Stock code: 4527

崑霖冷凍機械股份有限公司
KUEN LING MACHINERY REFRIGERATING CO., LTD.

2022 Annual Report

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 and Chinese versions, the Chinese version shall prevail.

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Company website: http://www.kuenling.com.tw

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One. Letter to Shareholders

Dear valued shareholders,

The year 2022 was marked by the seeming end of the COVID-19 pandemic that has impacted the world over the last three years, as well as accelerating inflation and financial market turmoil due to interest rate hikes, and the U.S. ban on the sale of advanced technology products to China and a series of sanctions made against Russia. Shortages, supply chain disruptions and the trend toward carbon neutrality have continued to affect global economic performance through higher costs and pressure from rising prices of copper, iron and other bulk materials.

Taiwan's economy, geopolitical impacts and the global economic slowdown will affect the export performance next year, which in turn shall affect private investments. However, due to the lifting of the epidemic restrictions, private consumption will regain momentum and support Taiwan's economic growth rate, which is expected to remain at 2.3% to 2.5% next year. However, the year 2023 shall not be all smooth-sailing, and we shall still have to remain vigilant about negative challenges such as fluctuations in the value of the U.S. dollar, inflationary shocks, high inventory levels in the industry and a downturn in the economy.

The Company will continue to promote the integration of production resources in overseas investments and all employees will strive to implement the policy to actively grasp the energy saving and energy management business opportunities and contribute to the ESG carbon neutral environment with sustainable products to create a niche market position for the Group. Therefore, despite the impact of the pandemic and economic impacts of rising inflation around the world, the operating income of the current period marked a historical high.

The summary report of the Group's business results for 2022 and business plan for 2023 is as follows:

I. 2022 Operating Results

(I) Business Plan Implementation Results

In the second quarter of 2022, the outbreak of the COVID-19 pandemic in China led to various lockdown measures, resulting in a significant reduction in work orders and production. Taiwan and Vietnam's epidemic situation and the economy saw relatively stable revenue growth, with consolidated revenue for the first two quarters registering a YoY growth rate of +8% over the same period in the previous year. However, the gross margin was 22% due to the increase in cost of bulk raw materials, resulting in a 37% decrease in operating profit and a -26% decrease in cumulative pre-tax profit over the same period. In Q3, orders in Taiwan and Vietnam both increased, seeing growth compared to the same period in the previous year. The Group's revenue for Q4 increased by 20% over the same period in the previous year as a result of smooth sales across all regions. As a result of cost increases due to raw materials price increases and exchange rate factors and competition from price wars in the market, gross margins declined throughout the year, operating expenses increased and non-operating income and expenses increased compared to the previous year so profit before tax showed a significant increase compared to the performance in the previous year.

(II) Actual Implementation Status

Unit: NT$ thousand

Profit and loss items	Actual amount	Budget amount	Amount of increase (decrease); %	Achievement rate %
Operating revenue	3,032,863	2,763,497	269,366	110%
Operating costs	(2,328,135)	(2,111,613)	216,522	110%
Gross profit	704,728	651,884	52,844	108%
Operating expenses	(480,230)	(468,232)	11,998	103%
Operating profit	224,498	183,652	40,846	122%
Non-operating income and expenses	27,326	23,367	3,959	117%
Profit before tax	251,824	207,019	44,805	122%
EPS	NT$2.68	NT$2.11		

The main reasons for the differences in these subjects are as follows:

Net operating income: revenue growth in Taiwan, China and Vietnam due to increased demand for COVID-19 orders and special rush orders.

Gross profit: mainly due to the favorable impact of operating income, while impacted by the increase in raw material costs, resulting in the decline in gross profit margin.

Operating expenses: the increase in operating expenses was due to the increase in operating activities. The slight increase was due to the Company's active austerity measures and efforts to control costs.

Operating profit: mainly due to the increase in gross profit from revenue growth.

Non-operating income (expense): mainly due to the increase in bad debt recovery benefit and foreign currency exchange benefit.

Profit before tax: mainly due to achievement of revenue and gross profit targets, and non-operating income and expenses was better than the budget.

(III) Analysis of financial revenue and expenditure and profitability

1. Analysis of financial revenue and expenditure

Unit: NT$ thousand

Profit and loss items	2022		2021		Amount of increase (decrease); %	
	Amount	%	Amount	%	Amount	%
Operating revenue	3,032,863	100	2,533,785	100	499,078	20
Operating costs	(2,328,135)	(77)	(1,933,184)	(76)	394,951	20
Gross profit	704,728	23	600,601	24	104,127	17
Operating expenses	(480,230)	(16)	(424,914)	(17)	55,316	13
Operating profit	224,498	7	175,687	7	48,811	28
Non-operating income and expenses	27,326	1	19,663	1	7,663	39
Profit before tax	251,824	8	195,350	8	56,474	29
Net income attributable to the parent	204,046	7	150,793	6	53,253	35

2. Profitability analysis

Item	2022
Return on assets %	7%
Return on shareholders' equity%	13%
Ratio of operating profit to paid-in capital %	29%
Ratio of profit before tax to paid-in capital %	33%
Profit margin %	7%
Basic earnings per share (NT$)	2.68

(IV) Research and development status:

In 2004, the Company obtained the exclusive use right of Danfoss Turbocor magnetic levitation centrifugal compressor, launched the magnetic levitation ice-water machine product to provide domestic users with multiple advantages such as energy efficiency, environmental protection, safety, reliability, comfort and tranquility, and opened the era of magnetic levitation centrifugal machine for domestic ice water machines.

Considering that the magnetic levitation centrifuge has the characteristics of high energy efficiency and high initial cost, it is the star product of ice water machines. In 2022, Fusheng and Rhymebus jointly developed and completed the special project of “Key Technology and Verification Plan for Double-segment Magnetic Levitation Centrifuge below 180RT.” The Company is dedicated to developing single/double pressure magnetic levitation water chiller system products and technologies and conducting performance test verification and introducing them into domestic field for demonstration purposes. At present, countries around the world have promoted green buildings, and through the support of government policies, ice water chillers with frequency conversion energy saving technology and low GWP have become the main driving force for the growth of the air conditioning industry. Information technology (IT) is making continuous progress, and ice water chillers are using the Internet of Things (IoT) and cloud technology to increase their energy efficiency.

Development direction and focus of future research and development:

(1) Development of energy saving products.

(2) Application of low ODP and GWP.

(3) Application of refrigeration equipment and refrigeration system.

Looking ahead, with the gradual easing of pandemic control measures, the global economic market will not continue to deteriorate, which will help boost the overall economic demand. In addition, a rising trend in local production is driving the growth rate of capital equipment imports to maintain a significant growth. Therefore, we should accelerate the consolidation of the Group, closely integrate production, marketing, human resources, development and finance, and lay out the market territory of Southeast Asia, so as to achieve the financial budget target as scheduled. In terms of the short and medium term development plan, we will continue to promote the comprehensive efficiency of resource integration, create new income sources and reduce costs, launch a full range of refrigeration and air-conditioning chiller products, consolidate core skills, and complete competitive special industrial equipment, energy conservation and environmental protection equipment and energy management services.

II. 2023 Business Plan Overview

(I) Operating Policy

In the next year, in addition to continuing to integrate resources to improve competitive advantages, the Group has formulated the following operating policies:

1. Integrate marketing services based on strategic alliance relationship with major manufacturers and other channel management relationships.
2. Improve business performance, implement service and product development, develop cross-marketing, and increase profitability.
3. Effectively plan inventory management to reduce inventory pressure.
4. Separate products and technical services, and operate OEM and own brands in parallel to establish a maintenance system and remote monitoring center.

(II) Sales Volume Forecast and the Basis

Product type	Estimated sales volume in 2023	Unit
Chiller Unit	2,942	Sets

Based on the estimates of overall production capacity and market demand contracts and orders this year, the Group estimates that the shipment volume in 2023 will decrease compared with that in 2022, mainly due to the increase in the sales proportion of large energy-saving and efficient units.

Looking forward to the future, in order to implement the business philosophy of "pursuing excellence, sustainable operation, sincere care and professional service" and achieve the goal of being the number one Chinese brand, on the basis of successively obtaining the pressure vessel manufacturing license and ISO9001 certification, on the daily work the Group focuses on strengthening expense and cost control, establishing a personnel reserve mechanism, improving production, and continuing the innovation and development of environmental protection and energy-saving products, in order to fulfill the social responsibilities of a global citizen to share the beautiful world of tomorrow.

(III) Key Production/Sales Policies

1. Ensure quality, delivery time, cost and service advantages.

2. On production and marketing, run OEM, ODM and own brand in parallel, and strengthen the special tracking of individual cases.
3. Combine the resources of Shanghai, Suzhou and Vietnam factories, give full play to the economies of scale of professional division of production, coordinate the development of the three places, and cultivate core talents through full employee education.
4. Strengthen special industrial channels (petrochemical plants, industrial refrigeration and environmental control agricultural and fishery production systems) and technician channels.
5. Deeply cultivate the overseas markets in Southeast Asia, and plan and export the whole plant of refrigeration and refrigeration plant.
6. Actively promote new refrigerant products and strengthen energy management service products.

(IV) Corporate Governance

The Company has always been committed to establishing a sound corporate governance mechanism. In addition to complying with the provisions of relevant laws and regulations, the Company is committed to establishing an effective corporate governance framework, and supervising the operating performance of the management of the Company in terms of safeguarding the rights and interests of shareholders, treating all shareholders equally, strengthening the structure and operation of the Board of Directors, improving information transparency, safeguarding the rights and interests of stakeholders, and implementing corporate social responsibility.

