593

XVIII. Notes and accounts payable

	December 31, 2023	December 31, 2022
Notes payable		
From operation	$ -	$ 1,260
Not from operation	-	88
	$ -	$ 1,348
Accounts payable		
From operation – non-related parties	$ 559,286	$ 473,684
From operations – related parties (Note 34)	34,130	25,816
	$ 593,416	$ 499,500

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 purchases. The Company establishes financial risk management policies to ensure that all payables can be paid back within the agreed term of credit.

XIX. Other liabilities

	December 31, 2023	December 31, 2022
Current		
Other payables		
Salary and bonus payable	$ 150,955	$ 129,293
Equipment payment payable	7,995	9,047
Remuneration payable to employees and directors	73,754	44,919
Expenses payable	42,291	33,475
	$ 274,995	$ 216,734
Other payables – Related parties (Note 34)	$ 489,237	$ -
Non-current		
Other liabilities		
Guarantee deposits received	$ 12,930	$ 5,612

XX. Liability reserve

	December 31, 2023	December 31, 2022
Current		
Warranty	$ 43,683	$ 21,584
Onerous contract	155	156
	$ 43,838	$ 21,740

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 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.

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, 2023	December 31, 2022
Present value of defined benefit obligation	$ -	$ 152,247
Fair value of plan assets	(1,189)	(96,411)
Net defined benefit (assets) liabilities	($ 1,189)	$ 55,836

Changes in net defined benefit (assets) liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2023	$ 152,247	($ 96,411)	$ 55,836
Service cost			
Current service cost	154	-	154
Service cost in the previous period	63	-	63
Gains on settlement	(391)	-	(391)
Interest expense (income)	2,089	(1,325)	764
Recognition in profit or loss	1,915	(1,325)	590
Remeasurement			
Return on plan assets (except for any amount included in net interest)	-	(388)	(388)
Actuarial losses			
– Experience adjustments	3,295	-	3,295
Recognition in other comprehensive income	3,295	(388)	2,907
Contribution by employer	-	(21,694)	(21,694)
Settlement	(19,316)	19,316	-
Payment of benefits	(99,313)	99,313	-
Payments on the Company's account	(38,828)	-	(38,828)
December 31, 2023	$ -	($ 1,189)	($ 1,189)

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2022	$ 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 losses (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:

	2023	2022
Operating costs	$ 207	$ 384
Marketing expense	74	6
Administrative expense	224	108
R&D expense	85	154
	$ 590	$ 652

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, 2023	December 31, 2022
Discount rate	-	1.375%
Anticipated salary increase rate	-	2.00%

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 would be as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	$ -	($ 3,017)
Decrease by 0.25%	$ -	$ 3,110
Anticipated salary increase rate		
Increase by 0.25%	$ -	$ 3,047
Decrease by 0.25%	$ -	($ 2,971)

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, 2023	December 31, 2022
Expected contribution within 1 year	$ -	$ 917
Average maturity of defined benefit obligations	-	8.1 years

XXII. Maturity analysis of assets and 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 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, 2023			
Assets			
Contract assets	$ 13,714	$ 667,013	$ 680,727
Liability			
Contract liabilities	$ 11,579	$ 469,693	$ 481,272
December 31, 2022			
Assets			
Contract assets	$ 12,734	$ 530,735	$ 543,469
Liability			
Contract liabilities	$ 46,826	$ 956,701	$ 1,003,527

XXIII. Equity

(I) Share capital

Common shares

	December 31, 2023	December 31, 2022
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, 2023	December 31, 2022
May be used to offset losses, distribute cash or capitalize on share capital (1)		
Stock issuance in excess of par value	$ -	$ 39,206
Treasury stock trading	113,597	72,665
Difference between the actual price for acquisition of equity in subsidiaries and the book value	68,244	68,244
Only available for makeup of loss (2)		
Recognition of changes in equity ownership in subsidiaries	274,884	113,754
	$ 456,725	$ 293,869

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

According to the Articles of Incorporation, 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 Note 25 (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 the total paid-in capital. Legal reserves may be used to make up losses. 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 28, 2023 and June 24, 2022. Earnings distribution proposals in 2022 and 2021 approved at the said meetings are as follows:

	2022	2021
Legal reserves	$ 48,011	$ -
Special reserves	($ 22,025)	($ 9,455)
Cash dividend	$ 401,885	$ -
Cash dividends from capital reserves	$ -	$ 395,218
Cash dividend per share (NTD)	$ 1.62	$ -
Cash dividends from capital reserves per share (NTD)	$ -	$ 1.6

The proposal for distribution of earnings in 2023 resolved by the Board of Directors on March 7, 2024 is as follows:

	2023
Legal reserves	$ 64,250
Cash dividend	$ 423,319
Cash dividend per share (NTD)	$ 1.7

The proposal for distribution of earnings in 2023 is to be resolved at the annual shareholders' meeting to be held on May 31, 2024.

(IV) Special reserves

	2023	2022
Balance – beginning of the year	$ 319,117	$ 328,572
Reversal of special reserves	(22,025)	(9,455)
Balance – ending of the year	$ 297,092	$ 319,117

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 shareholders' 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:

	2023	2022
Balance – beginning of the year	($ 229,740)	($ 256,306)
Amounts incurred in the year		
Exchange differences from foreign operations	(8,703)	6,346
Share of subsidiary under the equity method	(12,092)	12,192
Other comprehensive income for the year	(20,795)	18,538
Changes in ownership interests in subsidiaries	(5,204)	-
Disposal of subsidiaries using the equity method	-	7,960
Disposal of part of interests in subsidiaries	-	68
Balance – ending of the year	($ 255,739)	($ 229,740)

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

	2023	2022
Balance – beginning of the year	($ 11,507)	($ 6,966)
Amounts incurred in the year		
Unrealized profit/loss		
Equity instruments	3,299	(5,352)
Disposal of part of interests in subsidiaries	-	1
Accumulated gain or loss on disposal of equity instruments transferred to retained earnings	-	810
Balance – ending of the year	($ 8,208)	($ 11,507)

(VI) Treasury stocks

Cause of repurchase	Transfer of shares to employees (thousand shares)
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
Number of shares on January 1, 2023	934
Decrease in the Year	(934)
Number of shares on December 31, 2023	-

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

XXIV. Revenue

	2023	2022
Revenue from contracts with customers		
Revenue from sale of commodities	$ 4,224	$ 5,521
Service income	56,592	48,562
Project income	2,723,299	2,206,095
	$ 2,784,115	$ 2,260,178

(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 in 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 its 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, 2023	December 31, 2022	January 1, 2022
Accounts and notes receivable (Note 10)	$ 419,313	$ 167,132	$ 125,382
Contract assets – current			
Construction of automated equipment	$ 680,727	$ 543,469	$ 314,344
Contract liabilities – current			
Construction of automated equipment	$ 481,272	$ 1,003,527	$ 971,393

(III) Customer contract income breakdown

	2023	2022
Point in time for revenue recognition		
Contract fulfilled at a point in time	$ 61,805	$ 64,504
Contract fulfilled over time	2,722,310	2,195,674
	$ 2,784,115	$ 2,260,178

(IV) Customer contracts not fully performed

As of December 31, 2023 and 2022, the trading price amortized to the obligations that had not been fulfilled was NTD 481,272 thousand and NTD 1,003,527 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

	2023	2022
Interest income		
Bank deposit	$ 32,698	$ 11,543
Loans to related parties (Note 34)	8,854	24,039
	$ 41,552	$ 35,582

(II) Other revenue

	2023	2022
Lease revenue		
Rental income from operating lease (Note 34)	$ 44,969	$ 30,074
Dividend revenue	2,113	2,097
Government subsidy income (Notes 29)	21,753	3,009
Others	2,999	2,742
	$ 71,834	$ 37,922

(III) Other gains and losses

	2023	2022
Net foreign exchange gains	$ 20,009	$ 47,720
Loss (gain) on financial assets		
Financial assets mandatorily measured at fair value through profit or loss	42,303	(6,719)
Impairment loss	(14,052)	-
Others	(35)	253
	$ 48,225	$ 41,254

(IV) Financial costs

	2023	2022
Bank loan interest	$ 29,385	$ 14,525
Interest on lease liabilities	5,299	397
	$ 34,684	$ 14,922

Information on capitalization of interest:

	2023	2022
Capitalization of interest – amount	$ -	$ 4,612
Capitalization of interest – interest rate	-	1.68%～2.1%

(V) Depreciation and amortization

	2023	2022
Summary of depreciation expenses by function		
Operating costs	$ 33,722	$ 27,499
Operating expenses	53,950	25,078
	$ 87,672	$ 52,577
Summary of amortization expenses by function		
Operating costs	$ 2,743	$ 1,733
Operating expenses	3,494	1,937
	$ 6,237	$ 3,670

(VI) Employee benefit expense

	2023	2022
Other short-term employee benefits	$ 552,843	$ 470,878
Retirement benefits		
Defined contribution plan	17,760	14,786
Defined benefit plan (Note 21)	590	652
	18,350	15,438
Share-based payment (Note 28)	40,993	5,303
Total of employee benefit expenses	$ 612,186	$ 491,619
Summarized by function		
Operating costs	$ 220,280	$ 189,859
Operating expenses	391,906	301,760
	$ 612,186	$ 491,619

(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.

The estimated remuneration to employees and directors and supervisors for 2023 and 2022 was resolved by the Board of Directors on March 7, 2024 and March 10, 2023, respectively, as follows:

Estimated ratio

	2023	2022
Remuneration to employees	7.1%	7.3%
Remuneration to directors	1.4%	1.5%

Amount

	2023	2022
Remuneration to employees	$ 61,886	$ 37,262
Remuneration to directors	$ 11,869	$ 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 2022 and 2021 and the amount recognized in the consolidated financial statements in 2022 and 2021.

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

	2023	2022
Total profit from translation of foreign currencies	$ 28,742	$ 74,055
Total loss from translation of foreign currencies	(8,733)	(26,335)
Net gain	$ 20,009	$ 47,720

XXVI. Income tax of continuing operations

(I) Income tax recognized in profit or loss

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

	2023	2022
Current income tax		
Tax incurred in the year	$ 2,613	$ -
Adjustments for the previous year	2,481	(5,683)
Deferred income tax		
Tax incurred in the year	113	2,454
Income tax expense (profit) recognized in profit or loss	$ 5,207	($ 3,229)

The adjustment of the accounting income and income tax expenses (profit) are as follows:

	2023	2022
Net profit before tax	$ 801,204	$ 466,845
Income tax expense on net profit before tax calculated at the statutory tax rate	$ 160,241	$ 93,369
Expense and loss not deductible from tax	2,854	91
Non-taxable income	(8,807)	(17,755)
Unrecognized deductible temporary difference	(151,562)	(91,625)
Repatriation of earnings of subsidiaries	-	18,374
Adjustment to income tax expenses of the previous year in the year	2,481	(5,683)
Income tax expense (profit) recognized in profit or loss	$ 5,207	($ 3,229)

(II) Income tax recognized in other comprehensive income

	2023	2022
Deferred income tax		
Incurred in the year		
– Translation from foreign operations	($ 2,317)	$ 1,190
– Remeasurement of defined benefits plans	(581)	3,219
Income tax expense (gain) recognized in other comprehensive income	($ 2,898)	$ 4,409

(III) Current income tax assets

	December 31, 2023	December 31, 2022
Current income tax assets		
Income tax refund receivable	$ 6,852	$ 9,220

(IV) Deferred income tax assets and liabilities

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

2023

	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Deferred income tax assets				
Temporary difference				
Discrepancy in pension recognition	$ 11,780	$ 9	$ 581	$ 12,370
Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	135,104	-	-	135,104
Unrealized gains among associates	6,918	(4,374)	-	2,544
Liability reserve	4,317	4,420	-	8,737
Exchange differences from foreign operations	10,380	-	2,317	12,697
Others	8,419	684	-	9,103
	$ 176,918	$ 739	$ 2,898	$ 180,555
Deferred income tax liabilities				
Temporary difference				
Financial assets measured at fair value through profit or loss	($ 444)	($ 459)	$ -	($ 903)
Land incremental tax	(56,108)	-	-	(56,108)
Others	-	(393)	-	(393)
	($ 56,552)	($ 852)	$ -	($ 57,404)

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)

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

	December 31, 2023	December 31, 2022
Loss carryforwards		
Mature in 2030	$ 772,458	$ 1,103,023
Deductible temporary difference		
Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	$ 85,759	$ 502,134

(VI) Authorization of income tax

The Company’s profit-seeking business income tax filings up until 2021 have been approved by the tax authority.

XXVII. Earnings per share

Unit: NTD per share

	2023	2022
Basic earnings per share		
From continuing operations	$ 3.20	$ 1.91
Diluted earnings per share		
From continuing operations	$ 3.19	$ 1.89

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

Net profit for the current year

	2023	2022
Net profit used for calculation of basic earnings per share	$ 795,997	$ 470,074
Net profit used for calculation of diluted earnings per share	$ 795,997	$ 470,074

Number of shares

Unit: thousand shares

	2023	2022
Weighted average number of ordinary shares used to calculate basic share surplus	248,406	246,751
Effect of potential diluted common stocks:		
Remuneration to employees	1,199	1,467
Weighted average number of ordinary shares used to calculate diluted earnings	249,605	248,218

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 resolves 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 August 4, 2023, the Board of Directors resolved to transfer treasury shares to employees at NTD 43.50 and NTD 44.28 per share, respectively. As of the date of payment of employee stock options, 467 thousand shares and 467 thousand shares were transferred, respectively for a total transfer price of NTD 22,792 thousand. The base date of employee stock options was set on August 9, 2023. The Company recognized a remuneration cost of NTD 40,993 thousand on the date of grant.

The Black-Scholes valuation model was used for the employee stock options granted by the Company in August 2023. The inputs used in the valuation model are as follows:

	August 2023
Price on grant date	NTD 68.30
Exercise price	NTD 24.80/24.02
Stock price volatility	52.16
Lifetime	0.022 years
Risk-free interest rate	0.806

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

Remuneration costs recognized by the Company for 2023 and 2022 were NTD 40,993 thousand and NTD 5,303 thousand, respectively.

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 2023, the grant income recognized in accordance with the subsidy plan was NTD 9,622 thousand, of which NTD 2,216 thousand was recorded in other receivables. 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 and the Taipei Computer Association signed a 5G automated logistics engineering transformation intelligent manufacturing development plan, and received a subsidy from September 1, 2022 to August 31, 2024. In 2023, the grant income recognized in accordance with the subsidy plan was NTD 5,454 thousand, of which NTD 204 thousand was recorded in other receivables.

The Company signed a railway industry development subsidy program contract with the Railway Bureau, Ministry of Transportation and Communications, and received subsidy from July 1, 2023 to September 30, 2024. In 2023, grant income of NTD 6,677 thousand was recognized, of which NTD 4,087 thousand was recorded as other receivables.

The Company signed a railway industry development subsidy program contract with the Railway Bureau, Ministry of Transportation and Communications, and received subsidy from July 1, 2023 to September 30, 2024. In 2023, the subsidy received under the subsidy plan amounted to NTD 35,000 thousand, of which NTD 0 was recognized as subsidy income, of which NTD 35,000 thousand was recorded as deferred income.

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%.

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 33 “Transaction of equity with respect to non-controlling equity” to the 2023 consolidated financial reports of the Company.

XXXI. Cash flow information

(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 2023 and 2022:

1. The Company reclassified contract assets to the category of property, plant and equipment to the amount of NTD 2,895 thousand and NTD 92,954 thousand, respectively, in 2023 and 2022.
2. The payment to be made by the Company for purchase of the property, plant and equipment decreased by NTD 1,052 thousand and increased by NTD 7,068 thousand respectively, in 2023 and 2022.
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.

(II) Changes in liabilities from financing activities

2023

			Non-cash change				
	January 1, 2023	Cash flow	New lease	Capitalization	Interest expenses	Lease modification	December 31, 2023
Short-term loans	$ -	$ 510,000	$ -	$ -	$ -	$ -	$ 510,000
Long-term loans	870,872	1,348,878	-	-	-	-	2,219,750
Guarantee deposits received	5,612	7,318	-	-	-	-	12,930
Lease liabilities	280,658	(24,601)	20,553	-	5,299	2,281	284,190
	$ 1,157,142	$ 1,841,595	$ 20,553	$ -	$ 5,299	$ 2,281	$ 3,026,870

2022

			Non-cash change				
	January 1, 2022	Cash flow	New lease	Capitalization	Interest expenses	Lease modification	December 31, 2022
Short-term loans	$ 20,000	($ 20,000)	$ -	$ -	$ -	$ -	$ -
Long-term loans	532,038	338,834	-	-	-	-	870,872
Guarantee deposits received	5,733	(121)	-	-	-	-	5,612
Lease liabilities	265,208	(8,430)	18,871	4,612	397	-	280,658
	$ 822,979	$ 310,283	$ 18,871	$ 4,612	$ 397	$ -	$ 1,157,142

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 has 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, 2023 and 2022, 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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Overseas listed (OTC) stocks	$ 13,034	$ -	$ -	$ 13,034
Domestic non-listed (non-OTC) stocks	-	-	131,797	131,797
Fund beneficiary certificate	164,243	-	-	164,243
Total	$ 177,277	$ -	$ 131,797	$ 309,074
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
– Domestic non-listed (non-OTC) stocks	$ -	$ -	$ 59,167	$ 59,167

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

There were no transfers of fair value measurements between Level 1 and Level 2 in 2023 and 2022.

2. Reconciliation of Level 3 fair value measurement of financial instruments

2023

Financial assets	Measurement at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	
	Equity instruments	Equity instruments	Total
Balance – beginning of the year	$ 86,436	$ 38,368	$ 124,804
Purchase	11,750	17,500	29,250
Recognition in profit or loss (other gains and losses)	33,611	-	33,611
Recognized in other comprehensive income (unrealized profit/loss from the financial assets measured at fair value through other comprehensive income)	-	3,299	3,299
Balance – ending of the year	$ 131,797	$ 59,167	$ 190,964

2022

Financial assets	Measurement at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	
	Equity instruments	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 gains 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 year	$ 86,436	$ 38,368	$ 124,804

3. Evaluation technology and inputs measured at Level 3 fair value

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, 2023	December 31, 2022
Financial assets		
Measurement at fair value through profit or loss		
Mandatory measurement at fair value through profit or loss	$ 309,074	$ 379,345
Financial assets measured at amortized cost (Note 1)	1,671,998	2,170,178
Financial assets measured at fair value through other comprehensive income		
Investment in equity instruments	59,167	38,368
Financial liabilities		
Measurement at amortized cost (Note 2)	4,100,328	1,594,066

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.

(1) Exchange rate risk

The Company was engaged in sales and purchase transactions in foreign currency. These transactions exposed the Company to exchange rate fluctuation risk. About 1% of the sales amount of the Company is not valuated in the functional currency. About 19% of the cost amount is not valuated in 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.

Sensitivity analysis

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	
	2023	2022	2023	2022
Profit or loss	$ 8,143 (i)	$ 15,291 (i)	($ 9,391) (i)	$ 8,158 (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 Company's sensitivity to the USD exchange rate decreased mainly due to the decrease in USD-denominated accounts receivable; the Company's sensitivity to the RMB exchange rate decreased mainly due to the increase of other payables denominated 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.

(2) 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, 2023	December 31, 2022
With fair value interest rate risk		
– Financial assets	$ 236,178	$ 354,726
– Financial liabilities	284,190	280,658
With cash flow interest rate risk		
– Financial assets	892,240	1,156,619
– Financial liabilities	2,729,750	870,872

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 increases/decreased by 1%, and all other variables remained unchanged, the Company's net income after tax for 2023 would have decreased/increased by NTD 14,700 thousand and increased/decreased by NTD 2,286 thousand, respectively. This is mainly due to the changes in the Company's exposure to the interest rate risk of an interest rate borrowing.

The increase in sensitivity of the Company to interest rates for the year was mainly due to the increase in variable-rate bank deposits.

(3) 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 2023 and 2022 increased/decreased by NTD 4,345 thousand and NTD 2,918 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 2023 and 2022 increased/decreased by NTD 1,775 thousand and NTD 1,151 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 increased in the current period due to an increase in the investment in equity securities.

2. Credit risk

The credit risk refers to the risk of 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, 2023

	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					
Accounts payable		$ 593,416	$ -	$ -	$ -
Other payables		764,232	-	-	-
Guarantee deposits received		12,930	-	-	-
Floating interest rate instruments					
Short-term loans	2.16	521,040	-	-	-
Long-term loans	1.926	77,865	523,414	134,263	1,659,785
Lease liabilities		33,791	41,629	40,394	182,303
		$ 2,003,274	$ 565,043	$ 174,657	$ 1,842,088

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	$ 33,791	$ 82,023	$ 97,449	$ 64,774	$ 20,080	$ -

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	$ -

(2) Financing facility

	December 31, 2023	December 31, 2022
Unsecured bank loan limit (reviewed every year)		
– Employed capital	$ 100,000	$ 100,000
– Unemployed capital	336,872	100,000
	$ 436,872	$ 200,000
Unsecured other loan limit		
– Employed capital	$ -	$ -
– Unemployed capital	50,000	50,000
	$ 50,000	$ 50,000
Secured bank loan limit (extension possible under mutual agreement)		
– Employed capital	$2,990,661	$1,118,612
– Unemployed capital	582,969	752,588
	$3,573,630	$1,871,200

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

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
Hua-Xia Construction Co., Ltd.	Subsidiary
Chief Global Logistics Co., Ltd.	Subsidiary
TAI VISION 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
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	Associate

(II) Operating revenue

Account Title	Type of Related Party	2023	2022
Sales revenue	Subsidiary	$ 299	$ 1,384
Project income	Subsidiary	162,874	204,084
Service income	Subsidiary	442	58
		$ 163,615	$ 205,526

There is no significant difference between 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	2023	2022
Subsidiary	$ 11,551	$ 79,317
Associate	621	-
	$ 12,172	$ 79,317

There is no significant difference between 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, 2023	December 31, 2022
Accounts receivable	TAISIC MATERIALS CO.	$ 3,780	$ 3,890
	Hua-Xia Construction Co., Ltd.	39,425	-
	VIETNERGY COMPANY LIMITED	2	339
		$ 43,207	$ 4,229
Other receivables	Chief Global Logistics Co., Ltd.	$ 411	$ -
	VIETNERGY COMPANY LIMITED	12	-
	TAI VISION CO., LTD.	16	-
	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	-	12,896
		$ 439	$ 12,896

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 2023 and 2022.

(V) Accounts payable to related parties (excluding loans from related parties)

Account Title	Type of Related Party	December 31, 2023	December 31, 2022
Accounts payable	KENMEC MECHATRONICS (SUZHOU) CO., LTD.	$ 34,130	$ 25,816
Other payables	KENTEC INC.	$ 489,237	$ -

The outstanding balance of the accounts payable to related parties was not guaranteed.

(VI) Prepayments

Type/Name of Related Party	December 31, 2023	December 31, 2022
Subsidiary	$ 44,816	$ 29,459

(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.

	2023					
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
Equipment construction	$ 82,307	$ 162,874	$ 143,354	$ 19,520	($ 25,556)	$ 76,271

	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
Equipment construction	$ 76,846	$ 204,084	$ 168,408	$ 35,676	($ 30,215)	$ 82,307

(VIII) Lease agreement

Type of Related Party	2023	2022
Lease expense		
De facto related party	$ 2,290	$ -

2023				
Type of Related Party	Premises	Lease Period	Determination of Rent	Monthly Rental
De facto related party	No. 21, Xindu Rd., Qianzhen Dist., Kaohsiung City	2023.01.01～2023.06.30	Negotiation	$ 196
De facto related party	No. 12, Xinda Rd., Qianzhen Dist., Kaohsiung City	2023.01.01～2023.06.30	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, 2023	December 31, 2022
The Company's Chairman CHING-FU HSIEH		
Amount guaranteed	$ 520,000	$ 340,000

(X) Loans to related parties

Type of Related Party	December 31, 2023	December 31, 2022
Other receivables		
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	$ -	$ 431,400

Type of Related Party	2023	2022
Interest income		
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	$ 8,854	$ 16,892
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	-	4,125
KENTEC INC.	-	168
VIETNERGY COMPANY LIMITED	-	2,854
	$ 8,854	$ 24,039

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 2023 and 2022 were unsecured.

(XI) Related party transactions

Lease revenue

2023

	Premises	Lease Period	Determination of Rent	Monthly Rental	Lease revenue
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli Dist., Taoyuan City	2020.11.01～2025.10.31	Negotiation	$ 186	$ 2,236
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli Dist., Taoyuan City	2020.11.01～2025.10.31	Negotiation	1,768	21,215
Subsidiary	No. 5, Gongye 3rd Rd., Pingzhen Dist., Taoyuan City	2023.12.01～2024.11.30	Negotiation	5	5
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	2020.11.01～2025.10.31	Negotiation	25	300
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	2023.11.01～2028.10.31	Negotiation	20	240
Subsidiary	5F., No. 97, Sec. 2, Nangang Rd., Taipei City	2023.08.01～2024.07.31	Negotiation	5	60
Subsidiary	Land of automation warehouse and access equipment at Xingbang Section, Qianzhen Dist., Kaohsiung City	2023.10.20～2024.10.19	Negotiation	13,460	13,460
					$ 37,516

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

Other gains and losses

	Type of Related Party	2023	2022
Operating expenses	Subsidiary	$ 5	$ 4
Manufacturing expense	Subsidiary	$ 319	$ 616
Other revenue	Subsidiary	$ 710	$ 471

(XII) Remuneration to key management

	2023	2022
Short-term employee benefits	$ 80,988	$ 89,612
Retirement benefits	807	727
Share-based Payment	40,993	637
	$ 122,788	$ 90,976

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, 2023	December 31, 2022
Pledged C/D (stated as financial assets measured at amortized cost – current)	$ 41,402	$ 58,687
Pledged C/D (stated as financial assets measured at amortized cost – non-current)	69,930	70,049
Other financial assets – current	128,313	163,469
Other financial assets – Non-current	147,000	147,514
Property, plant and equipment		
Land	2,102,770	865,945
House and building	684,829	154,924
Guarantee deposits paid	101,102	28,153
	$ 3,275,346	$ 1,488,741

XXXVI. Significant contingent liabilities and unrecognized contractual commitments

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 2023 and 2022 totaled NTD 1,114,952 thousand and NTD 1,065,626 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

Chen Chun-Ming sued the Company for the refund of a loan of RMB 15,000 thousand. The case was ruled in favor of the Company by the local court on May 26, 2023. However, the other party appealed and protested against the verdict of the first instance. On April 11, 2024, the court convened again for the additional lawsuit filed by Chen Chun-Ming.

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, 2023

	Foreign currency (thousand)	Exchange rate		Book value
Foreign currency assets				
Monetary items				
USD	$ 11,210	30.705	(USD : NTD)	$ 344,203
RMB	32,165	4.327	(RMB : NTD)	139,180
JPY	7,099	0.2172	(JPY : NTD)	1,542
EUR	41	33.98	(EUR : NTD)	1,409
VND	1,882,013	0.00125	(VND : NTD)	2,353
				$ 488,687
Non-monetary items				
Investment under the equity method				
Thai Baht	$ 23,517	0.9017	(Thai Baht : NTD)	$ 21,205
RMB	127,941	4.327	(RMB : NTD)	553,601
VND	83,717,788	0.00125	(VND : NTD)	104,647
				$ 679,453
Foreign liabilities				
Monetary items				
USD	159	30.705	(USD : NTD)	$ 4,889
RMB	122,595	4.327	(RMB : NTD)	530,469
EUR	3,189	33.98	(EUR : NTD)	108,371
JPY	51,734	0.2172	(JPY : NTD)	11,237
				$ 654,966

December 31, 2022

Foreign currency assets	Foreign currency (thousand)	Exchange rate		Book value
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	0.0013	(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

Profit or loss (realized and unrealized) from foreign currency translation with significant effect is as follows:

	2023		2022	
Foreign currency	Exchange rate	Net translation profit (loss)	Exchange rate	Net translation profit (loss)
USD	30.705 (USD : NTD)	$ 9,427	30.71 (USD : NTD)	$ 40,755
RMB	4.327 (RMB : NTD)	1,942	4.408 (RMB : NTD)	6,361
EUR	33.98 (EUR : NTD)	7,710	32.72 (EUR : NTD)	(720)
JPY	0.2172 (JPY : NTD)	784	0.2324 (JPY : NTD)	436
Others		146		888
		$ 20,009		$ 47,720

XXXVIII. Disclosures of notes

(I) Major transaction matters:

1. Loaning of funds to others. (Table 1)
2. Making endorsements/guarantees for others. (Table 2)
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates, and joint ventures). (Table 3)
4. The cumulative amount of the same securities purchased or sold reaches NTD 300 million or 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. (Table 5)
6. Disposal of real estate reaching NTD 300 million or more than 20% of the paid-in capital. (None)
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: (None)
   (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 10)

KENMEC MECHANICAL ENGINEERING CO., LTD.

Loans to Others

2023

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		Ceiling of loans to a single borrower (Notes 2 to 8)	Ceiling of total loaning of funds (Notes 2 to 8)
													Name	Value		
0	KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	$ 576,030	$ 86,540	$ -	3.65%	Needs for short-term financing	$ -	Working funds	$ -	-	$ -	$ 802,274	$ 1,604,548
		Hua-Xia Construction Co., Ltd.	Other receivables	Y	30,000	-	-	2.625%	〃	-	〃	-	-	-	802,274	1,604,548
1	KENMEC AUTOMATION ENGINEERING (KUNSHAN)	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	97,790 RMB 22,000	95,194 RMB 22,000	95,194 RMB 22,000	3.55%	〃	-	〃	-	-	-	175,146 RMB 40,478	175,146 RMB 40,478
2	KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	Suzhou Kenmec Property Development Ltd.	Other receivables	Y	85,956 RMB 19,500	34,616 RMB 8,000	34,616 RMB 8,000	3.65%	〃	-	〃	-	-	-	243,515 RMB 56,278	243,515 RMB 56,278
		Anhui Rongyun Property Development Co., Ltd.	Other receivables	Y	17,776 RMB 4,020	17,395 RMB 4,020	17,395 RMB 4,020	3.45%	〃	-	〃	-	-	-	243,515 RMB 56,278	243,515 RMB 56,278
3	Tainergy Tech. Co., Ltd.	TAISIC MATERIALS CO.	Other receivables	Y	150,000	150,000	150,000	2.75%~5.00%	〃	-	〃	-	-	-	422,466	844,932
		Star Solar New Energy Co., Ltd.	Other receivables	Y	130,000	65,000	65,000	2.75%~5.00%	〃	-	〃	-	Guarantee deposits	6,500	422,466	844,932
		VIETNERGY COMPANY LIMITED	Other receivables	Y	64,970	61,410	-	5.64%	〃	-	〃	-	-	-	422,466	844,932
4	Tainergy Technology (Kunshan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	301,035	294,236	294,236	3.65%	〃	-	〃	-	-	-	324,355	324,355
		Suzhou Kenmec Property Development Ltd.	Other receivables	Y	110,200	25,962	25,962	3.65%	〃	-	〃	-	-	-	324,355	324,355
		Kunshan Kunfu Electronic Materials Co., Ltd.	Other receivables	Y	2,204	-	-	3.65%~4.35%	〃	-	〃	-	-	-	324,355	324,355
5	KENTEC INC.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	110,556	86,540	86,540	3.65%	〃	-	〃	-	-	-	205,210	410,421
		VIETNERGY COMPANY LIMITED	Other receivables	Y	64,850	-	-	5.24%	〃	-	〃	-	-	-	205,210	410,421
		Chief Global Logistics Co., Ltd.	Other receivables	Y	30,000	-	-	2.625%	〃	-	〃	-	-	-	205,210	410,421
		TAISIC MATERIALS CO.	Other receivables	Y	100,000	100,000	100,000	2.75%	〃	-	〃	-	-	-	205,210	410,421

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: $4,011,371×20%＝802,274

Ceiling of total loaning of funds: 40% of the Company's net value: $4,011,371×40%＝1,604,548

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 40,478×40%＝RMB 16,191

The limit of total loaning of funds: 40% of the Company's net value: RMB 40,478×40%＝RMB 16,191

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 40,478×100%＝RMB 40,478

The limit of total loaning of funds: 100% of the Company's net value: RMB 40,478×100%＝RMB 40,478

Note 4: 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: 140,694×40%＝RMB 56,278

The limit of total loaning of funds: 40% of the Company's net value: RMB 140,694×40%＝RMB 56,278

Note 5: 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: 2,112,330×20%＝422,466

Ceiling of total loaning of funds: 40% of the Company's net value: 2,112,330×40%＝844,932

Note 6: 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: 187,402×40%＝RMB 74,961

The limit of total loaning of funds: 40% of the Company's net value: RMB 187,402×40%＝RMB 74,961

Note 7: 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: $1,026,052×20%＝205,210

Ceiling of total loaning of funds: 40% of the Company's net value: $1,026,052×40%＝410,421

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.

Endorsements/Guarantees for Others

2023

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.	KENTEC INC.	(2)	$ 3,209,097 (Note 3)	$ 100,000	$ 30,000	$ -	$ -	0.75%	$ 3,209,097 (Note 4)	Y	N	N
1	Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	(2)	1,689,864 (Note 7)	147,408	107,468	62,211	-	5.09%	1,689,864 (Note 8)	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 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, 2023: $4,011,371×80%=3,209,097

Note 4: Maximum endorsement/guarantee limit: No more than 80% of the Company’s net value on December 31, 2023: $4,011,371×80%=3,209,097

Note 5: Limits on individual endorsements/guarantees: No more than 80% of Tainergy Tech. Co. Ltd.’s net value on December 31, 2023: 2,112,330×80%=1,689,864

Note 6: Maximum endorsement/guarantee limit: No more than 80% of Tainergy Tech Co. Ltd.’s net value on December 31, 2023: 2,112,330×80%=1,689,864

Note 7: 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

2023

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	4,633,407.42	$ 55,124		$ 55,124	
	TCB Money Market Fund	〃	〃	5,761,335.48	60,000		60,000	
	FSITC Taiwan Money Market	〃	〃	3,120,935.10	49,119		49,119	
					$ 164,243		$ 164,243	
	Overseas listed (OTC) stocks							
	EBS	〃	〃	39,800	$ 622		$ 622	
	SDT	〃	〃	33,120	174		174	
	PAN	〃	〃	64,687	1,633		1,633	
	SC5	〃	〃	34,848	828		828	
	HRC	〃	〃	35,000	2,406		2,406	
	HAC	〃	〃	93	1		1	
	IPA	〃	〃	370,800	7,370		7,370	
					$ 13,034		$ 13,034	
	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	$ 22,972	10.01%	$ 22,972	
	Tao Garden Hotel Co., Ltd.	〃	〃	5,000,000	61,150	16.64%	61,150	
	TMY Technology Inc.	None	〃	871,421	47,675	1.91%	47,675	
					$ 131,797		$ 131,797	
	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	$ 33,267	14.29%	$ 33,267	
	Ecatch Automation Co., Ltd.	〃	〃	90,000	900	15.00%	900	
	Meng-Lue Venture Investment Limited Partnership	None	〃	-	15,000	8.33%	15,000	
	Wonder Automation Co., Ltd.	None	〃	197,722	10,000	9.74%	10,000	
					$ 59,167		$ 59,167	
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	$ -	6.45%	$ -	
	International non-listed stocks							
	Cognito Health International Inc.	〃	〃	1,333,333	$ -	2.42%	$ -	

(Next page)

(Continued from previous page)

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	10,990,199.40	$ 172,969		$ 172,969	
TAISIC MATERIALS CO.	Floating-rate financial products							
	President DSU TWD 100% Principal Guaranteed Structured Product	〃	〃		$ 50,005		$ 50,005	
Tainergy Technology (Kunshan) Co., Ltd.	Floating-rate financial products							
	Kunshan Rural Commercial Bank Sharing – Ririgin net worth financial commodity	〃	〃		$ 8,654		$ 8,654	
	Kunshan Rural Commercial Bank Sharing – Yueying GX001D net worth financial commodity	〃	〃		45,434		45,434	
Kunshan Kunfu Electronic Materials Co., Ltd.	Kunshan Rural Commercial Bank Sharing – Tientienjin net worth financial commodity	〃	〃		2,378		2,378	
					$ 56,466		$ 56,466	

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

2023

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.	TCB Taiwan Money Market	Financial assets measured at fair value through profit or loss – current	-	-	4,855	$ 50,011	43,943	$ 455,000	43,037	$ 445,300	$ 445,000	$ 300	5,761	$ 60,000
〃	KGI Victory Money Market Fund	〃	-	-	15,487	182,071	40,950	484,000	51,804	611,969	611,000	969	4,633	55,124
〃	FSITC Taiwan Money Market	〃	-	-	3,216	50,012	32,407	508,000	32,502	509,803	508,932	871	3,121	49,119

Note 1: Securities mentioned in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the above items.

Note 2: Investors whose securities are accounted for using the equity method are required by filling in these two fields, and the remainder can be left blank.

Note 3: The cumulative amount of purchases and sales should be separately calculated according to the market price to determine whether it reaches NTD 300 million or 20% of the paid-in capital.

Note 4: Paid-in capital refers to the parent company's paid-in capital. In the case of an issuer whose shares have no par value or a par value other than NTD 10 per share, the requirement of 20% of paid-in capital for transaction amount shall be calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

KENMEC MECHANICAL ENGINEERING CO., LTD.

Acquisition of real estate reaching NTD 300 million or more than 20% of the paid-in capital.

2023

Table 5

Unit: NTD thousand unless otherwise specified

Companies with real properties acquired	Name of property	Date of occurrence	Transaction Amount	Status of payment	Counterparty	Relationship	If the trading counterparty is a related party, the information of the previous transfer				Reference basis upon which the price was determined	Purpose of acquisition and utilization	Other special stipulations
							Owner	Relationship with the Issuer	Date of transfer	Amount			
KENMEC MECHANICAL ENGINEERING CO., LTD.	The building and the land at No. 5, Gongye 3rd Road, Pingzhen District, Taoyuan City (Land Nos. 368, 369, 371, Shanziding Section, Pingzhen District, Taoyuan City)	2023/4/26	$ 1,800,000	First installment (10%) – check payable on the signing date on April 26, 2023. The second installment (10%) will be paid within 3 business days after the competent authority issues the land increment tax and deed tax for the subject of sale, and receives the proof from the land administrator. The third installment (80%) – to be paid after the transfer of ownership.	Jvan An International Co., Ltd.	—	Not applicable	Not applicable	Not applicable	Not applicable	The appraised amount was NTD 1,844,139 thousand by HB Real Estate Appraisers Firm The appraised amount was NTD 1,844,139 thousand by Prudential Cross-Strait Real Estate Appraisers Firm	In order to develop the long-term production base and office environment while increasing rental income	Sale and leaseback

Note 1: If the acquired assets are subject to appraisal according to regulations, the appraisal result should be indicated in the "Reference for Price Determination" column.

Note 2: Paid-in capital refers to the parent company's paid-in capital. In the case of an issuer whose shares have no par value or a par value other than NTD 10 per share, the requirement of 20% of paid-in capital for transaction amount shall be calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

Note 3: The date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of resolution of the Board of Directors, or other date that can confirm the counterpart and amount of the transaction, whichever date is earlier.

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

2023

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)	
Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	Subsidiary	Processing fee (Note 4)	$ 647,018	29.02%	T/T 30 days upon invoice date	—	—	($ 26,339)	63.67%	

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: Cost of raw materials for processing has been written off.

Note 4: 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

December 31, 2023

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		
KENTEC INC.	KENMEC MECHANICAL ENGINEERING CO., LTD.	Parent company	Other receivables $ 489,237 RMB 113,066	(Note 1)	$ -	—	$	$ -
KENTEC INC.	TAISIC MATERIALS CO.	Fellow subsidiary	Other receivables 100,049	(Note 1)	-	—	-	-
Tainergy Tech. Co., Ltd.	TAISIC MATERIALS CO.	Subsidiary	Other receivables 150,848	(Note 1)	-	—	-	-
Tainergy Technology (Kunshan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Fellow subsidiary	Other receivables 298,578 RMB 69,004	(Note 1)	-	—	-	-

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

2023

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	$ 1,168,764 USD 38,039	38,038,752	100	$ 188,303	$ 185,216	$ 185,021	Subsidiary
	Kenmec Communication Holding (BVI) Co., Ltd.	Wickhams Cay 1 P.O. BOX 3444 Road Town Tortola British Virgin Islands	Investment holding business	498,622 CNY 113,066	- CNY -	16,852,121	60	365,298	365,470	230,230	〃
	Tainergy Tech. Co., Ltd.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Research, design, manufacture and sale of solar cells and module-related systems	1,942,337	1,942,337	61,132,856	27.17	554,656	(28,577)	(9,259)	〃
	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	104,647	2,651	2,651	〃
	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	914,528	92,482	83,201	〃
	TAISIC MATERIALS CO.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Manufacturing and sales of electronic parts and components	107,000	107,000	4,400,000	8.80	(10,381)	(308,827)	(27,136)	〃
	Chief Global Logistics Co., Ltd.	5F, No. 95, Nangang Sec., Nangang Dist., Taipei City	Warehousing	10,400	10,400	1,040,000	52.00	13,896	(5,228)	(2,717)	〃
	Hua-Xia Construction Co., Ltd.	4F., No. 76, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City	Comprehensive Construction	200,980	30,980	20,000,000	100	187,929	9,534	9,534	〃
	KENMEC AUTOMATION ENGINEERING (THAILAND) Co., Ltd.	No.654/1, Samyan Business Town, Soi Chinda Thawin 10, Rama 4 Road, Maha Phruetharam Sub-district, Bangrak District, Bangkok	Manufacturing, sales and maintenance of automation equipment and components	22,725 THB 25,000	- THB -	249,999	99.9996	21,205	(1,337)	(1,337)	〃
KENTEC INC.	Kenmec Communication Holding (BVI) Co., Ltd.	Wickhams Cay 1 P.O. BOX 3444 Road Town Tortola British Virgin Islands	Investment holding business	431,714 USD 11,235	930,336 USD 28,087	11,234,747	40	243,533	365,470	135,240	〃
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	810,915	5,256	5,256	〃
	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	449,082	(19,105)	(6,316)	〃
	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	3,902	(26)	8	Associate
	TAISIC MATERIALS CO.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Manufacturing and sales of electronic parts and components	238,280	238,280	23,828,000	47.656	154,538	(308,827)	(147,174)	Subsidiary
	TAI VISION CO., LTD.	No. 5, Gongye 3rd Rd., Pingzhen Dist., Taoyuan City	Wholesale and retail of contact lens	24,000	-	2,400,000	80	23,526	(592)	(474)	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

2023

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	$ 233,524 RMB 53,129	100	$ 233,524 RMB 53,129 (2)-B	$ 16,845 RMB 3,893	$ -	
Suzhou Kenmec Property Development Ltd.	Real estate business	1,157,582 RMB 252,000 (Note 4)	(2)-(3)	-	-	-	-	(16,436) (RMB 3,762)	76.88	(13,706) (RMB 3,120) (2)-B	572,516 RMB 132,312	-	
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	(47,594) (RMB 10,828)	100	(47,594) (RMB 10,828)	175,146 RMB 40,478	-	
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	New electronic components (chip components), digital sounds, etc.	43,921 RMB 10,000 (Note 8)	(2)-(7)	-	-	-	-	26,654 RMB 5,953	34.51	9,669 RMB 2,209	14,701 RMB 3,397	-	
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	New electronic components (chip components), digital sounds, etc.	855,358 USD 26,800 (Note 6)	(2)-(4)	666,701 USD 20,700	-		666,701 USD 20,700	374,243 RMB 83,583	96.13	360,858 RMB 80,594	585,249 RMB 135,255	-	
Anhui Rongyun Property Development Co., Ltd.	Real estate development	1,369,658 RMB 310,000	(2)-(8)	-	-		-	(61,945) (RMB 13,835)	39.59	(23,672) (RMB 5,287)	520,176 RMB 117,236	-	
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	5,255 RMB 1,194	27.17	1,428 RMB 324 (2)-B	220,318 RMB 50,917	-	
Kunshan Kunfu Electronic Materials Co., Ltd.	Sales and manufacture of electronic materials and parts	19,242 RMB 4,500	(2)-(6)	-	-	-	-	31 RMB 7	27.17	8 RMB 2 (2)-B	1,154 RMB 267	- -	
Kunshan Jichang Energy Technology Co., Ltd.	Sale of solar power-related products	-	(2)-(6)	-	-	-	-	-		-	-	-	

Note 1: Investment is carried out through the following three 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) Direct investment in Mainland China companies through KENTEC INC.

(2)-(8) Invested in Mainland China through KENMEC TECHNOLOGY (SUZHOU) CO., LTD.

(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 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 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. Others (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.

Note 7: Registration for Kunshan Jichang Energy Technology Co., Ltd. was canceled on February 7, 2023.

Note 8: In November 2023, the Group underwent an organizational reorganization and transferred the shares of the Group from the Company to KENMEC AUTOMATION ENGINEERING (KUNSHAN)

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 9)	Investment amount approved by the Investment Commission, MOEA	Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA (Note 10)
$ 4,217,147 (USD 125,600、RMB 60,000)	$ 5,113,407 (USD 149,200、RMB 123,000) (Exchange rate: USD 30.705; RMB 4.327)	$ 2,406,823

Note 9: 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 10: 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

2023

Table 10

Names of major shareholders	Shares	
	Number of shares held	Shareholding percentage
Wei-Xin Investment Co., Ltd.	20,000,000	8.03%
CHING-FU HSIEH	14,253,707	5.72%
Zhao-Cheng Investment Co., Ltd.	13,000,000	5.22%

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, 2023

Statement 1 | Unit: NTD thousand

Item	Summary	Amount
Cash on hand		$ 1,029
Working fund		50
Bank deposit		
Check and demand deposit		172,116
Foreign currency demand deposit	Including USD 589 thousand @ 30.705 JPY 7,099 thousand @ 0.2172 VND 4,022 thousand @ 0.00125 RMB 466 thousand @ 4.327 EUR 40 thousand @ 33.98 THB 7 thousand @ 0.9017 HKD 13 thousand @ 3.929	23,065
Cash equivalents		
Foreign currency time deposit with an initial maturity date within 3 months	Including USD 10,600 thousand @ 30.705 RMB 22,000 thousand @ 4.327	420,667
		$ 616,927

KENMEC MECHANICAL ENGINEERING CO., LTD.

Statement of Financial Assets Measured at Fair Value through Profit or Loss – Current

December 31, 2023

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	5,761,335.48	-	$ 60,000	10.4142	$ 60,000
FSITC Taiwan Money Market	3,120,935.10	-	49,119	15.7385	49,119
KGI Victory Money Market Fund	4,633,407.42	-	55,124	11.8972	55,124
			164,243		164,243
Overseas listed (OTC) stocks:					
HRC	35,000	-	2,406	68.75	2,406
EBS	39,800	-	622	15.63	622
HAC	93	-	1	12.50	1
SC5	34,848	-	828	23.75	828
PAN	64,687	-	1,633	25.25	1,633
SDT	33,120	-	174	5.25	174
IPA	370,800	-	7,370	19.88	7,370
			13,034		13,034
			$ 177,277		$ 177,277

KENMEC MECHANICAL ENGINEERING CO., LTD.

Statement of Accounts Receivable

December 31, 2023

Statement 3 | Unit: NTD thousand

Name of Customer	Summary	Amount
Non-related party accounts:		
Company A	Project income	$ 146,160
Company B	〃	94,215
Company C	〃	28,108
Company D	〃	23,226
Company E	〃	19,568
Company F	〃	17,500
Others (Note)	〃	47,302
Less: Loss allowance		-
		376,079
Related party accounts:		
Hua-Xia Construction Co., Ltd.	Project income	39,425
TAISIC MATERIALS CO.	〃	3,780
VIETNERGY COMPANY LIMITED	〃	2
		43,207
		$ 419,286

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, 2023

Statement 4 Unit: NTD thousand

Item	Summary	Amount	Cost and market price (whichever is lower)	
			Cost	Market price
Raw material	Project material	$ 225,899	$ 249,491	$ 170,573
Work in process		4,240	4,240	4,240
Finished goods		7,643	7,643	7,643
		$ 237,782	$ 261,374	$ 182,456

KENMEC MECHANICAL ENGINEERING CO., LTD.