Corporate Social Responsibility: establishing employee stock ownership trusts, actively participating in social welfare activities and regularly sponsoring the “Love Book Bank” project... Regularly donate scholarships to underprivileged groups and making donations to the Love and Spine Neuropathology Care Association. Through the experience of hundreds of doctors in various specialties treating patients with spinal cord-related neuropathy disorders, the Association provides medical professional and long-term care support to patients and social and humane care, contributing to the care and well-being of the citizens.

Stakeholders: optimize the supply chain and improve the efficiency of resource use to serve as the basis of the Company's competitive edge. In addition to regular review and rolling adjustment of the supply chain portfolio, different management indicators will be used to connect the work objectives of various departments, so as to achieve the optimal use of resources.

III. Future Development Strategies

In the face of market competition and changing business environment, as the global economic situation turns conservative and domestic and external demand is weak, the situation will not be conducive to supporting the performance of various economies. However, the Group still actively and bravely accepts challenges, and will strive for the following goals for future business development:

1. Achieve excellent corporate governance and pursue sustainable business.
2. Maintain flexibility and improve the added value of products.
3. Actively expand the operation territory and become an all-round manufacturer.
4. Strengthen the scale of existing customers and ensure a sound business foundation.
5. Improve business profitability and create maximum shareholder value.

IV. Impact of External Competition, Legal and Overall Business Environment

(I) Impact of External Competition Environment

At present, the world is facing many risk variables that deserve continued attention, including the global war in Russia and Ukraine, the development of the COVID-19 pandemic, rising inflation, global public debt risk deepening financial volatility, geopolitics, and climate change, etc., which all have a profound effect on the international economic outlook. In addition, commodity price pressure continues to increase, and the current supply chain interference and energy price rise will continue. Inflation is expected to last longer than previous forecasted.

The Group is a professional manufacturer of refrigeration and air conditioning equipment. Under the pressure of low price competition and rising operating costs, the Company will operate with a professional, honest, pragmatic and innovative attitude, continue to strengthen internal management, strive to improve the products' energy efficiency and strictly control costs, so as to meet customers' maximum needs and improve the competitiveness of the Company.

(II) Impact of Regulatory Environment

In addition to actively developing renewable and green energy, the government has invested a large subsidy for the manufacturing and service industries to change to higher performance air conditioning equipment, in order to ensure economic development and the overall industrial momentum.

In recent years, the domestic awareness of environmental protection and energy awareness has gradually increased. In addition to the efficient ice-water host, the high-value-added heat recovery host, the composite chiller and water heater, and the ice storage tank system to transfer the peak power consumption, the Company now provides users with the following advantages through system integration: the host can support each other (reduce the standby capacity, initial design and future maintenance costs), retain the scalability in the future (the industry can invest in stages)，recovered heat can be applied to the defrosting system to significantly reduce the power loss from defrosting and maintain a more stable temperature of the storage, the ice storage system can be applied to a broader level to reduce the electricity cost of the operator due to long-time operation (the off-peak time at night is PM10:30~AM7:30 for a total of 9 hours). Therefore, the electricity cost of the ice storage equipment will be reduced by another 40%. Therefore, the Group is not only moving towards the goal of high efficiency and high added value on single equipment, but also can provide customers with better solutions for the system, which is consistent with the government's goal of using high-efficiency air conditioning equipment or transferring the peak power consumption during the day to reduce the power load of Taiwan Power.

According to the international convention, the ice water machine using CFC refrigerant would be completely banned in 2020. According to the addition to Article 6 of the amended and issued part of the order of the Environmental Protection Department of the Executive Yuan dated October 23, 2014 referenced Huan-Shu-Kong No. 1030087346, the approval for the distribution of CFCs for foaming agent purposes, and the approval for the distribution of R-22 refrigerant for refrigeration, new production equipment and new projects of air conditioners shall be stopped since January 1, 2015; in addition, since January 1, 2016, CFCs are forbidden to be used as foaming agents, and R-22 is forbidden to be filled as refrigerant for new production equipment for refrigeration and air conditioning and for new construction projects. In addition, since January 1, 2020, the use of CFCs for solvent (including cleaning) purposes is prohibited, and the use of CFCs in new production equipment and new projects for refrigeration and air conditioning is prohibited. With regard to the amendment to the new method of refrigeration, the Company has developed alternative refrigerant units and promoted them to the market. According to the characteristics of various refrigerants, we use R-410A and R-134a refrigerants in the air conditioning system, R-134a refrigerants in the hot water system, and R-404A and R-507A refrigerants in the refrigeration system. In addition, we can provide equipment and pressure vessels with natural refrigerant - ammonia (R-717, Amonia). On August 20, 2019, the Energy Bureau of the Ministry of Economic Affairs issued a document to amend the "Energy Efficiency Standard for Ice Water Hosts of Air Conditioning Systems" in accordance with paragraph 4, Article 14 of the "Energy Administration Act" and revised the name to "Allowable Energy Consumption, Benchmark and Energy Efficiency Grade Marking and Inspection Method for Steam Compression Ice Water Units," which comes into effect on July 1, 2020. The Company has developed and completed high-efficiency energy-saving units and all products comply with the energy consumption, benchmark and energy efficiency grading of the certification of the energy-saving standard at present.

Climate change is a shared issue of global concern and the "Greenhouse Gas Reduction and Management Act" (hereinafter referred to as the "GHG Act") was enacted in 2015. Taiwan is one of the few countries in the world to codify long-term national reduction targets into the law. Following the Montreal Protocol's regulations to gradually reduce CFCs and HCFCs, hydrofluorocarbons (HFCs) are currently used as the main refrigerant replacement substance in the market. While the substance does not cause ozone layer destruction, its global warming potential (GWP) is very high (R-410A's GWP is 2,088 times that of carbon dioxide; R-32's GWP is 675 times that of carbon dioxide), which contribute to aggravating global warming; research has begun on a new generation of refrigerants with less environmental impact. However, on account of worsening global climate change, in order to accelerate carbon reduction and strengthen climate change adaptation, Taiwan's 2050 net-zero emissions target has been put into effect and the Legislative Yuan passed on third reading of the Climate Change Response Act on 2023/1/10, which incorporates the 2050 net-zero emissions target into the law and officially launched the carbon fee taxation mechanism. The Company has conducted research on new refrigerant (low GWP) high-efficiency energy-saving units and expects to launch two series of low GWP units, R32 and R513A, this year. In the future, high-tech industries will remain the focus of Taiwan's economic development and in order to ensure the quality of high-tech industries, energy saving and environmentally friendly refrigerants will be the inevitable requirement. The government has announced the stimulation of domestic demand, so the business opportunities are increasing. In addition, the development of energy-saving and environmentally friendly refrigerant products is still the focus of this year. The Group will upgrade the computer equipment in the R&D department to build a database of design drawings for central air conditioning and refrigeration equipment. This will not only save the time spent on manual drawing, but also allow us to keep a complete record of our experience after the database is launched, so that we can search for and obtain the correct information quickly.

(III) Impact of Overall Business Environment

In 2023, the global economy still faces severe challenges, including the Russia-Ukraine conflict, inflation threats, geopolitical risks, China's economic direction, the US-China dispute, and uncertainties related to climate change. Major international institutions expect that the global economic growth rate this year will be lower than that in the last year, with a weak performance in the first quarter and gradual improvement expected in the following quarters. Observing Taiwan's economy, several leading indicators have shown signs of bottoming out. While the main factor leading to a significant downward revision of the economic growth rate for the full year of 2023 is due to exports, which have been affected by the decline in global trade volume. However, private investment may receive support due to the continued construction of green energy facilities, such as advanced semiconductor manufacturing processes, offshore wind power, and solar photovoltaic, as well as the increase in cross-border tourism benefiting the transportation industry. Nevertheless, due to relatively cautious private investment and a high base in the previous year, the prediction for the full-year private investment growth rate in 2023 has been downwardly adjusted by 4.17 percentage points to a negative growth rate of 1.13%. Combined with public investment, the real fixed investment growth rate in 2023 is predicted to have a negative growth rate of 0.18%, down by 3.54 percentage points. The global economic slowdown is beneficial for stabilizing international agricultural and industrial commodity prices. Although inflation pressure still exists, the trend has been moving downward.

These uncertainties above are important uncertainties affecting the economic situation in 2023.

The Group will be committed to the research and development of products with high added value, expand the application scope of products to agriculture, forestry, fishery and animal husbandry, strictly control the budget, actively integrate the procurement of the three places on both sides of the Straits, and reduce the inventory to improve the financial structure, integrate the comprehensive effect of strategic alliances, continue to expand new customers, as well as maintain flexible order and contract awarding plans with customers and manufacturers, maintain market sensitivity, and reduce business risks in order to strengthen data collection to enable decision-making units to make the most correct judgment and ensure the rights and interests of shareholders.

Lastly, I would like to take this opportunity to thank our customers, shareholders and hard-working employees; I would like to express my sincerest thanks for your continuous and steadfast support.

I wish you

Good health and happy family life.

Chairman :Chung-Kuo Tseng Manager :Chung-Kuo Tseng Chief Accountant :Li-Ling Su

Two. Company Profile

I. Date of Establishment

Date of establishment: April 5, 1988

Company address: No. 300, Chikan North Road, Ziguan District, Kaohsiung

Factory address: No. 336, Chikan North Road, Ziguan District, Kaohsiung

II. Company History

Year	Milestone
1988	The Company was established with the approval of the Ministry of Economic Affairs on April 5, and was formerly named "Kuen Ling Engineering Co., Ltd.", with a paid-in capital of NT$10 million only. Mr. Tsung-Kuo Tseng served as the Chairman of the Board, and Mr. Chung-Kuo Tseng was employed as the General Manager and Mr. Rung-Pin Yeh as the Factory Director, with 22 employees. In addition to contracting various refrigeration projects, the Company also began to produce various condensers, chillers and industrial heat and cold exchangers.
1990	Added computer testing equipment for refrigeration machinery, improved the efficiency of various condensers and chillers, and set up a research and design team to be responsible for product inspection, quality control, design, planning and development of new models in the manufacturing process.
1991	Purchased the Ziguan factory to expand production, covering an area of 6,000 square meters, and signed long-term OEM production contracts with well-known domestic listed companies to supply a full range of water-cooled chillers.
1992	Change the company name to "Kuen Ling Machinery Refrigerating Co., Ltd.", and implemented the manufacturing process and product system. Mr. Chung-Kuo Tseng served as the Chairman and General Manager, and Mr. Rung-Pin Yeh served as the Factory Director.
1993	Expanded the Ziguan factory to manufacture new products and models such as air conditioners and air-cooled chillers, and increased the capital to NT$60 million.
1995	Signed long-term OEM production contracts and technical cooperation with well-known foreign companies to supply refrigeration units to markets in Taiwan, mainland China and Southeast Asia, and increased the capital to NT$120 million.