Statement of Prepayments

December 31, 2023

Statement 5

Unit: NTD thousand

Item	Summary	Amount
Prepayment for purchase		$ 61,904
Prepaid expenses	Overpaid tax retained for offsetting the future tax payable	21,002
	Service fee	11,025
	Others (Note)	24,689
		$ 118,620

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

2023

Statement 6

Unit: NTD thousand

Name of investee	At the beginning of the period		Increase in the current period		Decrease in the current period			At the end of the period			
	Number of pieces	Book value	Number of pieces	Amount	Number of pieces	Amount	Fair value 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	$ 22,688	-	$ -	-	$ -	$ 284	1,776,637	10.01	$ 22,972	None
Tao Garden Hotel Co., Ltd.	5,000,000	43,600	-	-	-	-	17,550	5,000,000	16.64	61,150	〃
TMY Technology Inc.	535,714	20,148	335,707	11,750	-	-	15,777	871,421	1.91	47,675	〃
		$ 86,436		$ 11,750		$ -	$ 33,611			$ 131,797	

KENMEC MECHANICAL ENGINEERING CO., LTD.

Statement of Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income – Non-current

2023

Statement 7

Unit: NTD thousand

	At the beginning of the period		Increase in the current period		Decrease in the current period			At the end of the period			
Name of investee	Number of pieces	Book value	Number of pieces	Amount	Number of pieces	Amount	Fair value 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	$ 29,968	-	$ -	-	$ -	$ 3,299	780,000	14.29	$ 33,267	None
Ecatch Automation Co., Ltd.	90,000	900	-	-	-	-	-	90,000	15.00	900	〃
Meng-Lue Venture Investment Limited Partnership	-	7,500	-	7,500	-	-	-	-	8.33	15,000	〃
Wonder Automation Co., Ltd.	-	-	197,722	10,000	-	-	-	197,722	9.74	10,000	〃
		$ 38,368		$ 17,500		$ -	$ 3,299			$ 59,167	

KENMEC MECHANICAL ENGINEERING CO., LTD.

Statement of Changes in Investment under Equity Method

2023

Statement 8

Unit: NTD thousand

Name of investee	Balance – beginning of the period		Increase in the current period		Decrease in the current period (Note 1)				Exchange differences on translation of financial statements of foreign operations	Net remeasurement of defined benefits plan	Others	Balance – ending of the period			Market price or net equity (Note 3)		
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Investment profit (loss)	Unrealized profit/loss			(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.	61,132,856	$ 543,472	-	$ -	-	$ -	($ 9,259)	$ 25,088	($ 8,123)	($ 25)	$ 3,578	61,132,856	27.17	$ 554,731	27.35	$ 1,671,984	None
Non-publicly quoted common stocks																	
Kenmec International Holding (BVI) Co., Ltd.	38,038,752	5,490	-	-	-	-	185,021	63	(2,347)	-	55	38,038,752	100	188,282	4.95	188,282	None
KENMEC VIETNAM COMPANY LIMITED	-	105,344	-	-	-	-	2,651	-	(3,348)	-	-	-	100	104,647	-	104,647	None
KENTEC INC.	47,252,154	562,198	-	-	-	(47,255)	83,201	-	44,674	418	271,292	47,252,154	89.16	914,528	19.35	914,528	None
TAISIC MATERIALS CO.	4,400,000	26,798	-	-	-	-	(27,136)	(10,043)	-	-	-	4,400,000	8.8	(10,381)	-	(10,381)	None
Hua-Xia Construction Co., Ltd.	3,000,000	17,872	17,000,000	170,000	-	-	9,534	(9,477)	-	-	-	20,000,000	100	187,929	9.4	187,929	None
Chief Global Logistics Co., Ltd.	1,040,000	18,288	-	-	-	(2,080)	(2,717)	405	-	-	-	1,040,000	52	13,896	13.36	13,896	None
KENMEC AUTOMATION ENGINEERING (THAILAND) Co., Ltd.	-	-	249,999	22,725	-	-	(1,337)	-	(183)	-	-	249,999	100	21,205	84.82	21,205	None
Kenmec Communication Holding (BVI) Co., Ltd.	-	-	16,852,121	140,350	-	-	230,230	-	(5,142)	-	(140)	16,852,121	60	365,298	0	365,298	None
		$ 1,279,462		$ 333,075		($ 49,335)	$ 470,188	$ 6,036	$ 25,531	$ 393	$ 274,785			$ 2,340,135		$ 3,457,388	

Note 1: The decrease in current year's dividends is mainly due to the distribution of dividends by subsidiaries.

Note 2: This is the change of NTD 274,785 thousand in the ownership interest of the subsidiary.

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, 2023

Statement 9 | Unit: NTD thousand

Name of Customer	Summary	Amount
Non-related party accounts:		
Company G	Payment for purchase	$ 109,853
Company H	〃	34,334
Others (Note)	〃	415,099
		559,286
Related party accounts:		
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Payment for purchase	34,130
		$ 593,416

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

2023

Statement 10

Unit: NTD thousand

Item	Quantity	Amount
Sales revenue	-	$ 4,224
Project income	-	2,723,299
Service income	-	56,592
Total		$ 2,784,115

KENMEC MECHANICAL ENGINEERING CO., LTD.

Statement of Operating Costs

2023

Statement 11 Unit: NTD thousand

Item	Amount
Project cost	
Construction inventory – beginning	$ 226,137
Add: Purchase in current period	385,677
Return of residual material	10,171
Less: Cost to sell materials	(1,544)
Construction inventory – ending	(267,757)
Consumables in the current period	352,684
Contract work	1,356,037
Direct personnel	132,130
Manufacturing expense	242,654
Investment in the current period	2,083,505
Construction in progress – beginning	3,069,312
Add: Project income recognized under the percentage of completion method	2,721,880
Less: Advance construction payment receipts written off under the percentage of completion method	(2,372,413)
Transfer to construction repair cost	(65,119)
Transfer to Property, plant and equipment	(2,895)
Abnormal capacity	(20,950)
Construction in progress – ending	(3,497,897)
	1,915,423
Other operating costs	
Cost to sell materials	1,544
Repair cost	65,119
Inventory devaluation loss	27,709
Revenue from sale of scraps	(1,763)
Abnormal capacity	20,950
	113,559
	$ 2,028,982

KENMEC MECHANICAL ENGINEERING CO., LTD.

Statement of Operating Expenses

2023

Statement 12 Unit: NTD thousand

Item	Marketing expense	Administrative expense	Research and development expenses	Total
Salary expense	$ 50,652	$ 83,975	$ 104,457	$ 239,084
Bonus	16,538	27,943	29,008	73,489
Depreciation	29,980	23,052	918	53,950
Postage and phone/Fax expense	8,773	1,307	36	10,116
Remuneration to employees	8,694	37,141	16,051	61,886
Reversal gain of expected credit impairment	-	(13,860)	-	(13,860)
Others	32,342	81,614	18,459	132,415
	$ 146,979	$ 241,172	$ 168,929	$ 557,080

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

2023 and 2022

Statement 13 | Unit: NTD thousand

	2023			2022		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Salary expense	$ 183,448	$ 362,820	$ 546,268	$ 154,038	$ 277,101	$ 431,139
Insurance expense	23,580	13,746	37,326	18,441	11,277	29,718
Remuneration to directors	-	3,700	3,700	-	3,441	3,441
Pension expense	6,712	11,638	18,350	6,068	9,370	15,438
Other employee benefit expenses	6,540	3,702	10,242	5,244	4,012	9,256
	$ 220,280	$ 395,606	$ 615,886	$ 183,791	$ 305,201	$ 488,992
Depreciation expenses	$ 33,722	$ 53,950	$ 87,672	$ 27,499	$ 25,078	$ 52,577
Amortization expenses	$ 2,743	$ 3,494	$ 6,237	$ 1,733	$ 1,937	$ 3,670

Notes:

1. The number of employees in the year and in the previous year was 417 and 375, respectively, and the number of directors who were not employees was 4 and 3, respectively.
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 1,482 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 1,305 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 1,323 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 1,159 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 14.15% (“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. (Audit Committee established by the Company)
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 decisions.

The Remuneration Committee of the Company shall ensure that the remuneration level and payment status of other companies in the industry are referred to, as well as the business operations of the Company, personal performance of the employee, and the operating risk in the future. The Committee shall not induce directors and managerial officers to engage in 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 nature of the Company’s business 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.

Stock Code: 6125

KENMEC MECHANICAL ENGINEERING CO., LTD. AND SUBSIDIARIESA

Consolidated Financial Report with Independent Auditors' Report

2023 and 2022

Address: 1F., No. 69, Ruifang Industrial Park, Dingping Rd., Ruifang Dist., New Taipei City, Taiwan (R.O.C.)

Tel.: (02)2786-3797

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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 2023 (January 1 to December 31, 2023) 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 7, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, and the consolidated financial performance and cash flows for the periods from January 1 to December 31, 2023 and 2022.

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 2023. 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 2023 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.

The verification of the revenue from shipment to certain customers

The Group's Tainergy Tech. Co., Ltd. mainly engages in the research, design, manufacturing and sales of solar cells, panels and related systems. Since we presumed that revenue recognition was a significant risk based on the materiality principle and the Statements on Auditing Standards, we considered that the occurrence of the sales revenue from parts of certain customers recognized by the Tainergy Tech. Co., Ltd. and its subsidiaries was significant to the financial statements. Therefore, the verification of the shipment with respect to the revenue from parts of certain customers was listed as the key audit matter of the year. For the description of revenue recognition policies, see Note 4.

We performed the following main audit procedures:

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.

Property, plant and equipment impairment

As of December 31, 2023, the carrying value of the Group's property, plant and equipment was NTD 4,130,074 thousand, accounting for 35.42% 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.

TAISIC MATERIALS CO.

As the Group's TAISIC MATERIALS CO. invests in the field of silicon carbide in 2023, 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 43,718 thousand in 2023.

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 historical information or external information used by the independent valuation experts to ensure the reasonableness of the valuation parameters used.

<u>VIETNERGY COMPANY LIMITED</u>

In 2023, due to the rapid change of market demand for solar energy and technology, management expects that some of the property, plant and equipment of VIETNERGY Co., Ltd., subsidiary of Tainergy Group, may not be economically viable in the future due to the upgrade of product specifications, and the related equipment is expected to be scrapped. Therefore, Tainergy Group recognized an impairment loss of NTD 104,022 thousand in 2023.

Our assessment of the amount of the aforementioned loss of scrapping is a material matter, so the impairment loss of the property, plant and equipment is listed as a key audit matter.

Our principal audit procedures for the above description include:

1. Understand the management's assessment of the scrapping and approval procedures for property, plant and equipment.
2. To conduct on-site inspections on the use of property, plant and equipment that have been recognized for loss, and to assess whether the loss recognized is reasonable.

Other Matters

For the parent company only financial statements prepared by Kenmec Mechanical Engineering Co., Ltd. in 2023 and 2022, 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 errors.

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 errors, 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 2023 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, 2024

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2023 and 2022

Unit: NTD thousand

Code	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 1,690,444	15	$ 2,103,295	19
1110	Financial assets measured at fair value through profit or loss – current (Note 7)	456,717	4	584,732	5
1136	Financial assets measured at amortized cost – current (Note 9)	281,783	2	305,189	3
1140	Contract assets – current (Notes 25 and 27)	504,916	4	454,410	4
1150	Notes receivable – non-related parties (Note 10)	2,556	-	59,141	-
1160	Notes receivable – related parties, net (Notes 10 and 37)	-	-	61,718	1
1170	Accounts receivable – non-related parties (Note 10)	512,174	4	343,953	3
1180	Accounts receivable – related parties (Notes 10 and 37)	-	-	13,104	-
1200	Other receivables (Notes 10 and 32)	41,874	-	37,508	-
1210	Other receivables – related parties (Notes 10 and 37)	82,842	1	69,844	1
1220	Current income tax assets (Note 29)	9,479	-	9,878	-
130X	Inventory (Note 11)	551,541	5	987,863	9
1421	Prepayments (Note 19)	195,538	2	213,171	2
1460	Non-current assets held for sale (Note 12)	-	-	298,309	3
1470	Other current assets (Note 19)	242,419	2	275,049	2
11XX	Total current assets	4,572,283	39	5,817,164	52
	Non-current assets				
1510	Financial assets measured at fair value through profit or loss – non-current (Note 7)	131,797	1	86,436	1
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 8)	59,167	1	38,368	-
1535	Financial assets measured at amortized cost – non-current (Note 9)	89,676	1	76,609	1
1550	Investment under the equity method (Note 14)	574,181	5	37,260	-
1600	Property, plant and equipment (Note 15)	4,130,074	35	2,388,132	22
1755	Right-of-use assets (Note 16)	497,086	4	503,275	5
1760	Investment property (Note 17)	1,049,314	9	1,154,309	10
1780	Other intangible assets (Note 18)	14,665	-	15,384	-
1840	Deferred income tax assets (Note 29)	180,664	2	177,246	2
1915	Prepayment for equipment (Note 19)	83,430	1	106,341	1
1920	Guarantee deposits paid (Note 19)	111,921	1	32,083	-
1990	Other non-current assets (Notes 10 and 19)	165,770	1	662,381	6
15XX	Total non-current assets	7,087,745	61	5,277,824	48
1XXX	Total assets	$ 11,660,028	100	$ 11,094,988	100
Code	**Liabilities and equity**				
	Current liabilities				
2100	Short-term loans (Note 20)	$ 933,350	8	$ 333,682	3
2110	Short-term notes payable (Note 20)	37,000	-	-	-
2120	Financial liabilities measured at fair value through profit or loss – current (Note 7)	11	-	-	-
2130	Contract liabilities – current (Note 25 and 27)	677,550	6	1,279,430	12
2150	Notes payable – non-related parties (Note 21)	-	-	1,348	-
2170	Accounts payable – non-related parties (Note 21)	672,228	6	644,196	6
2180	Accounts payable – related parties (Note 21 and 37)	2,605	-	2,129	-
2200	Other payables (Note 22)	559,518	5	537,330	5
2220	Other payables – related parties (Notes 22 and 37)	2,362	-	3,755	-
2230	Current income tax liabilities (Note 29)	2,148	-	4,621	-
2250	Liability reserve – current (Note 23)	45,980	-	24,289	-
2280	Lease liabilities – current (Note 16)	51,287	1	35,518	-
2313	Deferred income (Notes 22)	47,399	-	1,106,660	10
2320	Long-term liabilities due within one year (Note 20)	103,735	1	117,252	1
2399	Other current liabilities (Note 22)	41,964	-	56,865	-
21XX	Total current liabilities	3,177,137	27	4,147,075	37
	Non-current liabilities				
2540	Long-term loans (Note 20)	2,244,378	19	905,441	8
2550	Liability reserve – non-current (Note 23)	2,014	-	2,063	-
2570	Deferred income tax liabilities (Note 29)	58,604	1	57,978	-
2580	Lease liabilities – non-current (Note 16)	285,709	2	309,551	3
2630	Long-term deferred income (Notes 22 and 32)	58,665	1	61,759	1
2640	Net defined benefit liabilities – non-current (Note 24)	5,972	-	61,693	1
2670	Other non-current liabilities (Note 22)	46,899	-	34,536	-
25XX	Total non-current liabilities	2,702,241	23	1,433,021	13
2XXX	Total liabilities	5,879,378	50	5,580,096	50
	Equity attributable to the owner of the Company (Notes 26 and 33)				
3110	Common stock capital	2,490,112	21	2,490,112	22
3200	Capital reserves	456,725	4	293,869	3
	Retained earnings				
3310	Legal reserves	182,797	2	134,786	1
3320	Special reserves	297,092	3	319,117	3
3350	Undistributed earnings	848,592	7	633,963	6
3300	Total retained earnings	1,328,481	12	1,087,866	10
	Other equity				
3410	Exchange differences on translation of financial statements of foreign operations	(255,739)	(2)	(229,740)	(2)
3420	Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income	(8,208)	-	(11,507)	-
3400	Total of other equity	(263,947)	(2)	(241,247)	(2)
3500	Treasury stocks	-	-	(22,792)	-
31XX	Total equity of the Company's owner	4,011,371	35	3,607,808	33
36XX	Non-controlling interests (Notes 26 and 33)	1,769,279	15	1,907,084	17
3XXX	Total equity	5,780,650	50	5,514,892	50
	Total liabilities and equity	$ 11,660,028	100	$ 11,094,988	100

The attached notes are part of the consolidated financial report.

Chairman: CHING-FU HSIEH Manager: CHIH-CHUN KE Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31, 2023 and 2022

Unit: NTD thousand; however earnings per share is in NTD

Code		2023 Amount	2023 %	2022 Amount	2022 %
	Operating revenue				
4100	Sales revenue (Note 27)	$ 5,551,490	100	$ 5,359,208	100
	Operating costs				
5110	Cost of sales (Note 11)	(4,402,168)	(79)	(4,361,125)	(81)
5950	Operating gross profit	1,149,322	21	998,083	19
	Operating expenses (Notes 28 and 36)				
6100	Marketing expense	(170,230)	(3)	(151,653)	(3)
6200	Administrative expense	(637,948)	(12)	(565,758)	(11)
6300	R&D expense	(358,827)	(6)	(254,970)	(5)
6450	Expected credit (impairment loss) gain	(76,413)	(1)	27,323	1
6000	Total operating expenses	(1,243,418)	(22)	(945,058)	(18)
6900	Net operating gain (loss)	(94,096)	(1)	53,025	1
	Non-operating revenue and expenses (Notes 14, 28 and 39)				
7100	Interest income	69,668	1	23,693	-
7010	Other revenue	943,950	17	163,509	3
7020	Other gains and losses	(95,218)	(2)	241,682	5
7050	Financial costs	(54,853)	(1)	(41,287)	(1)
7060	Share of profit/loss of associates and joint ventures under the equity method	(15,107)	-	15,826	-
7000	Total non-operating revenue and expenses	848,440	15	403,423	7
7900	Net profit before tax	754,344	14	456,448	8
7950	Income tax expense (Note 29)	(107,324)	(2)	(12,698)	-
8200	Net profit for the current year	647,020	12	443,750	8

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(Continued from previous page)

Code		2023 Amount	2023 %	2022 Amount	2022 %
	Other comprehensive income				
	Titles not reclassified as profit or loss:				
8311	Remeasurement of the defined benefit plan (Note 24)	($ 2,551)	-	$ 19,465	-
8316	Unrealized valuation profit/loss on investment in equity instruments measured at fair value through other comprehensive income (Note 26)	3,299	-	(5,396)	-
8349	Income tax relating to non-reclassified items (Note 29)	581	-	(3,219)	-
8310		1,329	-	10,850	-
	Titles likely to be reclassified as profit or loss subsequently:				
8361	Exchange differences on translation of financial statements of foreign operations (Note 26)	(62,949)	(1)	43,576	1
8399	Income tax related to items likely to be reclassified (Note 29)	2,317	-	(1,190)	-
8360		(60,632)	(1)	42,386	1
8300	Other comprehensive income (after tax) in the year	(59,303)	(1)	53,236	1
8500	Total comprehensive income for the year	$ 587,717	11	$ 496,986	9
	Net profit attributable to:				
8610	The owner of the Company	$ 795,997	15	$ 470,074	9
8620	Non-controlling interests	(148,977)	(3)	(26,324)	(1)
8600		$ 647,020	12	$ 443,750	8
	Total comprehensive income attributable to:				
8710	The owner of the Company	$ 776,568	14	$ 498,732	9
8720	Non-controlling interests	(188,851)	(3)	(1,746)	-
8700		$ 587,717	11	$ 496,986	9
	Earnings per share (Note 30)				
9710	Basic	$ 3.20		$ 1.91	
9810	Diluted	$ 3.19		$ 1.89	

The attached notes are part of the consolidated financial report.

Chairman: CHING-FU HSIEH Manager: CHIH-CHUN KE Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Code		Equity attributable to the owner of the Company										Non-controlling interests	Total equity
		Share capital			Retained earnings			Other equity					
		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		
A1	Balance on January 1, 2022	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 26)	-	-	-	-	-	-	-	-	-	-	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
	Allocation and distribution of earnings in 2022												
B1	Appropriation of legal reserve	-	-	-	48,011	-	(48,011)	-	-	-	-	-	-
B3	Reversal of special reserves	-	-	-	-	(22,025)	22,025	-	-	-	-	-	-
B5	Cash dividends to the shareholders of the Company	-	-	-	-	-	(401,885)	-	-	-	(401,885)	-	(401,885)
	Other changes in capital reserves:												
C7	Changes in affiliates recognized under the equity method	-	-	(220)	-	-	-	-	-	-	(220)	(13)	(233)
M7	Changes in ownership interests in subsidiaries	-	-	122,144	-	-	(151,564)	(5,204)	-	-	(34,624)	34,624	-
N1	Employee stock options issued by the Company	-	-	40,932	-	-	-	-	-	22,792	63,724	-	63,724
D1	Net profit in 2023	-	-	-	-	-	795,997	-	-	-	795,997	(148,977)	647,020
D3	Other comprehensive income after tax in 2023	-	-	-	-	-	(1,933)	(20,795)	3,299	-	(19,429)	(39,874)	(59,303)
D5	Total comprehensive income in 2023	-	-	-	-	-	794,064	(20,795)	3,299	-	776,568	(188,851)	587,717
O1	Changes in non-controlling interests (Note 26)	-	-	-	-	-	-	-	-	-	-	16,435	16,435
Z1	Balance on December 31, 2023	249,011	$ 2,490,112	$ 456,725	$ 182,797	$ 297,092	$ 848,592	($ 255,739)	($ 8,208)	$ -	$ 4,011,371	$ 1,769,279	$ 5,780,650

The attached notes are part of the consolidated financial report.

Chairman: CHING-FU HSIEH Manager: CHIH-CHUN KE Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flow

January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Code		2023	2022
	Cash flow from operating activities		
A10000	Net profit before tax for the current year	$ 754,344	$ 456,448
A20010	Profit and expense/loss:		
A20100	Depreciation expenses	415,165	336,918
A20200	Amortization expenses	8,983	7,188
A20300	Expected losses on credit impairment (gain on reversal)	76,413	(27,323)
A20400	Profit or loss on financial assets and liabilities measured at fair value through profit or loss	(43,947)	3,988
A20900	Financial costs	54,853	41,287
A21200	Interest income	(69,668)	(23,693)
A21300	Dividend revenue	(4,406)	(2,097)
A21900	Compensation cost of employee stock options	40,993	5,600
A22400	Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	15,107	(15,826)
A22900	Disposal of gains in right-of-use assets	-	(37,509)
A23000	Gains on disposal of non-current assets held for sale	(808,407)	(146,853)
A22500	Profit on disposal of property, plants and equipment	(98)	(63,224)
A22700	Disposal of investment property benefits	-	(49,766)
A22900	Profit on lease modification	(143)	(86)
A23700	Impairment loss from non-financial assets	212,782	77,793
A23800	Profit on reversal of impairment loss from non-financial assets	(10,237)	(2,973)
A29900	Reversal of deferred income	(2,161)	(46,306)
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(104,838)	(102,367)
A31130	Notes receivable	56,585	(11,688)
A31140	Notes receivable – related parties	61,718	(61,718)
A31150	Accounts receivable	(197,081)	191,279
A31160	Accounts receivable – related parties	13,104	(10,402)
A31180	Other receivables	(4,633)	1,616
A31190	Other receivables – related parties	4,397	7,497
A31200	Inventory	385,332	28,269
A31230	Prepayments	27,870	(22,836)
A31240	Other current assets	32,630	(87,736)
A31990	Other non-current assets	1,056	20,932

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Code		2023	2022
A32125	Contract liabilities	($ 601,880)	($ 57,496)
A32130	Notes payable	(1,348)	(10,048)
A32150	Accounts payable	38,188	116,690
A32160	Accounts payable – related parties	476	(32,392)
A32180	Other payables	(9,303)	98,799
A32190	Other payables – related parties	(1,393)	(4,036)
A32200	Liability reserve	21,642	3,657
A32230	Other current liabilities	(14,901)	3,421
A32240	Net defined benefit liabilities	(55,833)	(331)
A32990	Deferred income	(1,059,092)	675,508
A33000	Cash generated from operations	(767,731)	1,260,184
A33100	Interest received	65,979	20,117
A33300	Interest paid	(47,638)	(41,532)
A33500	Income tax paid	(109,292)	(19,793)
AAAA	Net cash inflow (outflow) from operating activities	(858,682)	1,218,976
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(17,500)	(7,959)
B00040	Acquisition of financial assets measured at amortized cost	-	(27,989)
B00050	Disposal of financial assets measured at amortized cost	10,339	-
B00100	Acquisition of financial assets measured at fair value through profit or loss	(2,720,788)	(1,424,856)
B00200	Disposal of financial assets measured at fair value through profit or loss	2,848,950	1,465,371
B01800	Acquisition of long-term equity investment under the equity method	(68,625)	(4,306)
B02000	Increase in prepayments for investment	(580)	(493,696)
B02600	Proceeds from disposal of non-current assets held for sale	1,101,437	-
B02700	Purchase of property, plants and equipment	(2,125,665)	(225,995)
B02800	Proceeds from disposal of property, plant and equipment	1,290	68,476
B09900	Proceeds from disposal of right-of-use assets	-	41,286
B03700	Increase in guarantee deposits paid	(79,838)	-
B03800	Decrease in guarantee deposits paid	-	14,791
B04300	Other receivables – related parties	(17,395)	(38,960)
B04500	Purchase of intangible assets	(4,383)	(13,611)
B05350	Acquisition of right-of-use assets	(15,404)	(2,224)
B05500	Disposal of investment property price	-	108,784

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Code		2023	2022
B07100	Increase in prepayments for equipment	($ 15,561)	($ 31,311)
B07600	Dividends received	4,406	2,097
BBBB	Net cash outflow from investing activities	(1,099,317)	(570,102)
	Cash flows from financing activities		
C00100	Increase in short-term loans	599,668	-
C00200	Decrease in short-term loans	-	(106,388)
C00500	Increase in short-term notes payable	37,000	-
C01600	Borrowing of long-term loans	1,850,000	403,630
C01700	Repayment of long-term loans	(524,580)	(415,403)
C03000	Increase in guarantee deposits received	12,363	-
C03100	Decrease in guarantee deposits received	-	(3,949)
C04020	Repayment of the principal of leases	(50,099)	(28,866)
C04500	Payment of dividends to the owner of the Company	(401,885)	(395,218)
C04900	Buyback of treasury stock	-	(48,037)
C04900	Payment of costs of transactions in treasury stocks	(61)	(225)
C05100	Purchase of treasury stocks by employees	22,792	74,841
C05500	Disposal of equity in subsidiaries	-	7,960
C05800	Changes in non-controlling interests	16,435	641,147
CCCC	Net cash inflow from financing activities	1,561,633	129,492
DDDD	Effect of exchange rate changes on cash and cash equivalents	(16,485)	4,677
EEEE	Net increase (decrease) in cash and cash equivalents	(412,851)	783,043
E00100	Balance of cash and cash equivalents at beginning of the year	2,103,295	1,320,252
E00200	Balance of cash and cash equivalents at ending of the year	$ 1,690,444	$ 2,103,295

The attached notes are part of the consolidated financial report.

Chairman: CHING-FU HSIEH Manager: CHIH-CHUN KE Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2023 and 2022
(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 consolidated financial report is expressed in New Taiwan dollars, the functional currency of the Company.

II. Approval date and procedures of the financial report

The consolidated financial reports were approved at the Board meeting on March 7, 2024.

III. Application of new and amended standards and interpretation

(I) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

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.

1. Amendments to IAS 1, “Disclosure of Accounting Policies”

When the amendments are applied, the Group determines the significant accounting policy information that should be disclosed based on 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. In addition:

- 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.

Accounting policy information may be material if it relates to a significant transaction, other event, or situation and:

(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.

For the disclosure of related accounting policies, please refer to Note 4.

2. Amendments to IAS 8, “Definition of Accounting Estimates”

The amendments were applied to the Group on January 1, 2023, which specifies that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. 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.

3. Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”

The amendments introduce an exception to IAS 12, which specifies that the Group shall not recognize deferred income tax assets and liabilities related to Pillar 2 income tax, and shall not disclose information related to such deferred income tax, but shall disclose the exception that the Group has applied. The Group shall separately disclose the income tax expense (profit) of the current period related to Pillar 2 income tax. In addition, during the period when the Pillar 2 act has been enacted or has been substantively enacted but not yet taken effect, the Group shall disclose qualitative and quantitative information that is helpful to users in understanding its exposure to pillar 2 income tax, which is known or can be reasonably estimated. After the promulgation of this amendment, the exceptions to this subparagraph shall be applied retrospectively immediately and the applicable facts shall be disclosed. Other disclosure requirements shall be applicable for the annual reporting period beginning on or after January 1, 2023. These other disclosure requirements are not applicable to the interim financial reporting periods ending before December 31, 2023.

(II) FSC-approved IFRSs to be applied in 2024

New/Amended/Revised Standards and Interpretation	Effective Date per IASB (Note 1)
IFRS 16 amendment “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1, “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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.

Note 3: Partial exemption from disclosure requirements upon first application of these amendments.

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

The amendments in 2020 clarify that when determining whether a liability is classified as non-current, it shall assess whether the Group has the right to defer the settlement of the liability at the end of the reporting period for 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 2020 amendments further stipulate that if the Group must comply with certain conditions in order to have the right to defer the repayment of the liability, 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 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 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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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: Applicable to annual reporting periods beginning on or after January 1, 2025. When the amendment is applied for the first time, the effect is recognized in the retained earnings on the date of initial application. When the Group uses a non-functional currency as the presentation currency, it will affect the exchange differences of foreign operations under equity on the date of initial application.

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.

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 interpretations on the financial position and performance on a continuous basis. The relevant effects would be disclosed after the assessment.

IV. <u>Summary of significant accounting policies</u>

(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 assets 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:

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 refinancing or payment rearrangement 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.

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 interests even though this results in the non-controlling interests 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 interests are adjusted to reflect the changes in their relative equity in the subsidiaries. The difference between the adjusted amount of the non-controlling interests 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 interests).

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 reattributed in proportion to the subsidiary's non-controlling interests 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 and joint ventures

An associate refers to a company over which the Group has a significant influence, but it is not a subsidiary or joint venture. A joint venture refers to a joint arrangement over which the Group and another company have joint control, and the Group and such company are entitled to net assets.

The Group adopts the equity method for investment in associates and joint ventures.

Under the equity method, the investment in associates and joint ventures 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 equity in the associates and to the joint ventures are recognized based on shareholding ratios.

When the acquisition cost exceeds the Group’s shares of the net fair value of the associates and joint ventures’ identifiable assets and liabilities on the date of acquisition, such excess is recognized as 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 and joint ventures’ identifiable assets and liabilities on the date of acquisition exceed the acquisition cost, such excess is recognized as profit/loss of the period.

When the Group does not subscribe for new shares issued by the associates and joint ventures 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 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 and joint ventures, the amounts related to the associate and joint venture 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 and joint ventures' direct disposal of relevant assets or liabilities shall be in accordance with. If the adjustment is debited to capital reserves, and the balance of capital reserves arising from investment under 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 exceed the equity in the associates and joint ventures (including the carrying amount of investment in the associate and joint venture 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 and joint venture 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 makes payment on behalf of the associates and joint ventures.

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 subsequent increase in the recoverable amount of the investment.

Once the investment is not classified as investment in associates and joint ventures, the Group stops under the equity method and measures the retained equity interests in the former associates and joint ventures at fair value. The differences between the fair value of the retaining earnings, proceeds from disposal and the investment book value on the date when the equity method is discontinued are recognized as profit or loss of the period. Besides this, for total amounts related to the associate and joint venture in other comprehensive income, the basis of accounting treatment thereof is the same as the basis which the associates and joint ventures' direct disposal of relevant assets or liabilities shall be in accordance with. When the investment in associates became the investment in joint ventures, or the investment in joint ventures became the investment in associates, the Group continues to use the equity method but does not remeasure retained equity interests.

The profit or loss generated from the upstream, downstream and side stream transactions between the Group and the associates and between the Group and the joint ventures is recognized in the consolidated financial reports only to the extent that such profit or loss is irrelevant to the Group's equity in the associates and joint ventures.

(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 applies the effect of changes in applicable accounting estimates prospectively.

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 estimate values. 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) Impairment of assets related to property, plant and equipment, right-of-use assets, investment property, intangible assets (excluding goodwill) and assets related to contract costs

The Group assesses whether there are any signs indicating that any property, plant and equipment, right-of-use assets, investment property, and intangible assets (excluding goodwill) may be impaired on each balance sheet date. If there is any of 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 sale of 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 to 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 that are measured at fair value through profit or loss must 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.

Financial assets at FVTPL are measured at fair value, and dividends, interest, and remeasurement gains or losses are recognized in other gains or losses. 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 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 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 reacquisition 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

Except for the following circumstances, all financial liabilities are measured at amortized cost under the effective interest method:

<u>Financial liabilities measured at fair value through profit or loss</u>

Financial liabilities measured at fair value through profit or loss are the financial liabilities held for transactions.

Financial liabilities held for trading are measured at fair value, and the related gains or losses are recognized in other gains and losses.

(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.

4. Derivatives

The derivatives in the contract of the Group include forward exchange rate in order to manage the interest rate and exchange rate risk of the Group.

The derivatives are recognized initially at the fair value when the contract of derivatives is signed and subsequently remeasured at the fair value on the balance sheet date. Any profit or loss from the remeasurement is recognized as profit or loss directly. However, for derivatives that are designated as effective hedging instruments, the timing at which they are recognized as profit or loss depends on the underlying hedge arrangement. When the fair value of the derivatives is positive, they are classified as financial assets; when the fair value is negative, they are classified as financial liabilities.

If derivatives are embedded in the main contract of assets within the scope of IFRS 9 “Financial Instruments,” the classification of financial assets is determined depending on the contract as a whole. If derivative instruments conforming to the definition of derivative instruments are embedded in a main contract of assets not within the scope of IFRS 9 (e.g. a main contract of financial liabilities), and their risk and feature are not in close relation with the risk and feature of the main contract, and the hybrid contract is not measured at fair value through profit or loss, the embedded derivative instruments are deemed stand-alone derivative instruments.

(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 the 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 in 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. 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 its 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 to which 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.

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 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 service cost, prior service cost, and settlement gains or losses) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expenses as they incur or when the settlement incurs. 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

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 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.

The exceptions to the rules for the recognition and disclosure of deferred income tax assets and liabilities of the relevant Pillar 2 income tax have been applied to the Group. Therefore, the Group neither recognizes nor discloses relevant information about the deferred income tax assets and liabilities of the relevant Pillar 2 income tax.

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 accounting policies, estimates and basic assumptions adopted by the Group have been evaluated by the management of the Group and are free of significant accounting judgment, estimate and assumption uncertainty.

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

The impairment of production-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 impalement losses or reversal of impalement losses already recognized by the Group.

VI. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and working capital	$ 5,822	$ 4,265
Bank check and demand deposit	714,221	932,355
Cash equivalents (investment with an initial maturity date within 3 months)		
Bank time deposit	878,286	1,166,675
Repurchase agreements	92,115	-
	$ 1,690,444	$ 2,103,295

The interest rate ranges of bank deposits and bonds with repurchase agreements as of the balance sheet date are as follows:

	December 31, 2023	December 31, 2022
Bank deposit	0.001%～1.45%	0.001%～1.05%
Bank time deposit with an initial maturity date within 3 months	0.58%～5.65%	1.05%～4.85%
Repurchase agreements	5.5%～5.55%	-

VII. Financial instruments at fair value through profit or loss

	December 31, 2023	December 31, 2022
Financial assets – current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
– Overseas listed (OTC) stocks	$ 13,034	$ 10,815
– Fund beneficiary certificates	337,212	300,180
– Floating-rate financial commodity	56,466	273,737
Hybrid financial assets		
– Structured deposit	50,005	-
	$ 456,717	$ 584,732
Financial assets – non-current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
– Domestic non-listed (non-OTC) stocks	$ 131,797	$ 86,436
Financial liabilities – current		
Held for trading		
Derivatives (not designated for hedging)		
– Forward foreign exchange contract	$ 11	$ -

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.

The Group and the bank signed a structured time deposit contract. The structured time deposit includes an embedded derivative instrument not in a close relation to the main contract. Since the main contract included in the hybrid contract belongs to the assets within the scope of IFRS 9, the main contract is mandatorily classified as financial assets measured at fair value through profit or loss according to the overall assessment for the hybrid contract.

The forward exchange contracts that were not subject to hedge accounting or mature on the balance sheet date are as follows:

December 31, 2023

	Currency	Maturity date	Contract amount (thousand)
Forward foreign exchange sold	USD against VND	November 8, 2023 to January 8, 2024	USD 133/VND 3,235,103

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

Investment in equity instruments

	December 31, 2023	December 31, 2022
Non-current		
Domestic investment		
Non-listed (Non-OTC) stock		
Common stock of United Information System Service Co., Ltd.	$ 33,267	$ 29,968
Common stock of Ecatch Automation Co., Ltd.	900	900
Meng-Lue Venture Investment Limited Partnership	15,000	7,500
Common stock of Wonder Automation Co., Ltd.	10,000	-
	$ 59,167	$ 38,368

According to the long-term strategy, the Group invested in United Information System Service, common stock of Ecatch Automation Co., Ltd., Wonder 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.

IX. Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Current		
Domestic investment		
Time deposit with an initial maturity date over 3 months(I)	$ 281,783	$ 305,189
Less: Loss allowance	-	-
	$ 281,783	$ 305,189
Non-current		
Domestic investment		
Time deposit with an initial maturity date over 3 months(I)	$ 89,676	$ 76,609
Less: Loss allowance	-	-
	$ 89,676	$ 76,609

(I) As of December 31, 2023 and 2022, the interest rate range of the time deposit with an initial maturity date over 3 months was 0.27%–7% and 0.001%–7%, respectively.

(II) For more information on the pledge of the financial assets measured at amortized cost, refer to Note 38.

X. Notes/accounts receivable and other receivables

	December 31, 2023	December 31, 2022
Notes receivable		
Measurement at amortized cost		
Total book value	$ 2,556	$ 59,141
Less: Loss allowance	-	-
	$ 2,556	$ 59,141
Notes receivable – related parties (Note 37)	$ -	$ 61,718
Accounts receivable		
Measurement at amortized cost		
Total book value	$ 512,564	$ 345,424
Less: Loss allowance	(390)	(1,471)
	$ 512,174	$ 343,953
Accounts receivable – related parties (Note 37)	$ -	$ 13,104
Overdue receivables (listed in other non-current assets)	$ 64,714	$ 22,312
Less: Loss allowance	(64,714)	(22,312)
	$ -	$ -

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	December 31, 2023	December 31, 2022
Other receivables		
Business tax refund receivable	$ 6,001	$ 9,217
Interest receivable	10,311	6,622
Proceeds receivable from disposal of investments	7,745	11,701
Government grants receivable (Note 31)	6,507	-
Others	11,310	9,968
	$ 41,874	$ 37,508
Other receivables – related parties (Note 39)	$ 82,842	$ 69,844

(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 indicates 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 writes 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, 2023

	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%～71.7%	1%～71.7%	1%～100%	1%～100%	100%	
Total book value	$ 501,204	$ 13,775	$ 141	$ -	$ -	$ 515,120
Loss allowance (lifetime expected credit losses)	(129)	(120)	(141)	-	-	(390)
Amortized cost	$ 501,075	$ 13,655	$ -	$ -	$ -	$ 514,730

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

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

	2023	2022
Balance – beginning of the year	$ 23,783	$ 34,001
Add: Written off bad debts recovered	13,860	25,682
Add: Impairment loss appropriated in the year	28,860	-
Less: Impairment loss reversed in the year	-	(27,323)
Less: Actual amount written off in the year	(435)	(8,227)
Differences from translation of foreign currencies	(964)	(350)
Balance – ending of the year	$ 65,104	$ 23,783

(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.

On December 31, 2023 and 2022, the Group did not have other receivables which were overdue and for which no loss allowance was recognized in the account.

For information on the pledge of notes receivable pledged, please refer to Note 38.

XI. Inventory

	December 31, 2023	December 31, 2022
Finished goods	$ 76,216	$ 188,323
Work in process	13,064	33,677
Raw material	252,216	394,863
In-transit inventory	1,199	16,852
Real estate held for sale.	208,846	354,148
	$ 551,541	$ 987,863

The nature of costs of sales is shown below:

	2023	2022
Cost of inventory sold	$ 4,361,415	$ 4,364,098
Loss on inventory valuation (gain on recovery)	50,990	(934)
Prepayment for purchase impairment reversal gain	(10,237)	(2,039)
	$ 4,402,168	$ 4,361,125

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.

For the impairment recovery gain on prepayments for goods in 2023 and 2022, please refer to Note 19.

XII. Non-current assets held for sale

	December 31, 2023	December 31, 2022
Right-of-use assets	$ -	$ 23,280
Property, plant and equipment		
House and building costs	-	524,975
Accumulated depreciation – Houses and buildings	-	(287,221)
Machinery and equipment	-	539,733
Accumulated depreciation – Machinery and equipment	-	(500,522)
Accumulated impairment – Machinery and equipment	-	(4,235)
Other fixed assets	-	82,728
Accumulated depreciation – Other fixed assets	-	(81,051)
Uncompleted construction	-	622
Non-current assets held for sale	$ -	$ 298,309

(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 demolition compensation incomes from the Group's Kenmec Mecha-Tronics and Kenmec Technology have been submitted and recognized in 2023. Please refer to Note 28.

(II) 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 Q4 2022. The Group's Tainergy completed the transfer of ownership of its solar power equipment on May 2, 2023, with a gain on disposal of NTD 2,221 thousand recognized.

(III) 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 Group's Tainergy and Kunshan Changshunhong Energy Technology completed the handover and transfer procedures of all buildings, buildings and right-of-use assets.

XIII. Subsidiary

(I) Subsidiaries included in the consolidated financial reports

Entities in the consolidated financial reports are as follows:

			Shareholding ratio		
Name of investor	Name of the subsidiary	Nature of business	December 31, 2023	December 31, 2022	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	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	27.17	1, 6
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	8.8	8.8	
The Company	Chief Global Logistics Co., Ltd. (Chief Global Logistics)	Warehousing	52	52	
The Company	Hua-Xia Construction Co., Ltd. (Hua-Xia Construction)	Comprehensive Construction	100	100	
The Company	KENMEC AUTOMATION ENGINEERING (THAILAND) Co., Ltd. (hereinafter referred to as KENMEC THAILAND)	Manufacturing, sales and maintenance of automation equipment and components	99.99	-	3
The Company	Kenmec Communication Holding (BVI) Co., Ltd. (hereinafter referred to as B.V.I. – Kenmec Communication)	Investment holding business	60	-	4
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	
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	
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	Kentec	Manufacture of electronics parts and components	4.33	4.33	
Tainergy	Taisic Materials	Manufacturing and sales of electronic parts and components	47.66	47.66	
Tainergy	TAI VISION CO., LTD.	Wholesale and retail of contact lens	80	-	5
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	
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	2
Kentec	Kenmec Communication Holding (BVI) Co., Ltd. (hereinafter referred to as B.V.I. – Kenmec Communication)	Investment holding business	40	100	4
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. 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 Kunshan, 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. This company's registration was canceled on February 7, 2023.
3. KENMEC AUTOMATION ENGINEERING (THAILAND) Co., Ltd., located in Bangkok, Thailand, was established in June 2023 and is 99.99% invested by the Company with an amount of NTD 22,725 thousand (THB 24,999 thousand).
4. The Group's internal organizational structure was adjusted in November 2023. 100% of the equity of the subsidiary, Kenmec Communication Holding (BVI) Co., Ltd., previously held by KENTEC INC., was adjusted to 60% held by the parent company of the Group, resulting in a decrease of the shares of the subsidiary held by KENTEC INC. to 40%. In addition, the associate company, KENTEC ELECTRONICS (SUZHOU) CO., LTD. originally held by KENMEC AUTOMATION ENGINEERING (KUNSHAN) is now owned by KENTEC INC. The above transactions are organizational reorganizations under common control, and the book value method is adopted for the relevant transfers.
5. TAI VISION CO., LTD. is located in Pingzhen District, Taoyuan. The company was established in December 2023 by the Group, Tainergy Tech. Co., Ltd., with an investment of NTD 24,000 thousand, and acquired 80% of the shares. TAI VISION's main business is wholesale and retail of contact lenses.
6. They are subsidiaries holding significant non-controlling interests: None.

(II) Information on subsidiaries holding significant non-controlling interests

	Proportion of shareholding and voting right with non-controlling interests	
Name of the subsidiary	December 31, 2023	December 31, 2022
Tainergy	72.83%	72.83%

For the main territory and the country in which the company is registered, please refer to Table 9.

Name of the subsidiary	Profit (loss) on distribution to non-controlling interests 2023	Profit (loss) on distribution to non-controlling interests 2022	Non-controlling interests December 31, 2023	Non-controlling interests December 31, 2022
Tainergy (without the non-controlling interests of subsidiaries)	($ 17,897)	$ 82,816	$ 1,541,034	$ 1,569,202

The following financial information summary is prepared based on the amount before elimination of inter-company transactions:

Tainergy and Subsidiaries

	December 31, 2023	December 31, 2022
Current assets	$ 1,550,019	$ 1,742,812
Non-current assets	1,492,032	1,644,628
Current liabilities	(550,926)	(646,240)
Non-current liabilities	(196,836)	(249,744)
Equity	$ 2,294,289	$ 2,491,456
Equity attributed to:		
The owner of the Company	$ 603,895	$ 644,300
Non-controlling interests of Tainergy	1,541,034	1,569,202
Non-controlling interests of Tainergy's subsidiaries	149,360	277,954
	$ 2,294,289	$ 2,491,456

	2023	2022
Operating revenue	$ 2,145,122	$ 2,221,436
Net (loss) profit for the period	($ 24,574)	$ 113,883
Other comprehensive income	(29,898)	33,818
Total comprehensive income	($ 54,472)	$ 147,701
Net profit (loss) attributable to:		
The owner of the Company	$ 127,916	$ 152,023
Non-controlling interests of Tainergy	(17,897)	82,816
Non-controlling interests of Tainergy's subsidiaries	(134,593)	(120,956)
	($ 24,574)	$ 113,883
Total comprehensive income attributable to:		
The owner of the Company	$ 86,434	$ 161,625
Non-controlling interests of Tainergy	(37,877)	107,032
Non-controlling interests of Tainergy's subsidiaries	(134,593)	(120,956)
	($ 54,472)	$ 147,701

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	2023	2022
Cash flow		
Operating activities	$ 453,079	$ 171,841
Investment activities	(452,197)	(188,720)
Financing activities	20,437	140,321
Effects of changes in exchange rates	(23,292)	(8,717)
Analysis of changes in the percentage of increase/decrease:	($ 1,973)	$ 114,725

XIV. Investment under the equity method

Investment in associates

	December 31, 2023	December 31, 2022
Investment in associates	$ 46,502	$ 37,260
Investment in joint venture	527,679	-
	$574,181	$ 37,260

(I) Investment in associates

	December 31, 2023	December 31, 2022
Associate companies that are not individually material	$ 46,502	$ 37,260

(II) Investment in joint venture

	December 31, 2023	December 31, 2022
Significant joint ventures		
Anhui Rongyun Property Development Co., Ltd.	$527,679	$ -
Share enjoyed by the Group		
Current net profit or loss of continuing operations	($ 25,071)	$ -

The material associate companies are as follows:

Company name	Nature of business	Main business premise	Shareholding ratio December 31, 2023	Shareholding ratio December 31, 2022
Anhui Rongyun Property Development Co., Ltd.	Real estate development	China	41.19%	-

The important decisions of the Group, KENMEC TECHNOLOGY (SUZHOU) CO., LTD., are assessed using the equity method as it is a joint venture and requires unanimous approval of all directors.

The following financial information summary is prepared based on the associates' IFRS consolidated financial report and reflected the adjustments made after under the equity method.

Anhui Rongyun Property Development Co., Ltd.