Year	Milestone
1996	Signed long-term OEM production contracts and technical cooperation with well-known foreign companies to supply air-cooled and water-cooled chillers. Developed new products such as large air-cooled water chillers, special air conditioners for computer rooms, and condensers for box type air conditioners. Mr. Rung-Pin Yeh was promoted to Vice General Manager and the capital was increased to NT$190 million.
1997	Obtained the patent right of "structural modification of condenser". Increased the capital to NT$230 million. Expanded the Ziguan factory to 5,000 square meters.
1998	Increased the capital to NT$253 million, and obtained the ISO-9002 certification.
1999	Increased the capital to NT$265.65 million, and obtained the ISO-9001 certification.
2000	Increased the capital to NT$278.93 million, and obtained the ISO-14000 certification. The Company was listed on the stock market on September 28. The construction of the factory of Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd. started.
2001	Increased the capital to NT$348.45 million, and formed strategic alliances with domestic listed companies.
2002	Increased the capital to NT$362.39 million, and the centrifugal chiller unit was launched.
2003	The Science Park Review Committee approved the Company's entry into the Luzhu Science Park. Obtained the patent trademark and copyright of the cooling fan blade. Increased the capital of Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd. to US$5 million.
2004	Increased the capital to NT$391.38 million. Issued the first domestic secured convertible corporate bond (Fang Lin I) on April 8, 2004, with an amount of NT$240 million.
2005	Increased the capital to NT$403.12 million.
2006	Increased the capital to NT$432.16 million. The construction of the factory of Suzhou Kunyuan Refrigeration Equipment Co., Ltd. (now called as Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd.) started.

Year	Milestone
2007	Increased the capital to NT$457.92 million.
2008	Increased the capital to NT$499.13 million. The construction of the factory of Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. started.
2009	Increased the capital to NT$524.09 million.
2010	Issued the second domestic secured convertible corporate bond (Fang Lin II) on August 5, 2010, with an amount of NT$300 million. Increased the capital of Suzhou Kunyuan Refrigeration Equipment Co., Ltd. (now named Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd.) to US$9.2 million
2011	Increased the capital to NT$534.57 million.
2012	Increased the capital to NT$586.5 million. The Company signed a strategic alliance agreement with TECO Corporation and obtained the Taiwan and international double certification of OHSAS-18001:2007 occupational safety and health management system.
2013	Converted the second domestic secured convertible corporate bond (Fang Lin II), and increased the capital to NT$761.52 million. The shareholding of TECO Electric & Machinery Co., Ltd. increased to 19.98%.
2016	Suzhou Kunyuan Refrigeration Equipment Co., Ltd. applied to change its name to Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd. on April 15, 2016.
2017	Established PT. Kuen Ling Indonesia on June 9, 2017.
2018	Kunyuan Air Conditioner Electromechanical Co., Ltd. changed its name to Cozy Air-Conditioning Co., Ltd. on October 29. 2018.
2022	The operation headquarters was completed and put into use on January 8, 2022. The company's address has been changed due to relocation.

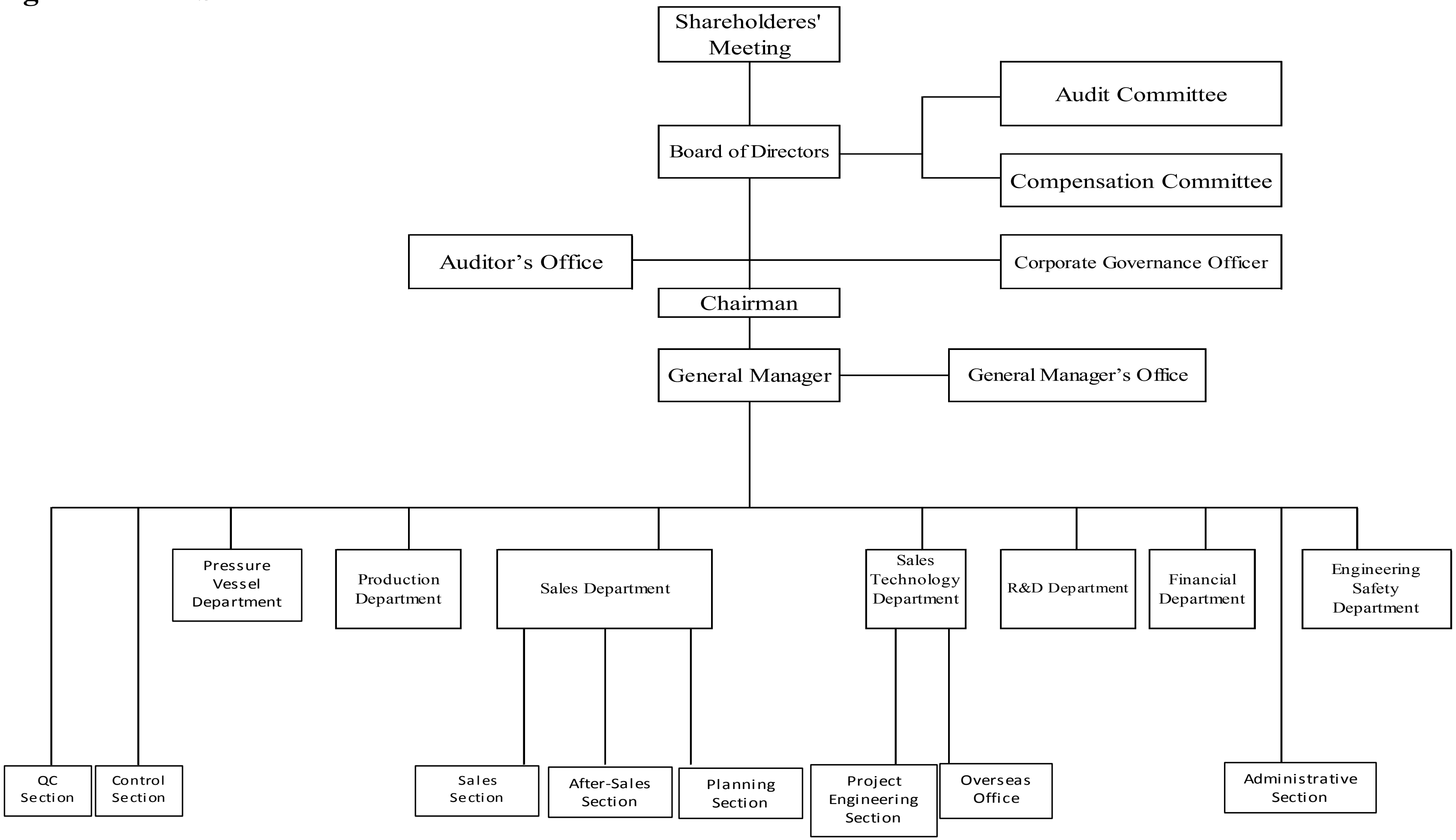
As of the date of printing of the annual report, the Company's handling of mergers and acquisitions, reinvestment in affiliated enterprises or restructuring, or transfer or change of ownership of large shareholdings by directors, supervisors, or major shareholders holding more than 10% of the Company's shares, change of management rights, and other important matters that may affect shareholders' equity and their impact on the Company, and the information of earlier years which has a significant impact on the development of the company: No such situation.

Three. Corporate Governance Report

I. Organizational System

(I) Organizational Structure

Organization chart as of March 31, 2023



(II) Businesses of Each Major Department:

Department	Major Responsibilities
Auditor's Office	◆ The auditors are under the Board of Directors and are engaged in internal audit. ◆ Assist each unit in handling business performance and other related matters. ◆ Verify whether all operations comply with laws and regulations and the Company's management rules to improve management performance. ◆ Establishment, revision and review of the internal audit system, and examination, review and audit of the internal control system
General Manager's Office	◆ Formulation and planning of the Company's development direction and medium and long-term operation plans. ◆ Responsible for the promotion of business policies and the establishment of relevant industry data.
Engineering Safety Department	◆ Formulate safe and sanitary operation. ◆ Provide a safe workplace. ◆ Maintain the working environment.
QC Section	◆ Collection and analysis of market quality management information. ◆ Product quality control, document control, and yield analysis and review.
Pressure Vessel Department	◆ Fully leading the quality control of pressure vessel products. ◆ Quality supervision of container manufacturing process.
Production Department	◆ Manufacturing, production and management of various products and maintenance of production equipment.
Control Section	◆ Planning and management of production scheduling of various products and warehouse management
R&D Department	◆ Development and design of new products and new materials. ◆ Improve the efficiency and cost rationalization of existing products. ◆ Write and design computer control programs. ◆ Collection and consolidation of technical data and production, revision and review of drawings.
Sales Technology Department	◆ Develop the business of frozen ice storage tanks, machine room air conditioning engineering and system monitoring engineering. ◆ Responsible for project contracting, contract awarding, on-site supervision, coordination and commissioning and handover after completion. ◆ Develop the market business of air conditioning plant room engineering and system monitoring engineering in Southeast Asia.
Sales Department	◆ Collect market data and expand markets. ◆ Responsible for energy performance assurance service and air-conditioning system energy-saving improvement projects.

Department	Major Responsibilities
	◆ Market survey, planning, sales, customer development and customer credit investigation. ◆ Handle customer calls, technical services, after-sales maintenance and troubleshooting. ◆ Develop and maintain new and old customers.
Financial Department	◆ Accounting treatment, budget preparation, and cost analysis and control. ◆ Matters related to funding arrangement, financing, planning and stock affairs handling. ◆ Handling of tax and other relevant accounting matters. ◆ Handling the procurement and filing of materials, components and fixed assets.
Administrative Section	◆ Handling of personnel, salary, welfare, staff training, general affairs and other matters. ◆ Formulation, revision, promotion and implementation of human resources and management regulations. ◆ Maintenance and management of the Company's environment, procurement and management of various equipment. ◆ Responsible for the planning, construction, maintenance and integration of the computer information system. ◆ Handling the procurement and custody of fixed assets and related filing of household supplies.

II. Information on Directors, Supervisors, the General Manager, Deputy General Managers, Assistant Managers, Heads of Departments and Branches:

(I) Information on Directors and Supervisors

April 15, 2023; Unit: thousand shares; %

Job title (Note 1)	Nationality or place of registration	Name	Gender Age	Date of being elected (taking office)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Experience and education	Concurrent duties in the Company and other companies	Other managers, directors or supervisors being the spouse or relative within the second degree of kinship			Note
							Shares	Share-holding ratio	Shares	Share-holding ratio	Shares	Share-holding ratio	Shares	Share-holding ratio			Position	Name	Rela-tion	
Chairman	Taiwan	Chung-Kuo Tseng	Male 61-70	2021.07.20	3 years	1996.07.12	2,423	3%	2,423	3%	344	0.45%	3,857	5%	Advanced Master of Management Program of National Cheng Kung University (noncompletion) Da-Yeh University Credit Class	Chairman and General Manager of the Company Chairman, Cozy Air-Conditioning Co., Ltd Chairman, Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd. Chairman, Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd. Chairman, Qie Lun Investment Co., Ltd.	None	None	None	The Chairman and the General Manager are the same person, and independent directors were added on July 20, 2021. At present, there are four independent directors.
Director	Taiwan	Rung-Pin Yeh	Male 71-80	2021.07.20	3 years	1996.07.12	3,658	5%	2,658	3%	96	0.13%	-	0%	Tian Chung High School Vice President, Kuen Ling Machinery Refrigerating Co.,Ltd.	Vice Chairman, Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd. Director, Cozy Air-Conditioning Co., Ltd.	None	None	None	
Director	Taiwan	Wen-Chi Ko	Male 71-80	2021.07.20	3 years	1996.07.12	4,414	6%	4,414	6%	-	0%	-	0%	Supplementary Open Junior College For Public Administration National Chengchi University Chief of Examination Division in National Taxation Bureau of Kaohsiung, Ministry of Finance	Supervisor, Cozy Air-Conditioning Co., Ltd. Chairman, Wen-Chi Investment Co., Ltd.	None	None	None	
Director	Taiwan	Ming-Cheng Wu	Male 61-70	2021.07.20	3 years	2018.05.23	2,360	3%	3,063 Note 2	4%	-	0%	-	0%	Mechanical Drawing Department of National Jui-Fang Industrial High School	Chairman, Hung Hsu Air Supply and Air Conditioning Machinery Co., Ltd	None	None	None	
Director	Taiwan	TECO Electric & Machinery Co., Ltd.		2021.07.20	3 years	2018.05.23	15,178	20%	11,132	15%	-	0%	-	0%	Education: Master of Telecommunications Engineering, University of Pittsburgh, EMBA of National Cheng Chi University Experience: IBM, AVP of Software Department, Tivoli SW (Greater China), and AVP (China) and Vice General Manager of Public Business Group (Greater China) of Microsoft	Chairman, A-OK Technical Service Co., Ltd.; Chairman, Tesen Electronic Co., Ltd.; Chairman, A-OK Technical Service Co., Ltd.; Chairman, Tesen Electronic Co., Ltd.; General Manager, Antai Innovation Technology (Xiamen) Co., Ltd.; Chairman, Jiangxi Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman; Dongguan Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman, Nanchang Dongyuan Electric Co., Ltd.; Director, Taiwan Pelican Express Co., Ltd.; Director, E-Joy Electronics International Co., Ltd.; Director, E&E Recycling, Inc.; Director, Kuen Ling Machinery Refrigerating Co., Ltd.; Director, UD Corporation; Director, Far Eastern Electronic Toll Collection Co., Ltd.; Director, FETC International Co., Ltd.; Director, TECO Smart Technologies Co., Ltd.; Director, Singapore TEK; Chairman, Indonesia TEKI; Director, Australia TAC; Director, TECO3C; Director, Teco Technology (Vietnam) Co., Ltd.; Chairman, E-Joy Australia; Director, TECO Elektrik Turkey A.Ş (TET); General Manager, Home Appliance Business Group of TECO Electric & Machinery Co., Ltd.	None	None	None	
		Repre-sentative: Chi-Tseng Peng	Male 51-60				-	0%	-	0%	-	0%	-	0%			None	None	None	

Job title (Note 1)	Nationality or place of registration	Name	Gender Age	Date of being elected (taking office)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Experience and education	Concurrent duties in the Company and other companies	Other managers, directors or supervisors being the spouse or relative within the second degree of kinship			Note
							Shares	Share-holding ratio	Shares	Share-holding ratio	Shares	Share-holding ratio	Shares	Share-holding ratio			Position	Name	Rela-tion	
Independent director	Taiwan	Yean-Der Kuan	Male 51-60	2021.07.20	3 years	2019.05.23	-	0%	-	0%	-	0%	-	0%	Ph.D., University of Missouri, Columbia	Full-time Professor, Department of Refrigeration, Air Conditioning and Energy, National Chin-Yi University of Technology	None	None	None	
Independent director	Taiwan	Li-Rong Hong	Female 51-60	2021.07.20	3 years	2021.07.20	-	0%	-	0%	-	0%	-	0%	Bachelor, National Cheng Kung University (Accounting Department) CPA, PwC Taiwan	Independent Director, Eternal Materials Co., Ltd. Independent Director, Advanced International Multitech Co., Ltd.	None	None	None	
Independent director	Taiwan	Wen-An Yang	Male 61-70	2021.07.20	3 years	2021.07.20	-	0%	-	0%	-	0%	-	0%	Master of Commerce, National Taiwan University Vice Director of Ernst&Young Taiwan and General Manager of Ernst&Young Financial Consulting	Director, Durbun Taiwan Chairman, Durbun Digital Solutions, Inc. Independent Director, Arcadyan Technology Corporation Independent Director, E&E Recycling, Inc. Director, Lien Chang Electronic Enterprise Co., Ltd.	None	None	None	
Independent director	Taiwan	Ming-Bing Chen	Male 61-70	2021.07.20	3 years	2021.07.20	-	0%	-	0%	-	0%	-	0%	Department of Electrical Engineering, National Taipei Institute of Technology Special Assistant, Home Appliance Business Department, Marketing Division, TECO Electric & Machinery Co., Ltd.	Independent Director of the Company	None	None	None	

Note 1: If the Chairman and the President or equivalent positions (the top manager) of the Company are the same person, spouse or relative of each other, state the reasons, reasonableness, necessity and countermeasures: The Chairman and the President are the same person, because the Company is a small and medium-sized enterprise, and it is evaluated to be more flexible for the current situation and beneficial to the overall operation of the Company; there are also plans to actively seek suitable candidates. The Chairman and the General Manager are the same person, and 4 independent directors were added on July 20, 2021.

Note 2: Ming-Cheng Wu, Director, holds 1,180 thousand shares in a trust with the reserved discretion of exercise rights.

I. Disclosure of professional qualifications of directors and supervisors and independence of independent directors:

Title	Criteria / Name	Professional qualifications and experience (Note 1)	Independence status (Note 2 and 3)	Number of independent director positions of other public companies
Director	Chung-Kuo Tseng	Da-Yeh University Credit Class, Advanced Master of Management Program of National Cheng Kung University (non-completion) Experience: Chairman and General Manager of the Company Chairman, Cozy Air-Conditioning Co., Ltd. Chairman, Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd. Chairman, Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd. Chairman, Qie Lun Investment Co., Ltd. Rich experience in operation judgment, financial accounting, business management, crisis management, industrial knowledge, leadership, decision-making ability and other related fields. There are no circumstances under Article 30 of the Company Act.	Note 2	0
Director	Rung-Pin Yeh	Tian Chung High School Experience: Vice President, Kuen Ling Machinery Refrigerating Co., Ltd. Director, Cozy Air-Conditioning Co., Ltd. Vice-Chairman, Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd. Rich experience in operation judgment, industrial knowledge, leadership, decision-making ability and other related fields. There are no circumstances under Article 30 of the Company Act.	Note 2	0
Director	Wen-Chi Ko	Administrative Department, Open School of National Cheng Chi University Experience: Supervisor, Cozy Air-Conditioning Co., Ltd. Chairman, Wen-Chi Investment Co., Ltd. Chief of the Review Section of the Kaohsiung National Tax Bureau, Ministry of Finance Rich experience in operation judgment, financial accounting, business management, international market view, leadership, decision-making ability and other related fields. There are no circumstances under Article 30 of the Company Act.	Note 2	0