	December 31, 2023	December 31, 2022
Current assets	$ 1,418,073	$ -
Non-current assets	5,870	-
Current liabilities	(142,436)	-
	$ 1,281,507	$ -
The Group's shareholding ratio	41.19%	-
Equity enjoyed by the Group	$ 527,679	$ -
Book value of investment	$ 527,679	$ -
Net loss for the year	($ 60,509)	$ -
Other comprehensive income	-	-
Total comprehensive income	($ 60,509)	$ -

XV. 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, 2023	$ 865,944	$ 593,752	$ 4,713,093	$ 71,035	$ 771,884	$ 280,492	$ 7,296,200
Addition	1,240,139	553,015	48,164	160	89,995	225,706	2,157,179
Disposal	-	-	(384,814)	(8,466)	(27,546)	-	(420,826)
Transferred to held for sale (Note 12)	-	-	(8,928)	-	(1,752)	-	(10,680)
Reclassification	-	-	59,494	1,492	11,215	(30,834)	41,367
Net exchange differences	-	(4,101)	(68,535)	(1,309)	(16,396)	(553)	(90,894)
Balance on December 31, 2023	$ 2,106,083	$ 1,142,666	$ 4,358,474	$ 62,912	$ 827,400	$ 474,811	$ 8,972,346
Accumulated depreciation and impairment							
Balance on January 1, 2023	$ -	$ 347,599	$ 3,938,621	$ 56,387	$ 565,461	$ -	$ 4,908,068
Depreciation expenses	-	27,047	189,706	4,612	62,762	-	284,127
Disposal	-	-	(383,622)	(8,466)	(27,546)	-	(419,634)
Recognized impairment loss	-	-	159,214	-	2,578	-	161,792
Transferred to held for sale (Note 12)	-	-	(4,815)	-	(292)	-	(5,107)
Net exchange differences	-	(1,722)	(71,050)	(709)	(13,493)	-	(86,974)
Balance on December 31, 2023	$ -	$ 372,924	$ 3,828,054	$ 51,824	$ 589,470	$ -	$ 4,842,272
Net amount on December 31, 2023	$ 2,106,083	$ 769,742	$ 530,420	$ 11,088	$ 237,930	$ 474,811	$ 4,130,074
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

2023

(I) As the Group's Taisic Materials Co. invests in the field of silicon carbide, the revenue has not been significantly shown. The Group expected that the future economic benefits for machinery and equipment, instruments and equipment, office equipment, rental improvements and other equipment used to produce such product would be reduced. The Group appointed an expert to evaluate the fair value of equipment based on the usage of the assets and a recoverable amount of NTD 283,565 thousand was calculated, which was less than the carrying amount. Therefore, the Group recognized an impairment loss of NTD 43,718 thousand in 2023. The impairment loss was stated under other profits and losses in the statement of comprehensive income.

The Group's Taisic Materials determines the recoverable amount of the equipment based on the fair value less disposal cost. The relevant fair value is determined under the cost method. The main assumptions include the economic durability of the fixed assets, physical wear and tear, functional wear and tear, and economic wear and tear of the fixed asset, which is a Level 3 fair value measurement.

(II) In 2023, due to the rapid change of market demand for solar energy and technology, management expects that some of the property, plant and equipment of the Group's VIETNERGY Co., Ltd. may not be economically viable in the future due to the upgrade of product specifications, and the related equipment is expected to be scrapped by the Group. Therefore, an impairment loss of NTD 104,022 thousand was recognized in 2023. The impairment loss was stated under other profits and losses in the consolidated statement of comprehensive income.

(III) The Group anticipated that machinery and equipment previously purchased for production use were idle and thus the recoverable amount was less than the carrying amount, and thus recognized an impairment loss of NTD 14,052 thousand in 2023. The impairment loss was stated under other gains and losses in the consolidated statement of comprehensive income.

2022

(I) As Taisic Materials Co. invests in the field of silicon carbide, the revenue has not yet been 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 thousand 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 gains 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.

(II) 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 gains 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
Machinery and equipment	
Mechanical & electric power equipment	8–10 years
Engineering system	4–6 years
Solar power system	16 to 20 years
Auto warehouse equipment	16 years
Cleanroom equipment	6–12 years
Boiler equipment	6–13 years
SMT production line	5–9 years
Test equipment	5–10 years
System and equipment construction	3 to 18 years
Solar power equipment	2–10 years
Machine tool/machinery	1–10 years
Instrument	3–8 years
Transport equipment	4–8 years
Other equipment	1–11 years

For the amount of the property, plant and equipment mortgaged as collateral for loans, please refer to Note 38.

XVI. Lease agreement

(I) Right-of-use assets

	December 31, 2023	December 31, 2022
Book value of right-of-use assets		
Land	$ 83,620	$ 86,365
Building	405,675	416,566
Office equipment	201	344
Transport equipment	7,590	-
	$ 497,086	$ 503,275

	2023	2022
Addition of right-of-use assets	$ 47,159	$ 37,863
Lease modification of right-of-use assets	$ 2,346	$ 14,604
Disposal of right-of-use assets	$ 64	$ 7,979
Depreciation expense of right-of-use assets		
Land	$ 2,476	$ 2,644
Building	51,794	25,494
Office equipment	143	83
Transport equipment	1,839	-
	$ 56,252	$ 28,221
Capitalization of depreciation expenses	$ -	$ 18,650

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 2023 and 2022.

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 38.

(II) Lease liabilities

	December 31, 2023	December 31, 2022
Book value of lease liabilities		
Current	$ 51,287	$ 35,518
Non-current	285,709	309,551
	$ 336,996	$ 345,069

Range of discount rate for lease liabilities is as follows:

	December 31, 2023	December 31, 2022
Land	2.1%～5.2%	5.2%
Building	1.68%～4.10%	1.68%～5.49%
Office equipment	3.94%	3.94%
Transport equipment	2.10%	-

(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.

	2023	2022
Short-term lease and lease expense of low-value assets	$ 16,958	$ 14,995
Total cash (outflow) amount for lease	($ 67,057)	($ 46,913)

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.

XVII. Investment property

	Completed investment property
Cost	
Balance on January 1, 2023	$ 1,745,662
Decrease	(10,156)
Net exchange differences	(32,077)
Balance on December 31, 2023	$ 1,703,429
Accumulated depreciation	
Balance on January 1, 2023	$ 591,353
Depreciation expenses	74,786
Net exchange differences	(12,024)
Balance on December 31, 2023	$ 654,115
Net amount on December 31, 2023	$ 1,049,314

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	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

The total lease payments to be received in the future for lease-out of investment property under operating leases are as follows:

	December 31, 2023	December 31, 2022
1st year	$ 101,343	$ 98,524
2nd year	90,170	87,809
3rd year	83,439	83,744
4th year	82,915	83,166
5th year	79,713	83,521
Over 5 years	817,741	914,602
	$ 1,255,321	$ 1,351,366

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 investment properties of the Group's Kenmec Mecha-Tronics in 2023 were valuated by Prudential Cross-Strait Real Estate Appraisers Firm on the balance sheet date using Level 3 inputs. The fair value in 2022 was not evaluated by an independent evaluator but only by management of the Group, using an evaluation model commonly used by market participants with Level 3 input value measurement. The evaluation was performed with reference to the market evidence related to the transaction price of similar properties.

The fair value derived from evaluation is as follows:

	December 31, 2023	December 31, 2022
Fair value	$ 756,641	$ 731,772

The fair values of the investment properties of the Group's Guang Yi Company in 2023 were valuated by Prudential Cross-Strait Real Estate Appraisers Firm on the balance sheet date using Level 3 inputs. The fair value in 2022 was not evaluated by an independent evaluator but only by management of the Group, using an evaluation model commonly used by market participants with Level 3 input value measurement on the balance sheet date. 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 value derived from evaluation is as follows:

	December 31, 2023	December 31, 2022
Fair value	$ 674,434	$ 660,706

The fair values of the investment properties of the Group's Tainergy Kunshan in 2023 and 2022 were valuated 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, 2023	December 31, 2022
Fair value	$ 268,921	$ 307,622

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 38.

XVIII. Other intangible assets

	Patent right	Computer software	Other intangible assets	Total
Cost				
Balance on January 1, 2023	$ 19,048	$ 44,591	$ -	$ 63,639
Acquired separately	-	4,383	-	4,383
Disposal	-	(2,658)	-	(2,658)
Reclassification	-	3,884	-	3,884
Net exchange differences	-	(4)	-	(4)
Balance on December 31, 2023	$ 19,048	$ 50,196	$ -	$ 69,244

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	Patent right	Computer software	Other intangible assets	Total
Accumulated amortization				
Balance on January 1, 2023	$ 19,048	$ 29,207	$ -	$ 48,255
Amortization expenses	-	8,983	-	8,983
Disposal	-	(2,658)	-	(2,658)
Net exchange differences	-	(1)	-	(1)
Balance on December 31, 2023	$ 19,048	$ 35,531	$ -	$ 54,579
Net amount on December 31, 2023	$ -	$ 14,665	$ -	$ 14,665
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

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

Patent right	3–10 years
Computer software	1–4 years

Summary of amortization expenses by function:

	2023	2022
Operating costs	$ 3,786	$ 1,798
Marketing expense	849	711
Administrative expense	3,279	1,988
R&D expense	1,069	2,691
	$ 8,983	$ 7,188

XIX. Other assets

	December 31, 2023	December 31, 2022
Current		
Prepayments		
Prepayment for purchase (I)	$ 65,821	$ 78,016
Prepaid expenses	55,470	64,602
Prepaid salaries (VII)	3,023	5,435
Input and refundable tax	71,224	65,118
	$ 195,538	$ 213,171
Other current assets		
Other financial assets (VI) – Current deposit reserve account	$ 186,244	$ 207,193
Construction guarantee deposits paid	55,694	66,920
Others	481	936
	$ 242,419	$ 275,049
Non-current		
Prepayment for equipment (II)	$ 83,430	$ 106,341
Guarantee deposits paid (III)	111,921	32,083
Other non-current assets		
Other financial assets – reserve account (VI)	147,000	149,219
Prepaid investments (IV)	580	493,696
Non-performing loans (V)	64,714	22,312
Loss allowance – overdue receivables	(64,714)	(22,312)
Net defined benefit assets (Note 24)	5,740	4,016
Long-term prepaid salaries (VII)	9,000	12,000
Others	3,450	3,450
	$ 361,121	$ 800,805

(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, 2023 and 2022, an accumulated impairment loss of NTD 154,693 thousand and NTD 164,930 thousand has been appropriated for the prepayment for purchase, respectively. Please refer to the description of Note 39.

A profit of NTD 10,237 thousand and a loss of NTD 2,039 thousand were recognized as a reduction of operating costs from prepayment for purchase impairment reversal gain and the operating cost in 2023 and 2022, 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 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 and Tainergy and SunEdison Products Singapore Pte, Ltd. As of December 31, 2023 and 2022, the balance of the deposits deductible from payments for purchased materials was NTD 0. Please refer to the descriptions in Note 39.
2. As of December 31, 2023 and 2022, the balances of the Group's Tainergy's purchase contracts for materials with other suppliers in 2022 and the deductible purchase deposits paid in accordance with the contracts were NTD 11,054 thousand and NTD 10,253 thousand, respectively.

Please refer to Note 38 for refundable deposits established as collateral.

(IV) Prepayment for investment

The Group's Kenmec Technology 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, NTD 493,696 thousand was recorded as prepaid investment. As of 2023, the investment fund was allocated. Therefore, the investment in joint ventures was transferred to the investment under the equity method. Please refer to the description in Note 14.

(V) 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.

(VI) Other financial assets

The other financial assets were mainly demand deposits pledged as collateral for promissory notes, demand deposits pledged as collateral for loan repayments, and pledged demand deposits for project bidding and bank accounts, please refer to Note 38.

(VII) Prepaid wages and long-term prepaid wages

The prepaid salaries and long-term prepaid salaries of the Group are the long-term bonuses paid in advance to the R&D personnel during their tenure of the next five years in accordance with the relevant regulations, and will be amortized and recognized as expenses over the actual tenure of the future.

XX. Borrowings

(I) Short-term loans

	December 31, 2023	December 31, 2022
Secured borrowings (Note 38)		
Bank loans	$ 483,350	$ 298,290
Unsecured loans		
Credit loans	450,000	35,392
	$ 933,350	$ 333,682

The interest rate of working loans on December 31, 2023 and 2022 was 2.1%–4.1% and 3.4%–6.65%, respectively.

(II) Short-term notes payable

	December 31, 2023	December 31, 2022
Commercial paper payable	$ 37,000	$ -

The interest rate of commercial paper as of December 31, 2023 was 2.358%.

(III) Long-term loans

	Maturity date	Material terms	Effective interest rate	December 31, 2023	December 31, 2022
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.	2.85%	$ 45,478	$ 65,559
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.	2.75%	19,116	26,407
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.	2.595%	10,000	10,000
Taiwan Business Bank	November 30, 2027	The loan totals NTD 10,000 thousand. The principal and interest are amortized on a monthly basis after one year from the date of borrowing.	0.995%	9,797	-
First Commercial Bank	August 25, 2028	The total amount of the loan is NTD 10,000 thousand. From the borrowing date, the principal and interest are repaid in 36 installments every month.	2.1%	9,364	-
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

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	Maturity date	Material terms	Effective interest rate	December 31, 2023	December 31, 2022
Secured borrowings (Note 38)					
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
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.	2.48%	63,142	69,464
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.	1.83%	1,430,000	-
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.	2.63%	52,500	82,500
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).	2.095%	3,630	3,630
Bank of Taiwan	June 15, 2024	Total loan amount of NTD 400,000 thousand.	1.83%	$ 400,000	$ 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.	2.2%	225,000	245,000
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.	2.865%	33,070	37,292
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.	2.865%	21,009	24,328
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.	2.865%	7,630	14,702
Bank SinoPac	September 28, 2028	The loan totals NTD 6,592 thousand. The principal and interest are amortized in 138 installments in 1-month intervals starting from the date of borrowing.	2.865%	13,812	16,639
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.	2.75%	126	195
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.	2.75%	717	1,108
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.	2.75%	3,722	5,262
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
Subtotal				2,348,113	1,022,693
Less: Due within one year				(103,735)	(117,252)
Long-term loans				$ 2,244,378	$ 905,441

For information on the Group’s provision of guarantee and pledge for the aforementioned long-term loans, please refer to Note 38.

XXI. Notes and accounts payable

	December 31, 2023	December 31, 2022
Notes payable		
From operation	$ -	$ 1,260
Not from operation	-	88
	$ -	$ 1,348
Accounts payable		
From operation	$ 672,228	$ 644,196
Accounts payable – Related parties (Note 37)		
From operation	$ 2,605	$ 2,129

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.

XXII. Other liabilities

	December 31, 2023	December 31, 2022
Current		
Other payables		
Equipment payment payable	$ 73,498	$ 41,984
Expenses payable	403,271	488,313
Others	82,749	7,033
	$ 559,518	$ 537,330
Other payables – Related parties (Note 37)	$ 2,362	$ 3,755
Deferred income		
Deferred income (I)	$ -	$ 1,095,670
Deferred income (II)	47,399	10,990
	$ 47,399	$ 1,106,660
Other liabilities		
Collections	$ 12,963	$ 23,674
Refund liabilities	4,115	5,771
Rent collected in advance	24,644	27,420
Others	242	-
	$ 41,964	$ 56,865
Non-current		
Long-term deferred income		
Government grants (II)	$ 58,665	$ 61,759
Other liabilities		
Guarantee deposits received	$ 46,899	$ 34,536

(I) Due to the requirements of the government's construction project, the Group's Kenmec Mecha-Tronics and Kenmec Technology entered into a house demolition compensation agreement with the local government authority in March 2021. The total price paid was RMB 123,840 thousand and RMB 214,375 thousand, respectively; RMB 99,000 thousand and RMB 172,000 thousand were collected, and RMB 11,691 thousand and RMB 10,745 thousand were paid for demolition and relocation, respectively. The demolition compensation incomes from the Group's Kenmec Mecha-Tronics and Kenmec Technology and reclassified the deferred revenues as compensation income from demolition and relocation. Please refer to Note 28.

(II) For the deferred income generated from the government grants acquired by the Group, please refer to Note 32.

XXIII. Liability reserve

	December 31, 2023	December 31, 2022
Current		
Warranty (I)	$ 43,683	$ 21,584
Rework (II)	2,105	2,079
Onerous contract	192	626
	$ 45,980	$ 24,289
Non-current		
Warranty (I)	$ 2,014	$ 2,063

(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.

XXIV. 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, 2023	December 31, 2022
Present value of defined benefit obligation	$ 13,435	$ 165,762
Fair value of plan assets	(13,203)	(108,085)
	232	57,677
Add: Net defined benefit assets (Note 19)	5,740	4,016
Net defined benefit liabilities	$ 5,972	$ 61,693

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, 2023	165,762	(108,085)	57,677
Service cost			
Current service cost	154	-	154
Service cost in the previous period	63	-	63
Gains on settlement	(391)	-	(391)
Interest expense (income)	2,292	(1,501)	791
Recognition in profit or loss	2,118	(1,501)	617
Remeasurement			
Return on plan assets (except for any amount included in net interest)	-	(461)	(461)
Actuarial losses (profit)			
– Changes in financial assumption	130	-	130
– Experience adjustments	2,882	-	2,882
Recognition in other comprehensive income	3,012	(461)	2,551
Contribution by employer	-	(21,785)	(21,785)
Settlement	(19,316)	19,316	-
Payment of benefits	(99,313)	99,313	-
Payments on the Company’s account	(38,828)	-	(38,828)
December 31, 2023	$ 13,435	($ 13,203)	$ 232
January 1, 2022	$ 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 losses (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:

	2023	2022
Operating costs	$ 208	$ 389
Marketing expense	74	7
Administrative expense	250	(7)
R&D expense	85	154
	$ 617	$ 543

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, 2023	December 31, 2022
Discount rate	1.25%～1.375%	0.25%
Anticipated salary increase rate	2%～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 would be as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	($ 400)	($ 3,414)
Decrease by 0.25%	$ 416	$ 3,525
Anticipated salary increase rate		
Increase by 0.25%	$ 405	$ 3,449
Decrease by 0.25%	($ 390)	($ 3,359)

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, 2023	December 31, 2022
Expected contribution within 1 year	$ 90	$ 979
Average maturity of defined benefit obligations	10.4–13.6 years	8.1–13 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., KENMEC THAILAND, 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.

XXV. Maturity analysis of assets and 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, 2023			
Assets			
Contract assets	$ 13,714	$ 491,202	$ 504,916
Liability			
Contract liabilities	$ 39,886	$ 637,664	$ 677,550
December 31, 2022			
Assets			
Contract assets	$ 13,494	$ 440,916	$ 454,410
Liability			
Contract liabilities	$ 180,490	$ 1,098,940	$ 1,279,430

XXVI. Equity

(I) Share capital

Common shares

	December 31, 2023	December 31, 2022
Number of authorized shares (thousand shares)	402,000	402,000
Authorized capital	$ 4,020,000	$ 4,020,000
Number of issued shares and fully paid up (thousand shares)	249,011	249,011
Issued capital	$ 2,490,112	$ 2,490,112

(II) Capital reserves

	December 31, 2023	December 31, 2022
May be used to offset losses, distribute cash or capitalize on share capital (1)		
Stock issuance in excess of par value	$ -	$ 39,206
Treasury stock trading	113,597	72,665
Difference between the actual price for acquisition of equity in subsidiaries and the book value	$ 68,244	$ 68,244
Only available for makeup of loss (2)		
Recognition of changes in equity ownership in subsidiaries	274,884	113,754
	$ 456,725	$ 293,869

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

According to the Articles of Incorporation, 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 the total paid-in capital. Legal reserves may be used to make up losses. 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.

When the Company provides a special reserve for the net increase in the fair value of the investment property accumulated in the previous period and the net amount of other equity accumulated in the previous period, if the undistributed earnings of the previous period are insufficient to be recognized, the items other than the after-tax net profit of the current period plus the net profit after tax are recognized as the undistributed earnings of the current period.

The Company held an annual general meeting on June 28, 2023 and June 24, 2022. Earnings distribution proposals in 2022 and 2021 approved at the said meetings are as follows:

	2022	2021
Legal reserves	$ 48,011	$ -
Special reserves	($ 22,025)	($ 9,455)
Cash dividend	$ 401,885	$ -
Cash dividends from capital reserves	$ -	$ 395,218
Cash dividend per share (NTD)	$ 1.62	$ -
Cash dividends from capital reserves per share (NTD)	$ -	$ 1.6

The proposal for distribution of earnings in 2023 resolved by the Board of Directors on March 7, 2024 is as follows:

	2023
Legal reserves	$ 64,250
Cash dividend	$ 423,319
Cash dividend per share (NTD)	$ 1.7

The above cash dividends have been distributed by resolution of the Board of Directors, and the rest are yet to be resolved by the shareholders' meeting expected to be held on May 31, 2024.

(IV) Special reserves

	2023	2022
Balance – beginning of the year	$ 319,117	$ 328,572
Reversal of special reserves	(22,025)	(9,455)
Balance – ending of the year	$ 297,092	$ 319,117

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 shareholders' 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

	2023	2022
Balance – beginning of the year	($ 229,740)	($ 256,306)
Amounts incurred in the year		
Exchange differences from foreign operations	(20,795)	18,538
Changes in ownership interests in subsidiaries	(5,204)	-
Disposal of subsidiaries using the equity method	-	7,960
Disposal of part of interests in subsidiaries	-	68
Balance – ending of the year	($ 255,739)	($ 229,740)

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

	2023	2022
Balance – beginning of the year	($ 11,507)	($ 6,966)
Amounts incurred of the current period		
Unrealized profit/loss		
Equity instruments	3,299	(5,352)
Disposal of part of interests in subsidiaries	-	1
Accumulated gain or loss on disposal of equity instruments transferred to retained earnings	-	810
Balance – ending of the year	($ 8,208)	($ 11,507)

(VI) Non-controlling interests

	2023	2022
Balance – beginning of the year	$ 1,907,084	$ 1,347,238
Current net loss	(148,977)	(26,324)
Cash dividends from subsidiaries	(7,044)	-
Other comprehensive income for the year		
Exchange differences on translation of financial statements of foreign operations	(39,837)	23,848
Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income	-	(44)
Remeasurement of defined benefits plans	(37)	774
Organizational reorganization - Disposal of subsidiary KENMEC Communication	34,624	-
Acquisition of partial equity in subsidiary Tainergy	-	(2,615)
Non-controlling interests related to outstanding vested stock options held by Kentec's employees	-	28
Acquired subsidiary Tai Vision	23,479	-
Acquisition of subsidiary Taisic Materials	-	630,000
Acquisition of subsidiary Aptos Technology	-	9,600
Non-controlling interests – increase of capital in Tainergy not according to shareholding ratio	-	1,547
Non-controlling interests – increase of capital in Taisic Materials not according to shareholding ratio	-	(79,727)
Non-controlling interests – increase of capital in Chief Global Logistics not according to shareholding ratio	-	2,759
Non-controlling interests did not increase capital in the affiliate company in proportion to the shareholding	(13)	-
Balance – ending of the year	$ 1,769,279	$ 1,907,084

(VII) Treasury stocks

Cause of repurchase	Transfer of shares to employees (thousand shares)
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
Number of shares on January 1, 2023	934
Decrease in the Year	(934)
Number of shares on December 31, 2023	-

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

XXVII. Revenue

	2023	2022
Revenue from contracts with customers		
Revenue from sale of products	$ 2,503,018	$ 2,990,511
Project income	2,905,250	2,256,416
Service income	62,345	55,722
Revenue from sale of electricity	18,833	18,884
Lease income	62,044	37,675
	$ 5,551,490	$ 5,359,208

(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 in 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 its 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, 2023	December 31, 2022	January 1, 2022
Accounts and notes receivable (Note 10)	$ 514,730	$ 477,916	$ 558,064
Contract assets			
Construction of automated equipment	$ 504,916	$ 454,410	$ 444,997
Contract assets – current	$ 504,916	$ 454,410	$ 444,997
Contract liabilities			
Sale of commodities	$ 7,206	$ 117,305	$ 63,219
Real estate sales	18,100	12,939	36,897
Solar equipment construction	2,763	3,429	3,448
Construction of automated equipment	649,481	1,145,757	1,233,362
Contract liabilities – current	$ 677,550	$ 1,279,430	$ 1,336,926

Changes in loss allowance for contract assets are as follows:

	2023
Balance – beginning of the year	$ -
Add: Impairment loss appropriated in the year	47,553
Less: Actual amount written off in the year	(47,553)
Balance – ending of the year	$ -

(III) Customer contract income breakdown

Please refer to Note 43 for the breakdown of revenue.

XXVIII. Net profit (loss) of continuing operations

(I) Interest income

	2023	2022
Bank deposit	$ 67,855	$ 23,693
Interest income from loaning of funds (Note 37)	1,813	-
	$ 69,668	$ 23,693

(II) Other revenue

	2023	2022
Net income from compensation for demolition and relocation	$ 806,186	$ -
Lease revenue		
Investment property	84,336	70,734
Government grant income (Note 32)	35,088	61,316
Dividend revenue	4,406	2,097
Others	13,934	29,362
	$ 943,950	$ 163,509

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. The total price was RMB 123,840 thousand and RMB 214,375 thousand, respectively.