Title	Criteria / Name	Professional qualifications and experience (Note 1)	Independence status (Note 2 and 3)	Number of independent director positions of other public companies
Director	Ming-Cheng Wu	Mechanical Drawing Department of National Jui-Fang Industrial High School Experience: Chairman, Hung Hsu Air Supply and Air Conditioning Machinery Co., Ltd Rich experience in operation judgment, business management, crisis management, industrial knowledge, leadership, decision-making ability and other related fields. There are no circumstances under Article 30 of the Company Act.	Note 2	0
Director	Chi-Tseng Peng, Representative of TECO Electric and Machinery Co., Ltd.	Education: Master of Telecommunications Engineering, University of Pittsburgh, EMBA of National Cheng Chi University Experience: Chairman, A-OK Technical Service Co., Ltd.; Chairman, Tesen Electronic Co., Ltd.; Chairman, A-OK Technical Service Co., Ltd.; Chairman, Tesen Electronic Co., Ltd.; General Manager, Antai Innovation Technology (Xiamen) Co., Ltd.; Chairman, Jiangxi Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman; Dongguan Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman, Nanchang Dongyuan Electric Co., Ltd.; Director, Taiwan Pelican Express Co., Ltd.; Director, E-Joy Electronics International Co., Ltd.; Director, E&E Recycling, Inc.; Director, Kuen Ling Machinery Refrigerating Co., Ltd.; Director, UD Corporation; Director, Far Eastern Electronic Toll Collection Co., Ltd.; Director, FETC International Co., Ltd.; Director, TECO Smart Technologies Co., Ltd.; Director, Singapore TEK; Chairman, Indonesia TEKI; Director, Australia TAC; Director, TECO3C; Director, Teco Technology (Vietnam) Co., Ltd.; Chairman, E-Joy Australia; Director, TECO Elektrik Turkey A.Ş (TET); General Manager, Home Appliance Business Group of TECO Electric & Machinery Co., Ltd. Rich experience in operation judgment, financial accounting, crisis management, business management, international market view, leadership, decision-making ability and other related fields. There are no circumstances under Article 30 of the Company Act.	Note 2	0

Title	Criteria \ Name	Professional qualifications and experience (Note 1)	Independence status (Note 2 and 3)	Number of independent director positions of other public companies
Independent director	Yean-Der Kuan	Ph.D., University of Missouri, Columbia Experience: Full-time Professor, Department of Refrigeration, Air Conditioning and Energy, National Chin-Yi University of Technology Rich experience in crisis management, industrial knowledge, international market view, decision-making ability and other related fields. There are no circumstances under Article 30 of the Company Act.	Notes 2 and 3	0
Independent director	Li-Rong Hong	Bachelor, National Cheng Kung University (Accounting Department) Experience: CPA, PwC Taiwan Independent Director, Eternal Materials Co., Ltd. Independent Director, Advanced International Multitech Co., Ltd. Rich experience in operation judgment, financial accounting, business management, crisis management, business management, international market view, decision-making ability and other related fields. There are no circumstances under Article 30 of the Company Act.	Notes 2 and 3	2
Independent director	Wen-An Yang	Master of Commerce, National Taiwan University Experience: Vice Director, Ernst and Young Taiwan General Manager, Ernst and Young Financial Consulting Co., Ltd. Rich experience in operation judgment, financial accounting, business management, industrial knowledge, decision-making ability and other related fields.	Notes 2 and 3	2
Independent director	Ming-Bing Chen	Department of Electrical Engineering, National Taipei Institute of Technology Experience: Special Assistant, Home Appliance Business Department, Marketing Division, TECO Electric &Special Assistant Rich experience in business management, crisis management, industrial knowledge, leadership, decision-making ability and other related fields. There are no circumstances under Article 30 of the Company Act.	Notes 2 and 3	0

Note 1: Please refer to Appendix 1(P.19-20) for information on directors.

Note 2: Please refer to Appendix 1 (P.19-20) for information on directors.

Note 3: The independent director, his/her spouse or relatives within the second degree of kinship have not served as directors, supervisors or employees of the Company or its affiliated enterprises.
The independent director, his/her spouse and relatives within the second degree do not hold Company shares (or in the names of others) and have not served as directors, supervisors or employees of a company that has a specific relationship with the Company (please refer to sub-paragraphs 5 to 8, paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); no remuneration was obtained from providing business, legal, financial, accounting and other services to the Company or its affiliates in the past 2 years.

II. Diversity and independence of the board of directors:

(I) Diversity of the board of directors: Describe the diversification policy and objectives for the board of directors and achievement.

The Company implements a policy of diversity of Board of Directors members, and the "Corporate Governance Best Practice Principles" governs the policy of diversity of board members, including but not limited to the following two major criteria:

(1) Basic conditions and values: gender, age, nationality, race and culture, etc.;

(2) Professional knowledge and skills: professional background (*e.g.,* law, accounting, industry, finance, marketing or technology), professional skills and industry experience.

Currently, there are 9 directors (including 4 independent directors) on the Board of Directors of the Company. All members of the Board of Directors have diversified and complementary industry experience and financial and accounting expertise, which are in line with the management objective of the Board of Directors' diversity policy. The implementation of the Board of Directors' diversity policy is as follows.

Diversification item / Director's name	Nationality	Gender	Currently serving as an employee of the Company	Age			Length of service as independent director			Business Judgment	Financial Accounting	Business Management	Crisis Handling	Industry Knowledge	International Market Perspective.	Leadership Capability	Decision-making Capability
				51 to 60	61 to 70	71 to 80	Less than 3 years	3 to 9 years	More than 9 years								
Chung-Kuo Tseng (Chairman)	R.O.C.	Male	V		V					V		V	V	V		V	V
Rung-Pin Yeh (Director)	R.O.C.	Male				V				V				V		V	V
Wen-Chi Ko (Director)	R.O.C.	Male				V				V	V	V			V	V	V
Ming-Cheng Wu (Director)	R.O.C.	Male			V					V		V	V	V		V	V
Chi-Tseng Peng (Director)	R.O.C.	Male		V						V		V	V		V	V	V
Li-Rong Hong (Independent Director)	R.O.C.	Female		V			V			V	V	V	V		V		V
Yean-Der Kuan (Independent Director)	R.O.C.	Male		V				V					V	V	V	V	V
Wen-An Yang (Independent Director)	R.O.C.	Male			V		V			V	V	V		V			V
Ming-Bing Chen (Independent Director)	R.O.C.	Male			V		V					V	V	V		V	V

The specific management objectives of the Company's diversity policy and their achievement are as follows:

Management Objectives	Achievement
No director or independent director serves as a director of more than five listed companies at the same time	Achieved
The number of independent directors exceeds one-third of the number of directors and the number of independent directors does not exceed three consecutive terms.	Achieved
The number of directors who are also managers of the Company shall not exceed one-third of the total number of directors.	Achieved
More than half of the directors are not related to each other as spouses or relatives within the second degree of kinship.	Achieved

(II) Independence of the board of directors: State the number or proportion of independent directors, the independence of the board of directors, and whether there are no circumstances as prescribed in paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act, including the situation that there are spouses and relatives within the second degree of kinship between directors, between supervisors, or between directors and supervisors.

The Company elected 2 independent directors in 2015 and re-elected 4 independent directors (two additional) on July 20, 2021, accounting for 44.44% of the total number of directors. The Company has 9 directors, comprised of 5 directors and 4 independent directors who are not related to each other, including spousal relationships and relatives within the second degree of kinship. Therefore, it has been determined that the directors have a considerable degree of independence.

(II) Information of the General Manager, Vice General Managers, senior managers, and heads of departments and branches

April 15, 2023; Unit: thousand shares; %

Title	Nation-ality	Name	Name	Election / Appoint-ment Date	Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Major experience and education	Concurrent positions in other companies	Spouse or relatives of the second degree or closer acting as managers			Notes
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Rela-tion	
Chairman and General Manager	Taiwan	Male	Chung-Kuo Tseng	1992.05.30	2,423	3.18%	344	0.45%	3,857	5.06%	Da-Yeh University Credit Class, Advanced Master of Management Program of National Cheng Kung University (non-completion)	Chairman, Cozy Air-Conditioning Co., Ltd.; Chairman, ,Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd.; Chairman, Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd.; Chairman, Qie Lun Investment Co., Ltd.	None	None	None	The Chairman and the General Manager are the same person, and 4 independent directors were added on July 20, 2021.
Deputy General Manager, Sales Technology Department	Taiwan	Male	Hsien-Jung Kuo	2023.01.02	101	0.13%	0	0.00%	0	0.00%	Institute of Industrial Engineering and Management, National Kaohsiung University of Science and Technology	Deputy General Manager, Sales Technology Department, Cozy Air-Conditioning Co., Ltd.	None	None	None	
Deputy General Manager, Sales Department	Taiwan	Male	Chin-Chung Wu	2023.01.02	15	0.02%	0	0.00%	0	0.00%	Department of Business Administration, Kao Yuan University	Chief Operating Officer and Director of Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd.; Deputy General Manager of Sales Department of Cozy Air-Conditioning Co., Ltd.	None	None	None	
Assistant Manager, Financial Department	Taiwan	Female	Li-Ling Su	2023.01.02	68	0.09%	0	0.00%	0	0.00%	Tainan University of Technology	Assistant Manager of Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd.; Assistant Manager of Financial Department of Cozy Air-Conditioning Co., Ltd.	None	None	None	

(III) Remuneration paid to Directors, Supervisors, the General Manager and Deputy General Managers in the Most Recent Year

1. Remuneration of directors and independent directors (name and method of remuneration disclosed separately)

Unit: NT$ thousand

No.	Title	Name	Directors' compensation								Sum of A, B, C, and D and as a percentage of profit after tax		Compensation received as an employee								Sum of A, B, C, D, E, F, and G and as a percentage of profit after tax		Compensation from reinvested enterprises other than subsidiaries and from the parent
			Compensation (A)		Pension (B)		Directors' remuneration (C)		Business execution expenses (D)				Salaries, bonuses, special allowances etc. (E)		Pension (F)		Employees' remuneration (G)						
			The Company	All companies included in the financial statements of the Company	The Company	All companies included in the financial statements of the Company	The Company	All companies included in the financial statements of the Company	The Company	All companies included in the financial statements of the Company	The Company	All companies included in the financial statements of the Company	The Company	All companies included in the financial statements of the Company	The Company	All companies included in the financial statements of the Company	The Company		All companies included in the financial statements of the Company		The Company	All companies included in the financial statements of the Company	
																	Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
1	Chairman	Chung-Kuo Tseng (re-elected on July 20, 2021)	-	-	-	-	3,519	3,519	60	60	1.75%	1.74%	4,962	7,840	61	61	1,026	-	1,552	-	4.72%	6.32%	None
2	Director	Rung-Pin Yeh (re-elected on July 20, 2021)	-	-	-	-	880	880	60	60	0.46%	0.80%	-	2,017	-	-	-	-	-	-	0.46%	1.78%	None
3	Director	Wen-Chi Ko (newly elected on July 20, 2021)	-	715	-	-	880	880	60	60	0.46%	0.63%	-	-	-	-	-	-	-	-	0.46%	0.63%	None
4	Director	Ming-Cheng Wu (newly elected on July 20, 2021)	-	360	-	-	880	880	60	60	0.46%	0.46%	-	-	-	-	-	-	-	-	0.46%	0.46%	None
5	Director	Chi-Tseng Peng, Representative of TECO Electric & Machinery Co., Ltd. (re-elected on July 20, 2021)	-	-	-	-	880	880	50	50	0.46%	0.45%	-	-	-	-	-	-	-	-	0.46%	0.45%	None
6	Independent director	Li-Rong Hong (newly elected on July 20, 2021)	600	600	-	-	-	-	60	60	0.32%	0.32%	-	-	-	-	-	-	-	-	0.32%	0.32%	None
7	Independent director	Yean-Der Kuan (re-elected on July 20, 2021)	483	483	-	-	-	-	60	60	0.27%	0.26%	-	-	-	-	-	-	-	-	0.27%	0.26%	None
8	Independent director	Ming-Bing Chen (newly elected on July 20, 2021)	600	600	-	-	-	-	60	60	0.32%	0.32%	-	-	-	-	-	-	-	-	0.32%	0.32%	None
9	Independent director	Wen-An Yang (newly elected on July 20, 2021)	600	600	-	-	-	-	60	60	0.32%	0.32%	-	-	-	-	-	-	-	-	0.32%	0.32%	None

1. Please state the remuneration payment policy, system, standard and structure of independent directors and the relationship between the remuneration and the responsibilities, risks, time invested and other factors: <u>the above is handled according to the remuneration payment method for independent directors; when independent directors perform their duties for the Company, regardless of the Company's operating profit and loss, with reference to the performance evaluation results, the Company may pay a fixed remuneration of not more than NT$50,000 per month. Independent directors also cannot participate in the distribution of the total remuneration of directors reported to the general shareholders' meeting.</u>
2. In addition to the disclosure in the table above, the remuneration received by the directors of the Company for their services (such as serving

as non-employee consultants for the parent/all companies in the financial report/reinvested enterprises) in the most recent year:None

Remuneration ranges				
Remuneration ranges paid to each director of the Company	Director's name (Note 1)			
	Total amount of the first four remuneration amounts (A+B+C+D)		Total amount of the first seven remuneration amounts (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements of the Company H	The Company	All companies included in the financial statements of the Company I
Below NT$ 1,000,000	2, 3, 4, 5, 6, 7, 8, 9	4, 5, 6, 7, 8, 9	2, 3, 4, 5, 6, 7, 8, 9	4, 5, 6, 7, 8, 9
NT$1,000,000 (inclusive)～NT$2,000,000				3
NT$2,000,000 (inclusive)～NT$3,500,000		2,3		
NT$3,500,000 (inclusive)～NT$5,000,000	1	1		2
NT$5,000,000 (inclusive)～NT$10,000,000			1	
NT$10,000,000 (inclusive)～NT$15,000,000				1
NT$15,000,000 (inclusive)～NT$30,000,000				
NT$30,000,000 (inclusive)～NT$50,000,000				
NT$50,000,000 (inclusive)～NT$100,000,000				
NT$ 100,000,000 and above				
Total	9 people	9 people	9 people	9 people

Note 1: Indicated by the number of each Manager

*** The remunerations disclosed in this table is different from those under the income concept in the Income Tax Act, so this table is intended for information disclosure and not for tax purposes.**

2. Remuneration of the General Manager and Vice- General Managers (name and method of remuneration disclosed separately)

Unit: NT$ thousand

Title	Name	Salary (A)		Pensions (B)		Bonuses and special disbursements (C)		Remuneration for employees (D)				Sum of A, B, C and D and as a percentage of profit after tax(%)		Compensation from reinvested enterprises other than subsidiaries and from the parent
		The Company	All companies in the financial report (Note 7)	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report	
								Cash	Stock	Cash	Stock			
General Manager	Chung-Kuo Tseng	4,962	7,840	61	61	60	60	1,026	-	1,552	-	2.99%	4.61%	None
Deputy General Manager, Sales Technology Department	Hsien-Jung Kuo	2,924	2,954	47	47	-	-	465	-	465	-	1.68%	1.68%	None
Deputy General Manager, Sales Department	Chin-Chung Wu	2,045	3,249	38	38	-	-	168	-	733	-	1.10%	1.95%	None

Remuneration ranges		
Remuneration ranges paid to each General Manager and Vice General Manager of the Company	Names of General Manager and vice General Managers	
	The Company	All companies in the financial report E
Below NT$ 1,000,000		
NT$1,000,000 (inclusive) to NT$2,000,000		
NT$2,000,000 (inclusive) to NT$3,500,000	Hsien-Jung Kuo and Chin-Chung Wu	Hsien-Jung Kuo
NT$3,500,000 (inclusive) to NT$5,000,000		Chin-Chung Wu
NT$5,000,000 (inclusive) to NT$10,000,000	Chung-Kuo Tseng	Chung-Kuo Tseng
NT$10,000,000 (inclusive) to NT$15,000,000		
Total	3 people	3 people

*** The remunerations disclosed in this table is different from those under the income concept in the Income Tax Act, so this table is intended for information disclosure and not for tax purposes.**

3. Names of managers distributed with employees' remuneration and the distribution status:

April 15, 2023 Unit: NT$ thousand

	Title	Name	Stock	Cash (Note 1)	Total	Total as a percentage of profit after tax (%) (Note 2)
Managers	General Manager	Chung-Kuo Tseng	0	1,840	1,840	0.90%
	Deputy General Manager, Sales Technology Department	Hsien-Jung Kuo				
	Deputy General Manager, Sales Department (Note 3)	Chin-Chung Wu				
	Assistant Manager, Financial Department	Li-Ling Su				

Note 1: It refers to the employees' remuneration proposal for 2022, which was approved by the Board of Directors on March 22, 2023 and the proposed employees' remuneration is NT$16,423 thousand.

Note 2: It is calculated based on the amount of profit after tax of NT$204,046 thousand in 2022.

Note 3: Chin-Chung Wu, Deputy General Manager of Sales Department of the Company, was promoted to the new position of Manager on January 2, 2023.

(IV) Compare and explain the analysis of the total amount of remuneration paid by the Company and all companies in the consolidated financial statements to the Company's directors, supervisors, General Manager and Deputy General Managers in the last two years as a percentage of the profit after tax of the individual or entity financial report, and explain the remuneration policies standards and packages, procedures for setting remuneration and the relationship with business performance and future risks

1. Total amount of remuneration paid by the Company to directors, supervisors, the General Manager and vice General Managers in the past two years

Item	2022 (Note1)		2021 (Note1)	
	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements
Remuneration of all directors for the year	7.79%	10.86%	11.10%	14.52%
Remuneration of all supervisors for the year (Note 2)	0.00%	0.00%	0.22%	0.46%
Remuneration of the President and Vice Presidents for the year	5.78%	8.25%	6.01%	9.18%

Note 1: The Company's remuneration policy is based on the scope of authority and responsibility of the position at the Company and its contribution to the Company's operating objectives. The procedure for setting remuneration is based on the Company's performance-based compensation implementation standards, which are based on the Company's overall operating performance and future operating risks, as well as the individual's performance achievement rate and contribution to the Company's performance, and reasonable remuneration is given accordingly.

Note 2: The Company has established an Audit Committee on July 20, 2021.

2. The Company’s remuneration policy, standards and packages, procedures of setting remuneration, and the relationship with business performance and future risks

(1) Remuneration policy, standards and packages

A. The remuneration of the Company’s directors, independent directors and managerial officers shall be discussed and determined by the Board of Directors after the “Compensation Committee” makes recommendations in accordance with the Company’s Articles of Incorporation and relevant rules and regulations.

B. The remuneration of the Manager shall be divided into salary, bonus, employee compensation distributed in accordance with the Company’s Articles of Incorporation and corporate provident fund of the Employee Stock Option Trust and the salary and bonus shall be discussed and determined by the Board of Directors after the “Compensation Committee” has made its recommendation. The Board of Directors shall distribute the remuneration to employees in accordance with the Company’s Articles of Incorporation at a rate of 3% to 7% and the remuneration to directors at a rate of not more than 3% of the Company’s profitability for the year. Since 2023, the Company has established the “Kuen Ling Machinery Refrigerating Co., Ltd. Employee Stock Ownership Trust,” in which eligible managerial officers are encouraged to join at their own discretion and the Company allocates a certain percentage of the amount to the managerial officers (the Company’s public fund) as a reward. Through this system, the Company can strengthen the link between the remuneration of supervisors and the medium and long-term business performance of the Company, improve the solidarity and sense of identity of the staff and share in the rewards of the company’s success.