The Group's Kenmec Mecha-Tronics and Kenmec Technology have completed the registration process and recognized the net compensation income in 2023 as follows:

	2023
Compensation income for demolition and relocation (RMB 271,000 thousand)	$ 1,194,568
Less: Net current assets held for sale	(98,898)
Demolition and relocation expenditures	(289,484)
Net income from compensation for demolition	$ 806,186

(III) Other gains and losses

	2023	2022
Profit on disposal of property, plants and equipment	$ 98	$ 63,224
Disposal of investment property benefits	-	49,766
Disposal of gains in right-of-use assets	-	37,509
Gain on disposal of non-current assets held for sale (Note 12)	2,221	146,853
Net foreign exchange gains	23,491	32,451
Profit on lease modification	143	-
Gains (losses) on financial assets and financial liabilities		
Financial assets mandatorily measured at fair value through profit or loss	43,947	(3,988)
Impairment loss	(161,792)	(77,793)
Other revenues and expenses	(3,326)	(6,340)
	($ 95,218)	$ 241,682

For the impairment loss recognized by the Group in 2023 and 2022, please refer to the description in Notes 12, 15 and 18.

(IV) Financial costs

	2023	2022
Bank loan interest	$ 47,615	$ 38,235
Interest on lease liabilities	7,238	3,052
	$ 54,853	$ 41,287

Information on capitalization of interest:

	2023	2022
Capitalization of interest – amount	$ 115	$ 5,564
Capitalization of interest – interest rate	4.99%	2.35%～2.99%

(V) Depreciation and amortization

	2023	2022
Summary of depreciation expenses by function		
Operating costs	$ 251,696	$ 213,772
Operating expenses	163,469	123,146
	$ 415,165	$ 336,918
Summary of amortization expenses by function		
Operating costs	$ 3,786	$ 1,798
Operating expenses	5,197	5,390
	$ 8,983	$ 7,188

For the information on the amortization of intangible assets allocated to each line item, please refer to Note 18.

(VI) Employee benefit expense

	2023	2022
Short-term employee benefits	$ 3,991,117	$ 991,555
Retirement benefits		
Defined contribution plan	29,543	25,366
Defined benefit plan (Note 24)	617	543
	30,160	25,909
Share-based payment (Note 31)	40,993	5,600
Total employee benefit expenses	$ 4,062,270	$ 1,023,064
Summarized by function		
Operating costs	$ 1,867,457	$ 526,914
Operating expenses	2,194,813	496,150
	$ 4,062,270	$ 1,023,064

(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 employees and directors. The remuneration of employees and directors for 2023 and 2022 was resolved by the Board of Directors on March 7, 2024 and March 10, 2023, respectively, as follows:

Estimated ratio

	2023	2022
Remuneration to employees	7.1%	7.3%
Remuneration to directors	1.4%	1.5%

Amount

	2023	2022
Remuneration to employees	$ 61,886	$ 37,262
Remuneration to directors	$ 11,869	$ 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 2022 and 2021 and the amount recognized in the consolidated financial statements in 2022 and 2021.

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

	2023	2022
Total profit from translation of foreign currencies	$ 81,597	$ 187,334
Total loss from translation of foreign currencies	(58,106)	(154,883)
Net gain	$ 23,491	$ 32,451

(IX) Impairment (loss) reversal

	2023	2022
Inventory (incorporated in operating cost)	($ 50,990)	$ 934
Long-term prepayment for purchase (incorporated in operating cost)	10,237	2,039
Property, plant and equipment (included in other gains and losses)	(161,792)	(60,225)
Intangible assets (included in other gains and losses)	-	(13,333)
Contract assets (included in expected credit impairment loss)	(47,553)	-
Non-current assets held for sale (included in other gains and losses)	-	(4,235)
	($ 250,098)	($ 74,820)

XXIX. Income tax of continuing operations

(I) Income tax recognized in profit or loss

The main components of income tax expense are as follows:

	2023	2022
Current income tax		
Tax incurred in the year	$ 63,475	$ 15,305
Adjustments for the previous year	43,743	(5,409)
Deferred income tax		
Tax incurred in the year	106	2,802
Income tax expenses recognized in profit or loss	$ 107,324	$ 12,698

The reconciliation of accounting income and income tax expense is as follows:

	2023	2022
Net profit before tax of continuing operations	$ 754,344	$ 456,448
Income tax profit on net loss or gain before tax calculated at the statutory tax rate	$ 300,892	$ 105,298
Expense and loss not deductible from tax	70,418	109
Non-taxable income	(9,443)	75,180
Unrecognized loss carryforwards	(98,795)	5,708
Unrecognized deductible temporary difference	(193,708)	(186,562)
Repatriation of earnings of subsidiaries	-	18,374
Adjustment to income tax expenses of the previous year in the period	37,960	(5,409)
Income tax expenses recognized in profit or loss	$ 107,324	$ 12,698

(II) Income tax recognized in other comprehensive income

	2023	2022
Deferred income tax		
Amounts incurred in the year		
– Translation from foreign operations	($ 2,317)	$ 1,190
– Remeasurement of defined benefits plans	(581)	3,219
	($ 2,898)	$ 4,409

(III) Current income tax assets and liabilities

	December 31, 2023	December 31, 2022
Current income tax assets		
Income tax refund receivable	$ 9,479	$ 9,878
Current tax liabilities		
Income tax payable	$ 2,148	$ 4,621

(IV) Deferred income tax assets and liabilities

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

2023

	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Deferred income tax assets				
Temporary difference				
Defined retirement benefit plan	$ 11,780	$ 9	$ 581	$ 12,370
Exchange differences from foreign operations	10,383	-	2,317	12,700
Others	155,083	511	-	155,594
	$ 177,246	$ 520	$ 2,898	$ 180,664
Deferred income tax liabilities				
Temporary difference				
Land incremental tax	($ 56,108)	$ -	$ -	($ 56,108)
Others	(1,870)	(626)	-	(2,496)
	($ 57,978)	($ 626)	$ -	($ 58,604)

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)

(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, 2023	December 31, 2022
Loss carryforwards		
Mature in 2023	$ -	$ 867,670
Mature in 2024	246,159	321,513
Mature in 2025	36,463	309,694
Mature in 2026	342,529	260,867
Mature in 2027	726,332	642,728
Mature in 2028	1,140,838	1,141,414
Mature in 2029	356,724	471,728
Mature in 2030	914,402	1,199,933
Mature in 2031	589,272	370,543
Mature in 2032	376,266	98,391
Mature in 2033	490,819	-
	$ 5,219,804	$ 5,684,481
Deductible temporary difference		
Inventory devaluation loss	$ 39,004	$ 32,857
Allowance for loss	74,674	76,693
Guarantee deposits paid impairment	328,341	328,341
Unrealized exchange gain	15,719	(7,044)
Property, plant and equipment impairment loss	941,269	852,424
Unrealized warranty expense	2,062	2,079
Unrealized project loss	-	471
Others	195,667	195,231
	$ 1,596,736	$ 1,481,052

(VI) Authorization of income tax

The profit-seeking enterprise income tax returns filed by the Company, Tainergy, and Kentec up to 2021 were approved by the tax collection agency.

The subsidiaries domiciled in the British Virgin Islands and Samoa are not subject to tax and, therefore, are not subject to profit-seeking enterprise income tax approved by the authority. As of December 31, 2023, due to the application of local laws and regulations, the estimated payable tax liabilities and income tax expenses had been made.

XXX. Earnings per share

Unit: NTD per share

	2023	2022
Basic earnings per share		
From continuing operations	$ 3.20	$ 1.91
Diluted earnings per share		
From continuing operations	$ 3.19	$ 1.89

The earnings and the weighted average number of common shares used in the computation of earnings per share are as follows:

Net profit for the current year

	2023	2022
Net profit used for calculation of basic earnings per share	$ 795,997	$ 470,074
Net profit used for calculation of diluted earnings per share	$ 795,997	$ 470,074

Number of shares

Unit: thousand shares

	2023	2022
Weighted average number of ordinary shares used to calculate basic share surplus	248,406	246,751
Effect of potential diluted common stocks:		
Remuneration to employees	1,284	1,467
Weighted average number of ordinary shares used to calculate diluted earnings	249,690	248,218

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 resolves to calculate the diluted EPS prior to payment of the employee's remuneration with stocks.

XXXI. Share-based payment arrangement

The Company's Employee Stock Option Plan

(I) On August 4, 2023, the Board of Directors resolved to transfer treasury shares to employees at NTD 43.50 and NTD 44.28 per share, respectively. As of the date of payment of employee stock options, 467 thousand shares and 467 thousand shares were transferred, respectively for a total transfer price of NTD 22,792 thousand. The base date of employee stock options was set on August 9, 2023. The Company recognized a remuneration cost of NTD 40,993 thousand on the date of grant.

On August 4, 2023, the Board of Directors resolved to transfer treasury shares to employees at NTD 43.50 and NTD 44.28 per share, respectively. As of the date of payment of employee stock options, 467 thousand shares and 467 thousand shares were transferred, respectively for a total transfer price of NTD 22,792 thousand. The base date of employee stock options was set on August 9, 2023. The Company recognized a remuneration cost of NTD 40,993 thousand on the date of grant.

The Black-Scholes valuation model was used for the employee stock options granted by the Company in August 2023. The inputs used in the valuation model are as follows:

	August 2023
Price on grant date	NTD 68.30
Exercise price	NTD 24.80/24.02
Stock price volatility	52.16
Lifetime	0.022 years
Risk-free interest rate	0.806

(II) 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 5,600 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

Remuneration costs recognized by the Company for 2023 and 2022 were NTD 40,993 thousand and NTD 5,600 thousand, respectively.

XXXII. Government grants

(I) Tainergy Kunshan of the Group established factories in Kunshan Economic and Technological Development Zone (KETD) for the 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 the construction of infrastructure in consideration of the investment of 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 disposing 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, 2023 and 2022, the balance of the amortization and reclassification was NTD 58,368 thousand (RMB 13,489 thousand) and NTD 61,144 thousand (RMB 13,871 thousand), respectively, and stated as long-term deferred income. NTD 1,678 thousand and NTD 1,683 thousand were recognized in profit in 2023 and 2022, 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, 2023 and 2022, the balance of the amortization was NTD 128 thousand (RMB 30 thousand) and NTD 615 thousand (RMB 140 thousand), respectively, and stated as long-term deferred income. NTD 482 thousand and NTD 485 thousand were recognized in profit in 2023 and 2022, respectively.

(III) 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. As of 2023, the grant received totaled NTD 49,600 thousand. As of 2023 and 2022, the amortization balance was NTD 14,306 thousand (of which NTD 2,216 thousand was recorded as other receivables) and NTD 10,990 thousand, respectively. In 2023, the income of NTD 24,716 thousand was recognized according to the subsidy plan.

(IV) The Group's Taisic Materials received a one-time government subsidy of NTD 330 thousand for the purchase of equipment in February 2023, which is amortized over four years according to the useful years of the equipment. As of 2023, the balance after amortization was NTD 253 thousand (respectively recorded as deferred revenue of NTD 84 thousand and long-term deferred revenue of NTD 169 thousand). A gain of NTD 77 thousand was recognized in 2023.

(V) The Group's Kentec signed the EMS industry SMT process equipment networking standard and wisdom feedback promotion plan from January 1, 2023 to December 31, 2024 with the Taiwan Small & Medium Enterprise Counseling Foundation (Taiwan SMECF). As of 2023, NTD 1,683 thousand from subsidies were received, and the amortized balance was NTD 225 thousand, which is recorded as deferred income. A gain of NTD 1,458 thousand was recognized in 2023.

(VI) The Group signed a railway industry development subsidy program contract with the Railway Bureau, Ministry of Transportation and Communications, and received a subsidy from July 1, 2023 to September 30, 2024. In 2023, grant income of NTD 6,677 thousand was recognized, of which NTD 4,087 thousand was recorded as other receivables.

(VII) The Group signed a railway industry development subsidy program contract with the Railway Bureau, Ministry of Transportation and Communications, and received a subsidy from July 1, 2023 to September 30, 2024. In 2023, the subsidy received under the subsidy plan amounted to NTD 35,000 thousand and was recorded in the deferred income account. The grant income recognized in 2023 was NTD 0.

XXXIII. <u>Equity transaction with respect to non-controlling interests</u>

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%.

	2022
Consideration in cash paid	($ 79,400)
Consideration in cash received	1,547
Amount of book value of subsidiary's net assets to be transferred to non-controlling interests based on changes in relative equity	89,230
Amount of book value of subsidiary's net assets to be transferred in non-controlling interests based on changes in relative equity	68,068
Other comprehensive income attributable to owners of the Company adjusted	
– Exchange differences on translation of financial statements of foreign operations	68
– Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income	1
Difference in transaction of equity	$ 79,514
Adjustment items of difference in transaction of equity	
Capital reserve (changes in ownership of subsidiaries)	$ 89,230
Capital reserve (actually acquired partial equity in subsidiaries)	(9,716)
	$ 79,514

XXXIV. Cash flow information

(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 2023 and 2022:

1. The Group reclassified NTD 2,895 thousand and NTD 92,954 thousand of contract assets into property, plant and equipment in 2023 and 2022, respectively.
2. The Group reclassified NTD 38,472 thousand and NTD 34,422 thousand of prepayment for equipment into property, plant and equipment in 2023 and 2022, respectively.
3. In 2023 and 2022, the Group's investment receivables receivable from financial instruments at fair value through profit or loss decreased by NTD 3,956 thousand and increased by NTD 10,909 thousand, respectively.
4. The equipment payable of the Group for the purchase of property, plant and equipment in 2023 and 2022 increased by NTD 31,514 thousand and NTD 630 thousand, respectively.
5. The Group reclassified NTD 493,696 thousand prepaid investments to financial assets at fair value through profit or loss – non-current in 2023.
6. In 2023, the Group reclassified contract assets to intangible assets of NTD 3,884 thousand.
7. In 2023, the Group reduced investment properties and accounts payable by NTD 10,516 thousand at the same time.

(II) Changes in liabilities from financing activities

December 31, 2023

	January 1, 2023	Cash flow	Non-cash change: New lease	Capitalization	Interest expenses	Lease modification	Profit or loss from translation of foreign currencies	December 31, 2023
Short-term loans	$ 333,682	$ 599,668	$ -	$ -	$ -	$ -	$ -	$ 933,350
Long-term loans	1,022,693	1,325,420	-	-	-	-	-	2,348,113
Guarantee deposits received	34,536	12,363	-	-	-	-	-	46,899
Lease liabilities	345,069	(50,099)	31,755	-	7,238	2,139	894	336,996
	$ 1,735,980	$ 1,887,352	$ 31,755	$ -	$ 7,238	$ 2,139	$ 894	$ 3,665,358

December 31, 2022

	January 1, 2022	Cash flow	Non-cash change: New lease	Capitalization	Interest expenses	Lease modification	Profit or loss from translation of foreign currencies	December 31, 2022
Short-term loans	$ 440,070	($ 106,388)	$ -	$ -	$ -	$ -	$ -	$ 333,682
Long-term loans	1,034,466	(11,773)	-	-	-	-	-	1,022,693
Guarantee deposits received	38,485	(3,949)	-	-	-	-	-	34,536
Lease liabilities	351,874	(31,918)	35,639	324	3,052	(14,604)	702	345,069
	$ 1,864,895	($ 154,028)	$ 35,639	$ 324	$ 3,052	($ 14,604)	$ 702	$ 1,735,980

XXXV. 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 interests).

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.

XXXVI. Financial instruments

(I) Fair value information – financial instruments not measured at fair value

As of December 31, 2023 and 2022, 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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Overseas listed (OTC) stocks	$ 13,034	$ -	$ -	$ 13,034
Domestic non-listed (non-OTC) stocks	-	-	131,797	131,797
Fund beneficiary certificate	337,212	-	-	337,212
Floating-rate financial commodity	-	56,466	-	56,466
Structured deposit	-	50,005	-	50,005
Total	$ 350,246	$ 106,471	$ 131,797	$ 588,514
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
– Domestic non-listed (non-OTC) stocks	$ -	$ -	$ 59,167	$ 59,167
Financial liabilities measured at fair value through profit or loss				
Derivatives	$ -	$ 11	$ -	$ 11

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

There were no transfers of fair value measurements between Level 1 and Level 2 in 2023 and 2022.

2. Adjustments to the financial instruments measured at Level 3 fair value

2023

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	$ 86,436	$ 38,368	$ 124,804
Purchase	11,750	17,500	29,250
Recognition in profit or loss (other gains and losses)	33,611	-	33,611
Recognized in other comprehensive income (unrealized profit/loss from the financial assets measured at fair value through other comprehensive income)	-	3,299	3,299
Balance – ending of the year	$ 131,797	$ 59,167	$ 190,964

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 gains 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 year	$ 86,436	$ 38,368	$ 124,804

3. Evaluation technology and inputs of Level 2 fair value measurement

Class of financial instruments	Evaluation technology and inputs
Derivative instruments – forward foreign exchange contract	Cash flow discounting method: With this method, the cash flow in the future is estimated based on the observable forward exchange rate at the end of the period and the exchange rate specified in the contract, and the discount is determined with reference to the discount rate reflecting the credit risk of the counterparty.
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.
Structured deposit mandatorily measured at fair value through profit or loss	As for the fair value, the discount rate curve inferred from the open market quote is used as the parameter for calculation of the cash flow discount value in the future, and this value is used as the basis for the estimation.

4. Evaluation technology and inputs measured at Level 3 fair value

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, 2023	December 31, 2022
Financial assets		
Measurement at fair value through profit or loss		
Mandatory measurement at fair value through profit or loss	$ 588,514	$ 671,168
Financial assets measured at amortized cost (Note 1)	3,202,208	3,525,776
Financial assets measured at fair value through other comprehensive income		
Investment in equity instruments	59,167	38,368
Financial liabilities		
Measurement at fair value through profit or loss		
Held for trading	11	-
Measurement at amortized cost (Note 2)	4,602,075	2,579,669

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 short-term borrowings, short-term notes payable, notes payable, accounts payable, other payables, long-term liabilities maturing within one year, guarantee deposits received, long-term loans, and other financial liabilities.

(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 exchange rate fluctuation risk. About 44% of the sales amount of the Group is not valuated in the functional currency of the Group’s individual entities engaging in the transactions. About 59% of the cost amount is not valuated in 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 41 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.

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	
	2023	2022	2023	2022
Profit or loss	$ 22,497 (i)	$ 18,098 (i)	$ 3,459 (i)	$ 8,230 (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.

(2) Interest rate risk

The interest rate risk exposure occurred as the Group's entities borrowed funds at 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, 2023	December 31, 2022
With fair value interest rate risk		
– Financial assets	$ 371,459	$ 381,798
– Financial liabilities	336,996	345,069
With cash flow interest rate risk		
– Financial assets	2,023,688	2,459,707
– Financial liabilities	3,318,463	1,356,375

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 the interest rate increased/decreased by 1%, and all other variables remained unchanged, the Group’s net income after tax for 2023 and 2022 would have decreased/increased by NTD 10,358 thousand and increased/decreased by NTD 8,827 thousand, respectively. This was mainly due to the exposure to the interest rate risk of the bank deposit.

(3) 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 2023 and 2022 increased/decreased by NTD 4,345 thousand and NTD 2,918 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 2023 and 2022 increased/decreased by NTD 1,775 thousand and NTD 1,151 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 in the current period due to an increase in the investment in equity securities.

2. Credit risk

The credit risk refers to the risk of 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 with 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. Therefore, 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. 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 (3) 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, 2023

	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					
Accounts payable		$ 674,833	$ -	$ -	$ -
Other payables		561,880	-	-	-
Guarantee deposits received		46,899	-	-	-
Floating interest rate instruments					
Short-term loans	2.81%	959,653	-	-	-
Long-term loans	1.96%	104,754	573,288	166,304	1,689,691
Lease liabilities		60,890	58,501	42,219	200,407
		$ 2,408,909	$ 631,789	$ 208,523	$ 1,890,098

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	$ 60,890	$161,610	$101,984	$ 68,683	$ 22,854	$ 6,886

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

(2) Liquidity and interest rate risks of derivative financial liabilities

As for the liquidity analysis of derivative financial instruments, the undiscounted contractual net cash inflow and outflow are used as the basis of compilation for derivative instruments under net settlement, while the undiscounted gross cash inflow and outflow are used as the basis of compilation for derivative instruments under gross settlement. When the amount of payable or receivable is not fixed, the amount of disclosure is determined based on the expected interest rate estimated from the yield curve on the balance sheet date.

December 31, 2023

	Repaid immediately or within less than 1 months	1–3 months	3 months to 1 year	1–5 years	Over 5 years
Settle net = Net settlement					
Forward exchange contract	$ 11	$ -	$ -	$ -	$ -

(3) Financing facility

	December 31, 2023	December 31, 2022
Unsecured bank overdraft facility (reviewed annually)		
– Employed capital	$ 148,913	$ 153,407
– Unemployed capital	980,972	778,514
	$ 1,129,885	$ 931,921
Secured bank loan limit (extension possible under mutual agreement)		
– Employed capital	$ 3,558,363	$ 2,299,356
– Unemployed capital	756,397	1,290,718
	$ 4,314,760	$ 3,590,074
Unsecured other loan limit		
– Employed capital	$ -	$ -
– Unemployed capital	80,000	50,000
	$ 80,000	$ 50,000

XXXVII. 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

Name of Related Party	Relationship with the Group
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	Associate
Star Solar New Energy Co., Ltd.	Associate
Anhui Rongyun Property Development 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	2023	2022
Sales revenue (Note)	Associate	$ -	$ 63,106

Note: There is no significant difference between 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	2023	2022
Associate	$ 627	$ 4,837

There is no significant difference between 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) Subsequent recovered amount of

Account Title	Type of Related Party	December 31, 2023	December 31, 2022
Notes receivable	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ -	$ 61,718
Accounts receivable	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ -	$ 13,104
Other receivables	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ -	$ 4,822
	Star Solar New Energy Co., Ltd.	289	22
	Anhui Rongyun Property Development Co., Ltd.	158	-
		$ 447	$ 4,844

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 2023 and 2022.

(V) Payables to related parties

Account Title	Type of Related Party	December 31, 2023	December 31, 2022
Accounts payable	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ 2,605	$ 2,129
Other payables	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ -	$ 2,184
	Star Solar New Energy Co., Ltd.	2,362	1,571
		$ 2,362	$ 3,755

The outstanding balance of the accounts payable to related parties was not guaranteed.

(VI) Acquisition of property, plant and equipment

Type/Name of Related Party	Acquisition Price 2023	Acquisition Price 2022
Associate	$ -	$ 1,828

(VII) Lease agreement

Type of Related Party	2023	2022
Lease expense		
De facto related party	$ 2,290	$ 4,579

2023

Type of Related Party	Premises	Lease Period	Determination of Rent	Monthly Rental
De facto related party	No. 21, Xindu Rd., Qianzhen Dist., Kaohsiung City	2023.01.01～2023.6.30	Negotiation	$ 196
De facto related party	No. 12, Xinda Rd., Qianzhen Dist., Kaohsiung City	2023.01.01～2023.6.30	Negotiation	186

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

(VIII) Loans to related parties

Type/Name of Related Party	December 31, 2023	December 31, 2022
Associate		
Star Solar New Energy Co., Ltd.	$ 65,000	$ 65,000
Anhui Rongyun Property Development Co., Ltd.	$ 17,395	$ -

Interest income

Type/Name of Related Party	December 31, 2023	December 31, 2022
Associate		
Star Solar New Energy Co., Ltd.	$ 1,651	$ 22
Anhui Rongyun Property Development Co., Ltd.	$ 162	$ -
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ -	$ 861

The Group has provided short-term loans to Star Solar New Energy and obtained a deposit of NTD 6,500 thousand from the company, with an interest rate close to the market interest rate.

The Group’s loan to Kentec Intelligent is an unsecured loan with an interest rate close to the market interest rate. These loans are expected to be collected within one year. After evaluation, there are no expected credit losses.

(IX) Endorsements/Guarantees

Acquisition of endorsements/Guarantees

Type/Name of Related Party	December 31, 2023	December 31, 2022
The Company’s Chairman		
CHING-FU HSIEH		
Amount guaranteed	$ 1,583,420	$ 941,328
Drawdown	$ 457,602	$ 355,811

(X) Related party transactions

Others

Account Title	Type/Name of Related Party	2023	2022
Manufacturing expense – repair expense	Associate	$ 8,819	$ 5,698
Manufacturing expense – processing expense	Associate	$ -	$ 27,843
Manufacturing expense – others	Associate	$ 342	$ 636
Repair cost	Associate	$ 262	$ 3,468
Miscellaneous expenses	Associate	$ 78	$ -
Other revenue	Associate	$ -	$ 16

(XI) Remuneration to key management

	2023	2022
Short-term employee benefits	$ 142,562	$ 187,329
Retirement benefits	951	729
Share-based Payment	635	636
	$ 144,148	$ 188,694

The remuneration to the directors and key management was decided by the Remuneration Committee subject to personal performance and market trend.