C. The distribution of employee compensation and director remuneration shall be made by the Board of Directors with the presence of at least two-thirds of the directors and a resolution approved by a majority of the directors present and reported to the shareholders’ meeting.

(2) Procedures of setting remuneration

A. The remuneration of the directors of the Company shall be reviewed and approved by the Board of Directors and submitted to the general shareholders’ meeting after the “Compensation Committee” puts forward suggestions according to Article 17 of the Articles of Incorporation and relevant regulations, a comprehensive evaluation of the operating performance of the Board of Directors and the achievement of budgeted target growth.

B. At present, in addition to the payment of transportation expenses based on the attendance of directors, the remuneration of directors is handled in accordance with the provisions of Article 20-1 of the Articles of Incorporation of the Company and the distribution plan is prepared by the Board of Directors and submitted to the shareholders' meeting and then distributed according to the positions held and responsibilities assumed.

C. In addition to paying transportation fees according to the attendance of directors, when independent directors perform their duties for the Company, regardless of the Company's operating profit or loss, the Company may pay a fixed remuneration of not more than NT$50,000 per month based on the performance evaluation results and shall not participate in the submission of the distribution of the total remuneration of directors to the general shareholders' meeting.

D. The remuneration of managerial officers includes salaries, bonuses, and employee compensation, which are based on the positions held, the degree of participation and contribution to the Company's operations and the prevailing industry standards. The Board of Directors shall discuss and decide on the compensation according to the recommendation of the Compensation Committee.

(3) Relationship with business performance and future risks

A. The Company's remuneration policy and related payment standards and system are reviewed based on the overall operations of the Company and the payment standards are approved based on the performance achievement rate and contribution, in order to enhance the overall organizational team effectiveness of the Board of Directors and the management team.

B. The performance objectives of the Company's managerial officers are tied to risk management to ensure that possible risks within the scope of duties and responsibilities can be managed and prevented, and the results of the actual performance evaluation are linked to the relevant human resources and related remuneration policies.

III. Implementation of Corporate Governance

(I) Operation Status of the Board of Directors:

A total of 6 Board of Directors meetings were held in the most recent year and the directors' attendance records are as follows:

Title	Name	Actual frequency of attendance (being seated) in meetings (B)	Frequency of attendance through proxy	Actual attendance (seated) rate (%) [B/A]	Note
Chairman	Chung-Kuo Tseng	6	0	100%	Re-elected on July 20, 2021
Director	Rung-Pin Yeh	6	0	100%	Re-elected on July 20, 2021

Title	Name	Actual frequency of attendance (being seated) in meetings (B)	Frequency of attendance through proxy	Actual attendance (seated) rate (%) [B/A]	Note
Director	Wen-Chi Ko	6	0	100%	Newly elected on July 20, 2021
Director	Ming-Cheng Wu	6	0	100%	Newly elected on July 20, 2021
Director	Chi-Tseng Peng, Representative of TECO Electric & Machinery Co., Ltd.	5	1	83%	Re-elected on July 20, 2021
Independent director	Yean-Der Kuan	6	0	100%	Re-elected on July 20, 2021
Independent director	Li-Rong Hong	6	0	100%	Newly elected on July 20, 2021
Independent director	Wen-An Yang	6	0	100%	Newly elected on July 20, 2021
Independent director	Ming-Bing Chen	6	0	100%	Newly elected on July 20, 2021

Independent directors attendance was as follow. (●: attendance in person ⊙: Proxy ※: Absent)

The most recent year	1st session	2nd session	3rd session	4th session	5th session	6th session	Notes
Yean-Der Kuan	●	●	●	●	●	●	Elected on July 20, 2021
Li-Rong Hong	●	●	●	●	●	●	Elected on July 20, 2021
Wen-An Yang	●	●	●	●	●	●	Elected on July 20, 2021
Ming-Bing Chen	●	●	●	●	●	●	Elected on July 20, 2021

Other mandatory disclosures:

I. For any Board of Directors that has any of the following circumstances, state the date, the session number, the contents of the motion, all independent directors' opinions, and the Company's response to independent directors' opinions:

(I) Conditions listed in Article 14-3 of the Securities and Exchange Act:

Date of meeting (session)	Motion	All independent directors' opinions and the Company's response to independent directors' opinions
2022.08.09 (The 8th meeting of the 14th session) 1. Approved a medium- and long-term performance guarantee line of NT$120 million with a guarantee fee of 0.8% for CTBC Bank. 2. Approved to change the appointment of CPAs for 2022 and 2023.		The independent directors have no objection or reservation.
2022.11.09 (The 9th meeting of the 14th session) 1. Approved the addition of the "Procedures for Handling Internal Material Information" of the Company. 2. Approved amendment to certain articles of the Company's internal control system's "Management of the Proceedings of the Compensation Committee." 3. Approved to amend the certain provisions of the Company's internal control system on "Management of the Financial Statement Preparation Process, Management of the Application of IFRSs, Accounting Professional Judgment Process and Accounting Policy and Estimate Change Process." 4. Approved amendment to certain articles of the Company's internal control system "Management of the Proceedings of the Board of Directors."		The independent directors have no objection or reservation.
2022.12.27 (The 10th meeting of the 14th session) 1. Approved the 2023 annual internal audit plan 2. Approved the principle and estimated payment of year-end bonus to managers for 2022 3. Approved the policies, systems, standards and structures for the evaluation of directors' and managers' performance and compensation for 2023		The independent directors have no objection or reservation.
2023.03.22 (The 11th meeting of the 14th session) 1. Approved the appointment of the Company's attesting CPA for 2023.		The independent directors have no objection or reservation.

(II) Other than the aforementioned matters, matters resolved by the Board of Directors but with objections or reservations of independent directors with written records or statements in place: None.

II. For the recusal of directors due to conflicts of interests, clearly state the director's name, contents of the motion, the reason for interest avoidance and the participation in voting:

The 10th meeting of the 14th Board of Directors' Meeting (December 27, 2022)

Director's name: Chairman Chung-Kuo Tseng

Motion: The Company's 2022 year-end bonus for managerial officers and the estimated payment.

The reason for interest avoidance and the participation in voting: personal interests in the case, and needed to withdraw from the meeting during discussion and voting. Other than the non-participation of Chairman Chung-Kuo Tseng in the voting of this case, Independent Director Li-Rong Hong presided over the case on behalf of the Chairman, and the rest of the attending directors passed the proposal without dissent.

Director's name: Chairman Chung-Kuo Tseng

Motion: The Company's policy, system, standard and structure for the performance evaluation and salary and remuneration of directors and managerial officers for 2023.

The reason for interest avoidance and the participation in voting: personal interests in the case, and needed to withdraw from the meeting during discussion and voting. Other than the non-participation of Chairman Chung-Kuo Tseng in the voting of this case, Independent Director Li-Rong Hong presided over the case on behalf of the Chairman, and the rest of the attending directors passed the proposal without dissent.

The 11th meeting of the 14th Board of Directors' Meeting (March 22, 2023)

Name of Directors: Chung-Kuo Tseng, Chairman of the Board, Directors: Rung-Pin Yeh, Wen-Chi Ko, Ming-Cheng Wu, Chi-Tseng Peng

Motion: The Company's 2022 Annual Employee Remuneration and Directors' and Supervisors' Remuneration Distribution.

The reason for interest avoidance and the participation in voting: personal interests in the case, and needed to withdraw from the meeting during discussion and voting. Except for Chung-Kuo Tseng, Chairman of the Board, Directors: Rung-Pin Yeh, Wen-Chi Ko, Ming-Cheng Wu, Chi-Tseng Peng, who were recused from voting on this case due to their conflict of interest, Li-Rong Hong, Independent Director, Acting Chairman, was appointed to preside over this case, and the rest of the Directors present passed without objection.

III. TWSE/TPEX listed companies are required to disclose the cycle, duration, scope, method, and contents of the Board of Directors performance self (or peer) evaluation, and complete the execution status of Board of Directors performance evaluation in the table below. Execution Status of Board Evaluation:

Evaluation Cycle	Evaluation duration	Evaluation scope	Evaluation method	Evaluation content
An internal performance evaluation is carried out every December.	Evaluate the performance of the Board of Directors, individual Board members (self or peer) and the Compensation Committee for the period of 2022/1/1~2022/12/31	Evaluation of the performance of the Board of Directors, individual directors (self or peer) and the Compensation Committee.	A performance evaluation self-assessment questionnaire was sent to all members of the Board of Directors. In addition to evaluating the overall operation of the Board of Directors, it also evaluated individual members of the Board of Directors (self or peer) and the Compensation Committee.	The scope of performance evaluation shall at least include the following items: (1) Performance evaluation of the Board of Directors: at least including the five major aspects of its participation in the Company's operation, improvement of the decision-making quality of Board of Directors, composition and structure of the Board, selection and continuous training of directors, and internal control, for a total of 45 evaluating indicators. (2) Performance evaluation of directors (self or peer): at least including the six major aspects of the director's mastery of the Company's objectives and tasks, awareness of responsibilities, participation in the Company's operation, internal relationship management and communication, expertise and continuous learning, and internal control, for a total of 23 evaluating indicators. (3) Performance evaluation of the Compensation Committee: at least including the five major aspects of participation in the Company's operation, recognition of the responsibilities of the Compensation Committee, improvement of the decision-making quality of the Compensation Committee, composition and selection of members of the Compensation Committee, and internal control, for a total of 23 evaluating indicators. After the directors complete the performance evaluation self-assessment questionnaire, the responsible unit will collect and summarize the overall evaluation of the Board of Directors, submit the results to the Board of Directors, and publish the contents on the Company's website.

IV. Assessment of the goals and execution status of enhancing the functions of the Board of Directors in the current and recent years (such as establishing an audit committee, improving information transparency, etc.).