XXXVIII. 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, 2023	December 31, 2022
Pledged C/D (stated as financial assets measured at amortized cost – current)	$ 54,437	$ 62,687
Pledged C/D (stated as other financial assets – current)	-	4,408
Notes receivable	125	-
Other financial assets – current	186,244	202,785
Property, plant and equipment		
Land and land improvement	2,102,770	865,945
Building equipment	684,829	164,005
Machinery and equipment	113,101	194,304
Investment property	183,463	411,222
Construction deposits paid (recognized in other assets – current)	55,694	-
Guarantee deposits paid	110,752	44,171
Pledged C/D (stated as financial assets measured at amortized cost – non-current)	73,700	76,609
Right-of-use of land (Stated as right-of-use assets)	-	75,385
Other financial assets – Non-current	147,000	149,219
	$ 3,712,115	$ 2,250,740

XXXIX. Significant contingent liabilities and unrecognized contractual commitments

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, 2023	December 31, 2022
Issuance of letters of guarantee		
NTD	$ 1,114,952	$ 1,065,626
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, 2023	December 31, 2022
Purchase of unfinished construction and equipment		
Total contract price	$ 193,497	$ 131,265
Amount paid	(115,982)	(54,081)
Amount unpaid	$ 77,515	$ 77,184

3. As of December 31, 2023 and 2022, the amount of the guarantee notes issued by the Group's Tainergy for loans was NTD 130,000 thousand and NTD 85,000 thousand, respectively. As for the amount of the endorsement/guarantee provided for loans, please refer to Table 2 in Note 42.

(II) Contingency

1. Material purchase agreement between the Company and SunEdison Products Singapore Pte, Ltd. (hereinafter referred to as SunEdison)

Material purchase agreement

The Group's Tainergy entered into a material purchase agreement with SunEdision on July 9, 2008. According to the agreement, the Group's Tainergy should purchase solar wafers for 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 every year during the period of the agreement.

In April 2016, SunEdison announced the application for restructuring. The Group's Tainergy comprehensively evaluated the possibility of recovery and recorded an impairment loss of NTD 307,800 thousand and NTD 6,835 thousand for 2017 and 2021, respectively, for the related other accounts receivable and refundable deposits.

As of December 31, 2023 and 2022, 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)

   Commitment to material purchase agreement

   The Group's Tainergy 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 prepayment of the Group's Tainergy totaled EUR 7,470 thousand.

   Renewal of the agreement

   The Group's Tainergy and Sino-American Silicon Products Inc. agreed to continue to fulfill the contract before and after December 31, 2024 in accordance with the contents of the bilateral agreement. As of December 31, 2023 and 2022, the Group's Tainergy estimated that the cost of prepayments would be higher than the expected economic benefits from the contract, and the accumulated impairment loss of prepayments of NTD 154,693 thousand and NTD 164,930 thousand, respectively have been set aside.

3. Chen Chun-Ming sued the Company for the refund of a loan of RMB 15,000 thousand. The case was ruled in favor of the Company by the local court on May 26, 2023. However, the other party appealed and protested against the verdict of the first instance. On April 11, 2024, the court convened again for the additional lawsuit filed by Chen Chun-Ming.

XL. Significant subsequent events: None.

XLI. 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, 2023

	Foreign currency (thousand)	Exchange rate		Book value
Foreign currency assets				
Monetary items				
USD	$ 27,817	30.7050	(USD : NTD)	$ 854,137
USD	7,650	24,564	(USD : VND)	234,879
VND	1,885,236	0.00125	(VND : NTD)	2,357
JPY	10,193	0.2172	(JPY : NTD)	2,214
EUR	44	33.9800	(EUR : NTD)	1,524
RMB	165,815	4.3270	(RMB : NTD)	717,483
				$ 1,812,594
Non-monetary items				
VND	$10,427,044	0.00125	(VND : NTD)	$ 13,034
Foreign liabilities				
Monetary items				
USD	1,610	30.7050	(USD : NTD)	$ 49,445
USD	87	7.0827	(USD : RMB)	2,672
USD	3,241	24,564	(USD : VND)	99,517
JPY	83,684	0.2172	(JPY : NTD)	18,177
EUR	3,196	33.9800	(EUR : NTD)	108,609
RMB	132,505	4.3270	(RMB : NTD)	573,349
				$ 851,769

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

The profit and loss from translation of foreign currency (including realized and unrealized) in 2023 and 2022 was NTD 23,491 thousand and NTD 32,451 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.

XLII. Disclosures of notes

(I) Major transaction matters:

1. Loaning of funds to others. (Table 1)
2. Making endorsements/guarantees for others. (Table 2)
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associate companies, and joint ventures). (Table 3)
4. The cumulative amount of the same securities purchased or sold reaches NTD 300 million or 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. (Table 5)
6. Disposal of real estate reaching NTD 300 million or more than 20% of the paid-in capital. (None)
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. (Note 7)
10. Others: The business relationship and important transactions between the parent company and its subsidiaries, and between subsidiaries. (Table 8)

(II) Information on 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 10)
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: (None)
   (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)

XLIII. 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 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:

	2023					
	Automation 1	Automation 2	Solar power system, parts and components	Electronic parts and components	Others (Vietnam, Kenmec Property, Aptos Technology, Hua-Xia, Automation)	Total
Revenue from external customers	$ 2,619,895	$ 386,307	$ 2,144,751	$ 237,275	$ 163,262	$ 5,551,490
Inter-segment income	163,615	220,430	372	-	467	384,884
Segment income	2,783,510	606,737	2,145,123	237,275	163,729	5,936,374
Internal write-off	(163,615)	(220,430)	(372)	(-)	(467)	(384,884)
Consolidated revenue	$ 2,619,895	$ 386,307	$ 2,144,751	$ 237,275	$ 163,262	$ 5,551,490
segment profit or loss	$ 231,872	$ 229,537	($ 190,784)	($ 46,155)	$ 494,309	$ 718,779
Dividend revenue						4,406
Net gains on disposal of property, plants and equipment						98
Gains on disposal of non-current assets held for sale						2,221
Share of profit or loss of affiliated companies under equity method						(15,107)
Profit or loss on valuation of financial assets measured at fair value through profit or loss						43,947
Net profit before tax						$ 754,344

	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)
Net profit before tax						$ 456,448

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) Segment total assets

Segment assets	December 31, 2023	December 31, 2022
Continuing operations		
Automation segment	$ 6,549,488	$ 5,341,953
Manufacture of solar power system, parts and components	1,904,291	2,289,692
Electronic parts and components segment	328,417	1,244,709
Other segments	425,992	140,283
Total segment assets	9,208,188	9,016,637
Unallocated assets (Note)	2,451,840	2,078,351
Total consolidated assets	$ 11,660,028	$ 11,094,988

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 from continuing operations of 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	
	2023	2022	December 31, 2023	December 31, 2022
Taiwan	$ 3,095,033	$ 2,480,534	$ 5,116,599	$ 3,089,606
USA/Canada	1,248,036	1,532,451	-	-
Mainland China	468,503	793,962	861,935	1,248,275
Hong Kong	495,009	193,386	-	-
Others	244,909	358,875	73,726	524,024
	$ 5,551,490	$ 5,359,208	$ 6,052,260	$ 4,861,905

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 on major customers

The single customer from which the income earned reached more than 10% of the Group's total income:

2023			2022		
Customer ID	Amount	As a percentage of revenue (%)	Customer ID	Amount	As a percentage of revenue (%)
CF company	$ 753,312	14	CF 公司	$ 750,530	14
Company AA	481,527	9	CH 公司	668,496	12

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Loans to Others

2023

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		Ceiling of loans to a single borrower (Notes 2 to 10)	Ceiling of total loaning of funds (Notes 2 to 10)
													Name	Value		
0	KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	$ 576,030	$ 86,540	$ -	3.65%	Needs for short-term financing	$ -	Working funds	$ -	-	$ -	$ 802,274	$ 1,604,548
		Hua-Xia Construction Co., Ltd.	Other receivables	Y	30,000	-	-	2.625%	〃	-	〃	-	-	-	802,274	1,604,548
1	KENMEC AUTOMATION ENGINEERING (KUNSHAN)	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	97,790 RMB 22,000	95,194 RMB 22,000	95,194 RMB 22,000	3.55%	〃	-	〃	-	-	-	175,146 RMB 40,478	175,146 RMB 40,478
2	KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	Suzhou Kenmec Property Development Ltd.	Other receivables	Y	85,956 RMB 19,500	34,616 RMB 8,000	34,616 RMB 8,000	3.65%	〃	-	〃	-	-	-	243,515 RMB 56,278	243,515 RMB 56,278
		Anhui Rongyun Property Development Co., Ltd.	Other receivables	Y	17,776 RMB 4,020	17,395 RMB 4,020	17,395 RMB 4,020	3.45%	〃	-	〃	-	-	-	243,515 RMB 56,278	243,515 RMB 56,278
3	Tainergy Tech. Co., Ltd.	TAISIC MATERIALS CO.	Other receivables	Y	150,000	150,000	150,000	2.75%~5.00%	〃	-	〃	-	-	-	422,466	844,932
		Star Solar New Energy Co., Ltd.	Other receivables	Y	130,000	65,000	65,000	2.75%~5.00%	〃	-	〃	-	Guarantee deposits	6,500	422,466	844,932
		VIETNERGY COMPANY LIMITED	Other receivables	Y	64,970	61,410	-	5.64%	〃	-	〃	-	-	-	422,466	844,932
4	Tainergy Technology (Kunshan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	301,035	294,236	294,236	3.65%	〃	-	〃	-	-	-	324,355	324,355
		Suzhou Kenmec Property Development Ltd.	Other receivables	Y	110,200	25,962	25,962	3.65%	〃	-	〃	-	-	-	324,355	324,355
		Kunshan Kunfu Electronic Materials Co., Ltd.	Other receivables	Y	2,204	-	-	3.65%~4.35%	〃	-	〃	-	-	-	324,355	324,355
5	KENTEC INC.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	110,556	86,540	86,540	3.65%	〃	-	〃	-	-	-	205,210	410,421
		VIETNERGY COMPANY LIMITED	Other receivables	Y	64,850	-	-	5.24%	〃	-	〃	-	-	-	205,210	410,421
		Chief Global Logistics Co., Ltd.	Other receivables	Y	30,000	-	-	2.625%	〃	-	〃	-	-	-	205,210	410,421
		TAISIC MATERIALS CO.	Other receivables	Y	100,000	100,000	100,000	2.750%	〃	-	〃	-	-	-	205,210	410,421

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: \$4,011,371×20%＝802,274

Ceiling of total loaning of funds: 40% of the Company's net value: \$4,011,371×40%＝1,604,548

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 40,478×40%＝RMB 16,191

The limit of total loaning of funds: 40% of the Company's net value: RMB 40,478×40%＝RMB 16,191

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 40,478×100%＝RMB 40,478

The limit of total loaning of funds: 100% of the Company's net value: RMB 40,478×100%＝RMB 40,478

Note 4: 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: 140,694×40%＝RMB 56,278

The limit of total loaning of funds: 40% of the Company's net value: RMB 140,694×40%＝RMB 56,278

Note 5: 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: 2,112,330×20%＝422,466

Ceiling of total loaning of funds: 40% of the Company's net value: 2,112,330×40%＝844,932

Note 6: 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: 187,402×40%＝RMB 74,961

The limit of total loaning of funds: 40% of the Company's net value: RMB 187,402×40%＝RMB 74,961

Note 7: 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: $1,026,052×20%＝205,210

Ceiling of total loaning of funds: 40% of the Company's net value: $1,026,052×40%＝410,421

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

Endorsements/Guarantees for Others

2023

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.	KENTEC INC.	(2)	$ 3,209,097 (Note 3)	$ 100,000	$ 30,000	$ -	$ -	0.75%	$ 3,209,097 (Note 4)	Y	N	N
1	Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	(2)	1,689,864 (Note 7)	147,408	107,468	62,211	-	5.09%	1,689,864 (Note 8)	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 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, 2023: $4,011,371×80%=3,209,097

Note 4: Maximum endorsement/guarantee limit: No more than 80% of the Company’s net value on December 31, 2023: $4,011,371×80%=3,209,097

Note 5: Limits on individual endorsements/guarantees: No more than 80% of Tainergy Tech. Co. Ltd.’s net value on December 31, 2023: 2,112,330×80%=1,689,864

Note 6: Maximum endorsement/guarantee limit: No more than 80% of Tainergy Tech Co. Ltd.’s net value on December 31, 2023: 2,112,330×80%=1,689,864

Note 7: 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

2023

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	4,633,407.42	$ 55,124		$ 55,124	
	TCB Money Market Fund	〃	〃	5,761,335.48	60,000		60,000	
	FSITC Taiwan Money Market	〃	〃	3,120,935.10	49,119		49,119	
					$ 164,243		$ 164,243	
	Overseas listed (OTC) stocks							
	EBS	〃	〃	39,800	$ 622		$ 622	
	SDT	〃	〃	33,120	174		174	
	PAN	〃	〃	64,687	1,633		1,633	
	SC5	〃	〃	34,848	828		828	
	HRC	〃	〃	35,000	2,406		2,406	
	HAC	〃	〃	93	1		1	
	IPA	〃	〃	370,800	7,370		7,370	
					$ 13,034		$ 13,034	
	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	$ 22,972	10.01%	$ 22,972	
	Tao Garden Hotel Co., Ltd.	〃	〃	5,000,000	61,150	16.64%	61,150	
	TMY Technology Inc.	None	〃	871,421	47,675	1.91%	47,675	
					$ 131,797		$ 131,797	
	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	$ 33,267	14.29%	$ 33,267	
	Ecatch Automation Co., Ltd.	〃	〃	90,000	900	15.00%	900	
	Meng-Lue Venture Investment Limited Partnership	None	〃	-	15,000	8.33%	15,000	
	Wonder Automation Co., Ltd.	None	〃	197,722	10,000	9.74%	10,000	
					$ 59,167		$ 59,167	
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	$ -	6.45%	$ -	
	International non-listed stocks							
	Cognito Health International Inc.	〃	〃	1,333,333	$ -	2.42%	$ -	

(Next page)

(Continued from previous page)

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	10,990,199.40	$ 172,969		$ 172,969	
TAISIC MATERIALS CO.	Floating-rate financial products							
	President DSU TWD 100% Principal Guaranteed Structured Product	〃	〃		$ 50,005		$ 50,005	
Tainergy Technology (Kunshan) Co., Ltd.	Floating-rate financial products							
	Kunshan Rural Commercial Bank Sharing – Ririgin net worth financial commodity	〃	〃		$ 8,654		$ 8,654	
	Kunshan Rural Commercial Bank Sharing – Yueying GX001D net worth financial commodity	〃	〃		45,434		45,434	
Kunshan Kunfu Electronic Materials Co., Ltd.	Kunshan Rural Commercial Bank Sharing – Tientienjin net worth financial commodity	〃	〃		2,378		2,378	
					$ 56,466		$ 56,466	

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. and Subsidiaries

Aggregate Purchases or Sales of the Same Securities Reaching NTD 300 Million or More Than 20% of the Paid-in Capital

2023

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.	TCB Taiwan Money Market	Financial assets measured at fair value through profit or loss – current	-	-	4,855	$ 50,011	43,943	$ 455,000	43,037	$ 445,300	$ 445,000	$ 300	5,761	$ 60,000
〃	KGI Victory Money Market Fund	〃	-	-	15,487	182,071	40,950	484,000	51,804	611,969	611,000	969	4,633	55,124
〃	FSITC Taiwan Money Market	〃	-	-	3,216	50,012	32,407	508,000	32,502	509,803	508,932	871	3,121	49,119

Note 1: Securities mentioned in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the above items.

Note 2: Investors whose securities are accounted for using the equity method are required by filling in these two fields, and the remainder can be left blank.

Note 3: The cumulative amount of purchases and sales should be separately calculated according to the market price to determine whether it reaches NTD 300 million or 20% of the paid-in capital.

Note 4: Paid-in capital refers to the parent company's paid-in capital. In the case of an issuer whose shares have no par value or a par value other than NTD 10 per share, the requirement of 20% of paid-in capital for transaction amount shall be calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Acquisition of real estate reaching NTD 300 million or more than 20% of the paid-in capital.

2023

Table 5

Unit: NTD thousand unless otherwise specified

Companies with real properties acquired	Name of property	Date of occurrence	Transaction Amount	Status of payment	Counterparty	Relationship	If the trading counterparty is a related party, the information of the previous transfer				Reference basis upon which the price was determined	Purpose of acquisition and utilization	Other special stipulations
							Owner	Relationship with the issuer	Date of transfer	Amount			
KENMEC MECHANICAL ENGINEERING CO., LTD.	The building and the land at No. 5, Gongye 3rd Road, Pingzhen District, Taoyuan City (Land Nos. 368, 369, 371, Shanziding Section, Pingzhen District, Taoyuan City)	2023/4/26	$ 1,800,000	First installment (10%) – check payable on the signing date on April 26, 2023. The second installment (10%) will be paid within 3 business days after the competent authority issues the land increment tax and deed tax for the subject of sale, and receives the proof from the land administrator. The third installment (80%) – to be paid after the transfer of ownership.	Jvan An International Co., Ltd.	—	Not applicable	Not applicable	Not applicable	Not applicable	The appraised amount was NTD 1,844,139 thousand by HB Real Estate Appraisers Firm The appraised amount was NTD 1,844,139 thousand by Prudential Cross-Strait Real Estate Appraisers Firm	In order to develop the long-term production base and office environment while increasing rental income	Sale and leaseback

Note 1: If the acquired assets are subject to appraisal according to regulations, the appraisal result should be indicated in the “Reference for Price Determination” column.

Note 2: Paid-in capital refers to the parent company’s paid-in capital. In the case of an issuer whose shares have no par value or a par value other than NTD 10 per share, the requirement of 20% of paid-in capital for transaction amount shall be calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

Note 3: The date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of resolution of the Board of Directors, or other date that can confirm the counterpart and amount of the transaction, whichever date is earlier.

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

2023

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)	
Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	Subsidiary	Processing fee (Note 4)	$ 647,018	29.02%	T/T 30 days upon invoice date	—	—	($ 26,339)	63.67%	

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: Cost of raw materials for processing has been written off.

Note 4: 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

December 31, 2023

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		
KENTEC INC.	KENMEC MECHANICAL ENGINEERING CO., LTD.	Parent company	Other receivables $ 489,237 RMB 113,066	(Note 1)	$ -	—	$	$ -
KENTEC INC.	TAISIC MATERIALS CO.	Fellow subsidiary	Other receivables 100,049	(Note 1)	-	—	-	-
Tainergy Tech. Co., Ltd.	TAISIC MATERIALS CO.	Subsidiary	Other receivables 150,848	(Note 1)	-	—	-	-
Tainergy Technology (Kunshan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Fellow subsidiary	Other receivables 298,578 RMB 69,004	(Note 1)	-	—	-	-

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.

2023

Table 8

Unit: NTD thousand

No. (Note 1)	Name of Trader	Counterparty	Relationship with counterparty (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	Accounts payable	$ 80,271	No significant difference from general manufacturers	0.69%
		Kenmec Mecha-Tronics	1	Cost of sales	48,839	No significant difference from general manufacturers	0.88%
		Kentec	1	Other payables	489,237	No significant difference from general manufacturers	4.20%
		Taisic Materials	1	Project income	52,563	No major difference from regular customers	0.95%
		Taisic Materials	1	Contract liabilities	139,335	No major difference from regular customers	1.19%
		Hua-Xia Construction	1	Contract liabilities	100,126	No major difference from regular customers	0.86%
		Hua-Xia Construction	1	Project income	110,310	No major difference from regular customers	1.99%
1	Kenmec Mecha-Tronics	Kenmec Mechanical	2	Contract liabilities	144,614	No major difference from regular customers	1.24%
		Automation Kunshan	3	Contract liabilities	82,563	No major difference from regular customers	0.71%
		Automation Kunshan	3	Sales revenue	142,235	No major difference from regular customers	2.56%
		Automation Kunshan	3	Other payables	96,736	Interest rate 3.55%	0.83%
2	Automation Kunshan	Kenmec Mecha-Tronics	3	Contract liabilities	103,331	No major difference from regular customers	0.89%
3	Kentec	Kenmec Mecha-Tronics	3	Other receivables	86,890	Interest rate 3.65%	0.75%
		Taisic Materials	3	Other receivables	100,049	Interest rate 2.75%	0.86%
4	Tainergy	VIETNERGY COMPANY LIMITED	3	Cost of sales	647,018	No significant difference from general manufacturers	11.65%
		VIETNERGY COMPANY LIMITED	3	Sales revenue	56,130	No major difference from regular customers	1.01%
		Taisic Materials	3	Other receivables	150,848	Interest rate 2.75–5.00%	1.29%
5	Tainergy Kunshan	Kenmec Mecha-Tronics	3	Other receivables	298,578	Interest rate 3.65%	2.56%

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 three 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

2023

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	$ 1,168,764 USD 38,039	38,038,752	100	$ 188,303	$ 185,216	$ 185,021	Subsidiary
	Kenmec Communication Holding (BVI) Co., Ltd.	Wickhams Cay 1 P.O. BOX 3444 Road Town Tortola British Virgin Islands	Investment holding business	498,622 CNY 113,066	- CNY -	16,852,121	60	365,298	365,470	230,230	〃
	Tainergy Tech. Co., Ltd.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Research, design, manufacture and sale of solar cells and module-related systems	1,942,337	1,942,337	61,132,856	27.17	554,656	(28,577)	(9,259)	〃
	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	104,647	2,651	2,651	〃
	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	914,528	92,482	83,201	〃
	TAISIC MATERIALS CO.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Manufacturing and sales of electronic parts and components	107,000	107,000	4,400,000	8.80	(10,381)	(308,827)	(27,136)	〃
	Chief Global Logistics Co., Ltd.	5F, No. 95, Nangang Sec., Nangang Dist., Taipei City	Warehousing	10,400	10,400	1,040,000	52.00	13,896	(5,228)	(2,717)	〃
	Hua-Xia Construction Co., Ltd.	4F., No. 76, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City	Comprehensive Construction	200,980	30,980	20,000,000	100	187,929	9,534	9,534	〃
	KENMEC AUTOMATION ENGINEERING (THAILAND) Co., Ltd.	No.654/1, Samyan Business Town, Soi Chinda Thawin 10, Rama 4 Road, Maha Phruetharam Sub-district, Bangrak District, Bangkok	Manufacturing, sales and maintenance of automation equipment and components	22,725 THB 25,000	- THB -	249,999	99.9996	21,205	(1,337)	(1,337)	〃
KENTEC INC.	Kenmec Communication Holding (BVI) Co., Ltd.	Wickhams Cay 1 P.O. BOX 3444 Road Town Tortola British Virgin Islands	Investment holding business	431,714 USD 11,235	930,336 USD 28,087	11,234,747	40	243,533	365,470	135,240	〃
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	810,915	5,256	5,256	〃
	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	449,082	(19,105)	(6,316)	〃
	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	3,902	(26)	8	Associate
	TAISIC MATERIALS CO.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Manufacturing and sales of electronic parts and components	238,280	238,280	23,828,000	47.656	154,538	(308,827)	(147,174)	Subsidiary
	TAI VISION CO., LTD.	No. 5, Gongye 3rd Rd., Pingzhen Dist., Taoyuan City	Wholesale and retail of contact lens	24,000	-	2,400,000	80	23,526	(592)	(474)	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

2023

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 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 MECHATRONICS (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	$ 233,524 RMB 53,129	100	$ 233,524 RMB 53,129 (2)-B	$ 16,845 RMB 3,893	$ -	
Suzhou Kenmec Property Development Ltd.	Real estate business	1,157,582 RMB 252,000 (Note 4)	(2)-(3)	-	-	-	-	(16,436) (RMB 3,762)	76.88	(13,706) (RMB 3,120) (2)-B	572,516 RMB 132,312	-	
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	(47,594) (RMB 10,828)	100	(47,594) (RMB 10,828)	175,146 RMB 40,478	-	
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	New electronic components (chip components), digital sounds, etc.	43,921 RMB 10,000 (Note 8)	(2)-(7)	-	-	-	-	26,654 RMB 5,953	34.51	9,669 RMB 2,209	14,701 RMB 3,397	-	
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	New electronic components (chip components), digital sounds, etc.	855,358 USD 26,800 (Note 6)	(2)-(4)	666,701 USD 20,700	-		666,701 USD 20,700	374,243 RMB 83,583	96.13	360,858 RMB 80,594	585,249 RMB 135,255	-	
Anhui Rongyun Property Development Co., Ltd.	Real estate development	1,369,658 RMB 310,000	(2)-(8)	-	-		-	(61,945) (RMB 13,835)	39.59	(23,672) (RMB 5,287)	520,176 RMB 117,236	-	
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	5,255 RMB 1,194	27.17	1,428 RMB 324 (2)-B	220,318 RMB 50,917	- -	
Kunshan Kunfu Electronic Materials Co., Ltd.	Sales and manufacture of electronic materials and parts	19,242 RMB 4,500	(2)-(6)	-	-	-	-	31 RMB 7	27.17	8 RMB 2 (2)-B	1,154 RMB 267	-	
Kunshan Jichang Energy Technology Co., Ltd.	Sale of solar power-related products	-	(2)-(6)	-	-	-	-	-		-	-	-	

Note 1: Investment is carried out through the following three 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) Direct investment in Mainland China companies through KENTEC INC.

(2)-(8) Invested in Mainland China through KENMEC TECHNOLOGY (SUZHOU) CO., LTD.

(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 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 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. Others (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.

Note 7: Registration for Kunshan Jichang Energy Technology Co., Ltd. was canceled on February 7, 2023.

Note 8: In November 2023, the Group underwent an organizational reorganization and transferred the shares of the Group from the Company to KENMEC AUTOMATION ENGINEERING (KUNSHAN)

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 9)	Investment amount approved by the Investment Commission, MOEA	Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA (Note 10)
$ 4,217,147 (USD 125,600、RMB 60,000)	$ 5,113,407 (USD 149,200、RMB 123,000) (Exchange rate: USD 30.705; RMB 4.327)	$ 3,468,390

Note 9: 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 10: 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

December 31, 2023

Table 11

Names of major shareholders	Shares	
	Number of shares held	Shareholding percentage
Wei-Xin Investment Co., Ltd.	20,000,000	8.03%
CHING-FU HSIEH	14,253,707	5.72%
Zhao-Cheng Investment Co., Ltd.	13,000,000	5.22%

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 year. 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, 2023	December 31, 2022	Difference	
			Amount	%
Current assets	4,572,283	5,817,164	(1,244,881)	-21.40%
Long-term investment	574,181	37,260	536,921	1441.01%
Property, plant and equipment	4,130,074	2,388,132	1,741,942	72.94%
Investment property	1,049,314	1,154,309	(104,995)	-9.10%
Intangible assets	14,665	15,384	(719)	-4.67%
Other assets	1,319,511	1,682,739	(363,228)	-21.59%
Total assets	11,660,028	11,094,988	565,040	5.09%
Current liabilities	3,177,137	4,147,075	(969,938)	-23.39%
Non-current liabilities	2,702,241	1,433,021	1,269,220	88.57%
Total liabilities	5,879,378	5,580,096	299,282	5.36%
Share capital	2,490,112	2,490,112	0	0.00%
Capital reserves	456,725	293,869	162,856	55.42%
Retained earnings	1,328,481	1,087,866	240,615	22.12%
Other items in shareholders' equity	1,505,332	1,643,045	(137,713)	-8.38%
Total shareholder equity	5,780,650	5,514,892	265,758	4.82%

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 decrease in current assets: As a result of decrease in inventory and disposals of non-current assets held for sale in 2023.
2. Reason for the increase in long-term investments: As a result of capital increase of Anhui Rongyun Real Estate Development Co., Ltd in 2023.
3. Reason for the increase in property, plant and equipment: As a result of acquisition of real property in Pingzhen District, Taoyuan City.
4. Reason for the decrease in other assets: As a result of the investment amount in Anhui Rongyun Real Estate Development Co., Ltd. by subsidiary KENMEC Technology (Suzhou) Co., Ltd. has been fully paid, therefore, it is classified as an equity method investment in 2023.
5. Reason for the decrease in current liabilities: In 2023, KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. and KENMEC TECHNOLOGY (SUZHOU) CO., LTD. have completed the handover and relocation of properties. Therefore, deferred income is reclassified as relocation compensation income.
6. Reason for the increase in non-current liabilities: As a result of the need for additional long-term borrowings for operational purposes in 2023.
7. Reason for the increase in capital surplus: As a result of the group's internal reorganization in 2023.
8. Reason for the increase in retained earnings: As a result of the increase in net income after tax for the period.

II. Financial performance

(I) Comparative Analysis

Unit: NTD thousand

Item \ Year (Note 1)	2023	2022	Increase/decrease amount	Change in percentage (%)
Operating revenue	5,551,490	5,359,208	192,282	3.59%
Operating costs	4,402,168	4,361,125	41,043	0.94%
Realized operating gross profit	1,149,322	998,083	151,239	15.15%
Operating expenses	1,243,418	945,058	298,360	31.57%
Net operating (loss) gain	(94,096)	53,025	(147,121)	-277.46%
Non-operating revenue and expenses	848,440	403,423	445,017	110.31%
Current net profit before tax	754,344	456,448	297,896	65.26%
Income tax expense	(107,324)	(12,698)	(94,626)	745.20%
Net income after tax for the period	647,020	443,750	203,270	45.81%

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 operating expenses was mainly due to the increase in R&D expense in 2023.
2. The decrease in net operating gain was mainly due to the increase in operating expenses in 2023.
3. The increase in non-operating income and expenses was mainly due to the the recognition of relocation compensation income of NTD 806,186 thousand in 2023.
4. The decrease in income tax expense for the period was mainly due to the increase in operating revenue in 2023.
5. The increase in net income after tax for the period was mainly due to the increase in non-operating revenue in 2023.

III. Cash flow

1. Analysis of changes in cash flows of the most recent year

Unit: NTD thousand

Item \ Year	2023	2022	Increase (decrease) change	
			Amount	%
Operating activities	(858,682)	1,218,976	(2,077,658)	-170.44%
Investment activities	(1,099,317)	(570,102)	(529,215)	92.83%
Financing activities	1,561,633	129,492	1,432,141	1105.97%
Effect of exchange rate changes on cash and cash equivalents	(16,485)	4,677	(21,162)	-452.47%
Net cash inflow	(412,851)	783,043	(1,195,894)	-152.72%

Description of variations:

1. Operating activities: Mainly due to the decrease in contract liabilities and deferred income in 2023.
2. Investing activities: Mainly due to the increase in the acquisition of property, plant and equipment in 2023.
3. Financing activities: Mainly due to the increase in bank borrowings necessary for operations.

2. Projected improvement plan for insufficient cash: The company plans to conduct financing activities in 2024.
3. Cash flow analysis for the coming year:

(1) Operating activities: The net cash outflow from operating activities is mainly due to higher anticipated payments for construction materials in the fiscal year 2024.

(2) Investment activities: The net cash outflow from investing activities is primarily due to anticipated payments for purchasing equity and machinery and equipment in fiscal year 2024.
(3) Financing activities: The net cash outflow from financing activities is mainly due to the anticipated repayment of loans by the parent company in fiscal year 2024.

IV. Effect of material capital expenditure in the most recent year on the financial status

The capital expenditure in 2023 was mainly for the purchase of Pingzhen real estate as an important production base for the group companies.
In addition, orders for automation projects are booming. In 2023, additional machinery and equipment were purchased one after another to ensure production quality and meet customer quality and delivery deadlines.

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 derived from an increase of 2% in gross operating profit compared with FY2022 and other revenues, mainly due to the smooth receipt of orders by automation businesses, proper cost control and the recognition of the demolition interests of the mainland subsidiary.

(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.

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 2023 and 2024 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 or high-leverage investments. The main purpose of engaging in derivative financial product transactions is to avoid risks arising from exchange rate changes, and must be handled in accordance with the Company's derivative product transaction processing procedures.

(2) When the company and its subsidiaries engage in lending funds to others and endorsement guarantees, in addition to complying with relevant operating procedures, they also make regular announcements and declarations in accordance with the regulations of the competent authority:

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 2023 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
AMR Behavior Planning System	60% completed	3,000,000	December 31, 2024	1. Improve product functions 2. Upgrade product features
KENMEC AI visual inspection model	75% completed	2,000,000	December 31, 2024	1. Improve product functions 2. Upgrade product features

3. 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.

4. 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.
5. 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.
6. The expected benefits from merger and acquisition, potential risks and response measures: In the most recent year, there were no merger or acquisition plans.
7. The expected benefits, potential risks, and response measures with regard to any plant expansion:
   Due to the expansion of our business operations, it is necessary for the company to timely acquire properties for the operation of the group's manufacturing facilities and offices, considering the long-term development of our operations.
8. 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.
9. 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 2023, due to investment and financial planning, the major shareholder established an investment company based on stock prices. This action has no impact on the company's financial business.
10. Impacts on the Company, risks and response measures with regard to any change in management rights: None.
11. 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.
12. 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 2023, the Company did not experience any major cyber-attacks that impacted its operations.

VII. Other important matters

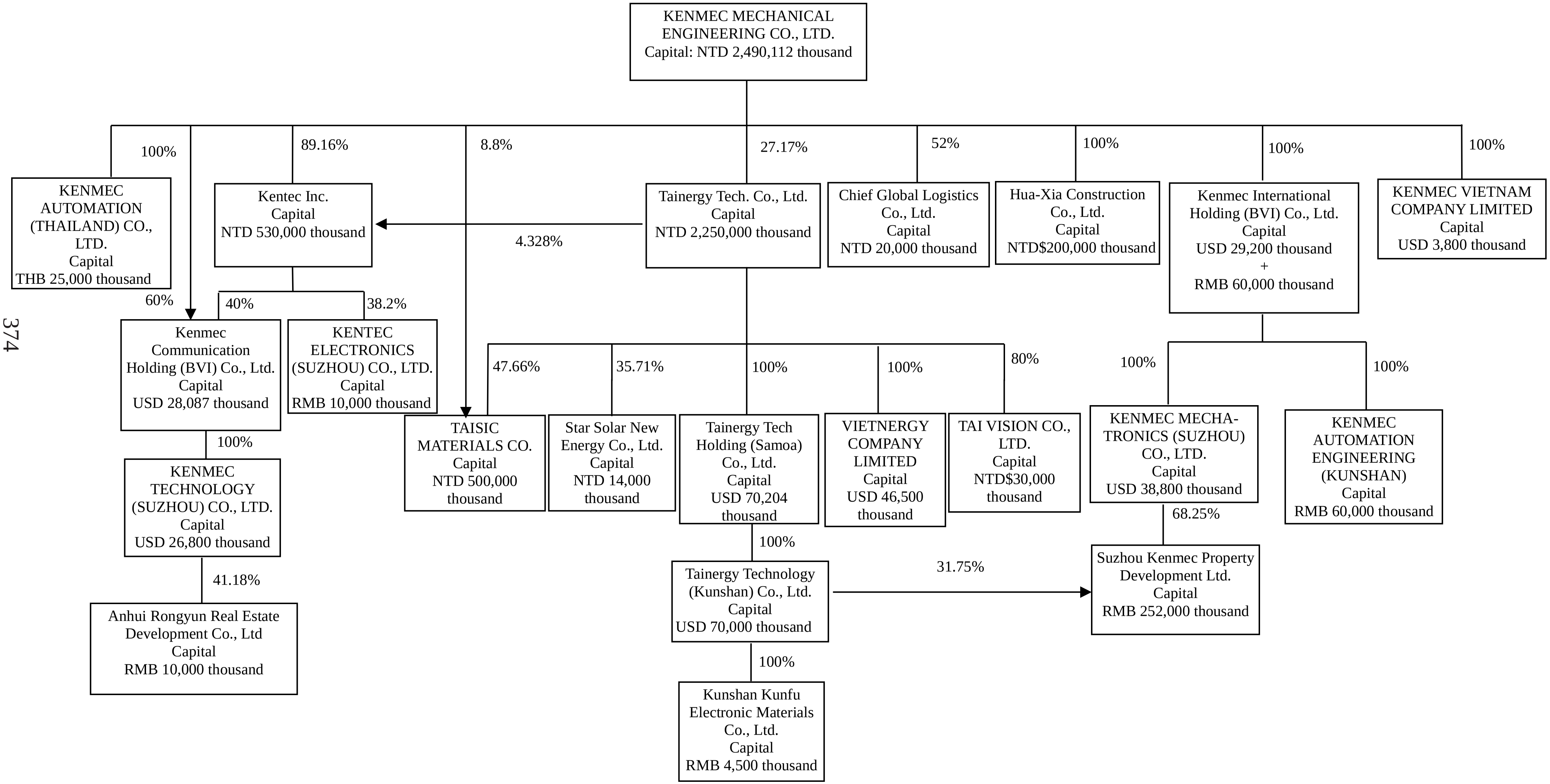
None.

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, 2023	
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, 2023	
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.
Kentec Inc.	2010.02.11	No. 385-3, Hongzhen Road, Dongshili, Pingzhen District, 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
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.

Company name	Date of Incorporation	Address	Paid-in Capital on December 31, 2023	
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 200,000 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
TAI VISION CO., LTD.	2023.12.20	No. 5, Industrial 3rd Road, Pingzhen District, Taoyuan City	NTD 30,000 thousand	Contact lens wholesale and retail
Anhui Rongyun Real Estate Development Co., Ltd	2022.10.09	Xuancheng Economic and Technological Development Zone, Anhui Province, Rixin West Road, Xingang Cultural Tourism City	RMB 310,000 thousand	Real estate management
KENMEC AUTOMATION (THAILAND) CO., LTD.	2023.05.09	No.654/1, Samyan Business Town, Soi Chinda Thawin 10, Rama 4 Road, Maha Phruetharam Sub-district, Bangrak District, Bangkok	THB25,000 thousand	Manufacturing, sales and maintenance of automation equipment and components

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, 2023/ 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	CHING-FU HSIEH	14,243,707	5.72
	Director	CHOU-HUANG PAI	6,270,086	2.52
	Director	YUEH-CHEN LIN	10,217,345	4.10
	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	NTD188,303	100.00
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Person in charge	BVI Legal representative: CHING-FU HSIEH	NTD16,845	100.00
Kentec Inc.	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD. Legal representative: CHING-FU HSIEH	NTD914,528	89.16
Kenmec Communication Holding (BVI) Co., Ltd.	Person in charge	Kentec Inc. Legal representative: CHING-FU HSIEH	NTD365,298	60.00
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	Person in charge	BVI Legal representative: CHING-FU HSIEH	NTD585,249	96.13
Tainergy Tech. Co., Ltd.	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD. Legal representative: CHING-FU HSIEH	NTD554,656	27.17
TAINERGY TECH HOLDING (SAMOA) CO., LTD.	Person in charge	Tainergy Tech. Co., Ltd. Legal representative: CHING-FU HSIEH	NTD810,915	27.17
Tainergy Technology (Kunshan) Co., Ltd.	Person in charge	Samoa Legal representative: CHING-FU HSIEH	NTD220,318	27.17
VIETNERGY COMPANY LIMITED	Person in charge	Tainergy Tech. Co., Ltd. Legal Representative: I-KUANG CHEN	NTD449,082	27.17
KENMEC VIETNAM COMPANY LIMITED	Person in charge	KENMEC MECHANICAL ENGINEERING CO.,	NTD104,647	100.00

Company name	Title	Name of individual or representative(s)	Shareholding	
			Number of shares/net worth	Shareholding percentage (%)
		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	NTD572,516	76.88
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Person in charge	BVI Legal representative: CHING-FU HSIEH	NTD175,146	100.00
Kunshan Kunfu Electronic Materials Co., Ltd.	Person in charge	Tainergy Technology (Kunshan) Co., Ltd. Legal representative: CHING-FU HSIEH	NTD1,154	27.17
Star Solar New Energy Co., Ltd.	Person in charge	Tainergy Tech. Co., Ltd. Legal Representative – MING-KAI HSIEH	NTD3,902	27.17
Kunshan Jichang Energy Technology Co., Ltd.	Person in charge	Tainergy Technology (Kunshan) Co., Ltd. Legal representative: CHING-FU HSIEH	-	-
TAISIC MATERIALS CO.	Person in charge	Tainergy Tech. Co., Ltd. Legal Representative – MING-KAI HSIEH	NTD(10,381)	8.80
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	Person in charge	KENMEC AUTOMATION ENGINEERING (KUNSHAN) Legal Representative: CHIA-HAO HSIEH	NTD14,701	34.51
Chief Global Logistics Co., Ltd.	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD. Legal Representative – MING-KAI HSIEH	NTD187,929	100.00
Hua-Xia Construction Co., Ltd.	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD. Legal Representative: MING-KAI HSIEH	NTD187,929	100.00
TAI VISION CO., LTD.	Person in charge	Tainergy Tech. Co., Ltd. Legal Representative – MING-KAI HSIEH	NTD53,526	80.00
Anhui Rongyun Real Estate Development Co., Ltd	Person in charge	KENMEC TECHNOLOGY (SUZHOU) CO., LTD. Legal Representative – CHING-FU HSIEH	NTD520,176	39.59
KENMEC AUTOMATION (THAILAND) CO., LTD.	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD. Legal representative: CHING-FU HSIEH	NTD21,205	99.99

5. Overview of the operations of each affiliate

December 31, 2023 / 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	9,016,516	5,002,820	4,013,696	2,784,115	206,414	798,323	3.21	NTD
Subsidiaries Kentec Inc.	530,000	1,329,519	303,467	1,026,052	237,275	-46,208	92,482	1.74	NTD
Kenmec International Holding (BVI) Co., Ltd.	276,850	44,385	-	44,385	-	-	42,301	None	CNY
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	262,346	226,459	222,566	3,893	66,189	-12,816	53,129	None	CNY
Kenmec Communication Holding (BVI) Co., Ltd.	204,240	140,705	-	140,705	-	-	83,583	None	CNY
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	195,279	143,974	3,280	140,694	6	3,345	83,583	None	CNY
Tainergy Tech. Co., Ltd.	2,250,000	2,347,890	235,560	2,112,330	2,135,636	85,341	-28,577	-0.13	NTD
TAINERGY TECH HOLDING (SAMOA) CO., LTD.	456,201	187,408	-	187,408	-	-	1,194	None	CNY
Tainergy Technology (Kunshan) Co., Ltd.	451,947	209,549	22,147	187,402	754	-8,426	1,194	None	CNY
VIETNERGY COMPANY LIMITED	1,027,705,000	495,671,244	131,473,003	364,198,241	514,109,231	55,996,346	-16,613,442	None	VND
KENMEC VIETNAM COMPANY LIMITED	64,820,456	90,457,524	6,739,737	83,717,788	369,113	-8,543,682	2,055,774	None	VND
Suzhou Kenmec Property Development Ltd.	252,000	181,976	25,399	156,577	37,334	-2,880	-3,762	None	CNY
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	60,000	47,513	7,035	40,478	34,590	-13,465	-10,828	None	CNY
Kunshan Kunfu Electronic Materials Co., Ltd.	4,500	982	-	982	0	-1	7	None	CNY
Star Solar New Energy Co., Ltd.	14,000	482,987	472,060	10,927	177,483	3,620	-26	None	NTD
Kunshan Jichang Energy Technology Co., Ltd.	-	-	-	-	-	-	-	None	CNY
TAISIC MATERIALS CO.	500,000	768,513	439,011	329,502	12,142	-322,308	-308,826	-6.18	NTD
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	10,000	109,383	83,611	25,772	146,680	6,957	5,953	None	CNY

Chief Global Logistics Co., Ltd.	20,000	42,447	13,387	29,060	37,952	-6,581	-5,227	None	NTD
Hua-Xia Construction Co., Ltd.	200,000	252,752	54,327	198,426	125,275	10,570	9,534	None	NTD
TAI VISION CO., LTD.	30,000	30,023	615	29,408	-	-603	-592	None	NTD
Anhui Rongyun Real Estate Development Co., Ltd	310,000	329,083	32,917	296,165	-	13,590	-13,766	None	CNY
KENMEC AUTOMATION (THAILAND) CO., LTD.	25,000	26,755	3,238	23,517	-	-1,480	-1,483	None	THB

(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 2023 (from January 1, 2023 to December 31, 2023), 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 (Additional information)

<table>
<tr><td>Item</td><td>First private placement in 2014
Date of issue: March 6, 2015</td></tr>
<tr><td>Type of private placement</td><td>Common shares</td></tr>
<tr><td>Date and amount approved at the shareholders' meeting</td><td>2014/06/26; no more than 30 million shares</td></tr>
<tr><td>The basis and reasonableness of price setting</td><td>1. The price of the common shares in the private placement shall be determined at no less than 80% of the higher of the following two bases prior to the date of the Company's pricing：
(1) The share price equaling the simple arithmetic mean of the closing price(s) of common shares for the one, three or five business day(s) prior to the pricing date minus the stock and cash dividends distributed for bonus shares and plus the stock dividends for capital reduction.
(2) The share price equaling the simple arithmetic mean of the closing prices of common shares for the thirty business days prior to the pricing date minus the stock and cash dividends distributed for bonus shares and plus the stock dividends for capital reduction.
2. The Board of Directors shall be authorized to determine an actual issue price not lower than the percentage approved by the shareholders' meeting depending on the subsequent conditions of the specified persons and the market. The price of the privately offered shares should be reasonable as it is determined in accordance with the laws and regulations promulgated by the competent authority and take into account the three-year restriction on the transfer of privately offered securities, the operating performance of the Company, the future outlook and the market price of common shares.
3. In the future, if the price of the stock is lower than the par value of the stock due to market factors, it shall be deemed reasonable as the price was determined based on the law and had reflected the market price. If the increase in accumulated losses has an impact on shareholders' equity, losses shall be covered by capital reduction, earnings, capital surplus or other statutory means based on the Company's operating and market conditions.</td></tr>
<tr><td>Method of selecting the specific persons</td><td>The objects for the private placement is limited to specific persons stipulated in Articles 43-6 of the Securities and Exchange Act and the related letter order.
The following is a list of related parties or insiders that may be subject to the private placement：
<table><tr><td>Subscriber</td><td>Method of purpose of selection</td><td>Relationship with the Company</td></tr><tr><td>CHOU-HUANG PAI</td><td>A corporate director of the Company.</td><td>Insider</td></tr><tr><td>YUEH-CHEN LIN</td><td>A corporate director of the Company.</td><td>Insider</td></tr></table></td></tr>
</table>

Necessary reason for private placement	The Company intended to raise its capital through private placement and has taken into account the current capital market conditions and factors such as timeliness and feasibility of raising capital as a means to obtain the required capital in the shortest time possible.				
Date of payments of the price	Januerary 14, 2015				
Information on subscriber	Private placement target	Qualification	Number of subscriptions	Relationship with the Company	Participation in the company’s operations
	CHOU-HUANG PAI	Article 43-6, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act	1,500 thousand shares	Insider	A corporate director of the Company.
	YUEH-CHEN LIN	Article 43-6, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act	5,500 thousand shares	Insider	A corporate director of the Company.
Actual	NTD 12.2				
Difference between actual subscription price and reference price	The price of NTD 12.2 for the private placement of common shares accounts for 80.10% of the simple arithmetic average of closing price of the Company’s common shares of NTD 20.73 for the three business days (excluding the pricing date) prior to the pricing date on December 31, 2014.				
Impact of private placement on shareholders’ equity (e.g. may result in an increase in accumulated	Enhance the Company's financial structure, reduce cost funding here to expand the operational scale in future, and upgrade long-term competitiveness for shareholder rights and interests as a whole.				
Implementation of utilization and plan progress for the privately placed	As of December 31, 2014, funds from the private placement of common shares were all used to repay bank loans.				
Benefits of private placement of common shares	The private placement of common shares has raised a total of NTD 85,400 thousand of capital. After using it to repay bank loans, it contributes to the soundness of our company's financial structure and enhances the competitiveness of the company in the future, which also benefits shareholders' equity positively.				

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 7, 2024

The following declaration had been made based on the 2023 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, 2023. 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 7, 2024.

KENMEC MECHANICAL ENGINEERING CO., LTD.

Chairman: CHING-FU HSIEH (Signature)

President: CHIH-CHUN KE (Signature)