1. The Company has established the "Rules of Procedure for Board of Directors Meetings" in accordance with the "Regulations Governing Procedure for Board of Directors' Meetings of Public Companies" for compliance and has entered the attendance of directors at board meetings on the Market Observation Post System and disclosed the resolutions of board meetings on the Company's website. In addition, the Company has taken out liability insurance for the directors.
2. On July 20, 2021, the Audit Committee was formally established, consisting of four independent directors, and the supervisor system was abolished. In order to strengthen the corporate governance function of the Board of Directors, the operations of the Board of Directors is supervised in accordance with the "Rules Governing the Duties and Responsibilities of Independent Directors."
3. The Company's proposals that should be submitted to the Audit Committee for approval before submission to the Board of Directors for resolution under the Company Act and the Securities and Exchange Act have been approved by the Audit Committee and submitted to the Board of Directors for resolution and execution.
4. On December 27, 2022, the Board of Directors approved the establishment of a corporate governance officer to assist directors in complying with regulations, conducting board meetings and shareholders' meetings in accordance with the law, and providing directors with information necessary for the execution of their business, in order to enhance the effectiveness of the Board of Directors.
5. In order to continuously improve the professional knowledge and legal literacy of directors and to assist the effective operation of the Board of Directors, the Company arranges annual training courses for directors in accordance with the law.

(II) State of operations of the Audit Committee or participation of supervisors in the operations of the Board of Directors

1. Operations of the Audit Committee:

In order to improve corporate governance and strengthen the professional functions of the Board of Directors, the Company established an Audit Committee after the re-election at the General shareholders' meeting in July 2021. The members of the Audit Committee are composed of all independent directors (four), and all members elect an independent director as the convener and chairman of the meeting.

The main purpose of the operation of the Committee is to supervise the following matters:

I. Proper presentation of the Company's financial statements.

II. Selection (dismissal) and evaluation of the independence and performance of the certifying CPA.

III. Effective implementation of the Company's internal control.

IV. The Company's compliance with relevant laws and regulations.

V. Control of the Company's existing or potential risks.

The Audit Committee shall hold a meeting at least once a quarter and discuss and vote on cases involving the following matters.

I. Establishing or amending the internal control system under the provision of Article 14-1 of the Securities and Exchange Act.

II. Assessing efficiency of the internal control system.

III. Formulating or amending the procedures for acquisition or disposal of assets, derivative transactions, lending of funds to others, or endorsements or guarantees in accordance with Article 36-1 of the Securities and Exchange Act for.

IV. Matters involving the director's personal interests.

V. Major transactions of assets or derivative products.

VI. Major extension of loans to others and endorsements/guarantees.

VII. Placement, issuance or private placement of any securities with an equity nature.

VIII. Appointment, dismissal or remuneration of certifying CPAs.

IX. Appointment and dismissal of finance, accounting, or internal audit managers.

X. Annual and semiannual financial reports.

XI. Oher material matter required by the Company or the competent authorities.

The Audit Committee held 5 meetings (A) in the most recent year and the attendance records of independent directors are as follows:

Position	Name	Number of attendance in person (B)	Number of proxy attendance	Actual attendance rate (%) (B/A)	Notes
Independent director	Li-Rong Hong	5		100%	
Independent director	Yean-Der Kuan	5		100%	
Independent director	Wen-An Yang	5		100%	
Independent director	Ming-Bing Chen	5		100%	

Other mandatory disclosures:

I. If the Audit Committee's operation has any of the following circumstances, state the date of the meeting, the session number, the contents of the motion, independent directors' objections or reservations or the contents of their major suggestions, the Audit Committee's resolution and the Company's response to the Audit Committee's opinion.

(I) Circumstances listed in Article 14-5 of the Securities and Exchange Act:

(II) Other than the aforementioned matters, matters not approved by the Audit Committee but approved by two-thirds or more of all the directors.

A summary list of board meeting agendas that comply with the above (I) and (II) is as follows:

Board of Directors	Proposal content and subsequent handling	Matters listed in Article 14-5 of the Securities and Exchange Act	Not passed by the Audit Committee, but approved by two-thirds or more of the directors of all the directors.
2022.08.09 The 8th Board of Directors' Meeting of the 14th Session	In accordance with the internal rotation of the accounting firm, approve the change of the attesting CPA.	V	No such situation
	The result of the Audit Committee's resolution: All the members of the Audit Committee agreed to pass the cases above.		
	The Company's handling of the opinions of the Audit Committee: Not applicable as all members of the Audit Committee agreed.		

	2022.11.09 The 9th Board of Directors' Meeting of the 14th Session	Whether or not the Company's major accounts receivable exceeding the normal credit period are deemed as capital loans.	V	No such situation
		Added the "Procedures for Handling Internal Material Information" of the Company.	V	No such situation
		Amendment to certain articles of the Company's "Organizational Rules of the Compensation Committee" and internal control system's "Rules of Procedures of the Compensation Committee Meetings."	V	No such situation
		Amendment to certain provisions of the Company's internal control system on "Management of the Financial Statement Preparation Process, Management of the Application of IFRSs, Accounting Professional Judgment Process and Accounting Policy and Estimate Change Process."	V	No such situation
		Amendment to certain articles of the Company's "Rules of Procedure of the Board of Directors Meetings" and the internal control system's "Management of the Proceedings of the Board of Directors."	V	No such situation
		The result of the Audit Committee's resolution: All the members of the Audit Committee agreed to pass the cases above.		
		The Company's handling of the opinions of the Audit Committee: Not applicable as all members of the Audit Committee agreed.		

2022.12.27 The 10th Board of Directors' Meeting of the 14th Session	The Company's 2023 internal audit plan.	V	No such situation
	The result of the Audit Committee's resolution: All the members of the Audit Committee agreed to pass the cases above.		
	The Company's handling of the opinions of the Audit Committee: Not applicable as all members of the Audit Committee agreed.		
2023.03.22 The 11th Board of Directors' Meeting of the 14th Session	The Company's 2022 business report and financial report.	V	No such situation
	The Company's 2022 earnings distribution.	V	No such situation
	The effectiveness assessment of the Company's 2022 internal control system and issuance of the internal control system declaration.	V	No such situation
	Passed the evaluation of the 2023 attesting CPA's independence and suitability.	V	No such situation
	Appointment of the Company's attesting CPA.	V	No such situation
	The result of the Audit Committee's resolution: All the members of the Audit Committee agreed to pass the cases above.		
	The Company's handling of the opinions of the Audit Committee: Not applicable as all members of the Audit Committee agreed.		

II. For the avoidance by independent directors due to conflicts of interests, state the independent director's name, contents of the motion, reasons for the avoidance due to conflicts of interests, and the status of participation in voting: No such situation.

III. Communication between the independent directors and the internal audit supervisor and the CPA (including the material matters, methods and results of the communication on the Company's financial and business status).

(1) Communication between the independent directors and the internal audit supervisor:

Audit Committee	Matters communicated	Communication results
The 5th Meeting of the 1st Session (2022.05.10)	Report on the execution of auditing operations.	Known. No other suggestions.

	The 6th Meeting of the 1st Session (2022.08.09)	Report on the execution of auditing operations.	Known. No other suggestions.
	The 7th Meeting of the 1st Session (2022.11.09)	Report on the execution of auditing operations.	Known. No other suggestions.
		Submitted and discussed proposed additions of the "Procedures for Handling Internal Material Information" of the Company.	The proposal was approved by all the members present and was submitted to the Board of Directors for resolution.
		Submitted proposed amendments to certain articles of the Company's "Organizational Rules of the Compensation Committee" and internal control system's "Rules of Procedures of the Compensation Committee Meetings."	
		Submitted proposed amendments to certain provisions of the Company's internal control system on "Management of the Financial Statement Preparation Process, Management of the Application of IFRSs, Accounting Professional Judgment Process and Accounting Policy and Estimate Change Process."	
		Submitted proposed amendments to certain articles of the Company's "Rules of Procedure of the Board of Directors Meetings" and the internal control system's "Management of the Proceedings of the Board of Directors."	
	The 8th Meeting of the 1st Session (2022.12.27)	Report on the execution of auditing operations.	Known. No other suggestions.
		Submitted and provided explanations to the Company's 2023 internal audit plan. The independent directors asked questions about the audit plans of the overseas subsidiaries and reminded the overseas subsidiaries to pay attention to	The proposal was approved by all the members present and was submitted to the Board of Directors for resolution.

	the compliance of laws and regulations in Taiwan as well as the local country/region.	
The 9th Meeting of the 1st Session (2023.03.22)	Report on the execution of auditing operations.	Known. No other suggestions.
	Provide an explanatory report to the independent directors on the assessment of the effectiveness of the Company's internal control system and the issuance of the statement of internal control system for 2022.	The proposal was approved by all the members present and was submitted to the Board of Directors for resolution.

(2) Communication between the independent directors and the CPA:

Forum	Matters communicated	Communication results
(2022.11.09)	Report to the independent directors on the following items. (1) Communication plan. (2) The role and responsibilities of the attesting CPA. (3) Review of the audit plan. (4) Independence of the CPA. (5) Key amendments to the (International Code of Ethics for Professional Accountants regarding "non-attesting services" and "publicly funded" provisions. (6) Audit Quality Indicators	Known. No other suggestions.
	In response to the independent director's question: The Company's inventory amount as of Q3 has increased significantly compared to the same period last year and the reason why inventory-related items are not included in the Key Audit Matters.	Known. No other suggestions.

(2023.03.22)	Report to the independent directors on the following items. (1) Scope and materiality of the audit (2) Audit report and key audit Items (3) Impact of COVID-19 (4) Other communication matters (5) Independence of the CPA	Known. No other suggestions.

(III) The operation status of corporate governance, differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons.

Assess criteria	Implementation Status			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Does the Company follow the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" to establish and disclose its corporate governance practices?	v		The Company's "Corporate Governance Best Practice Principles" was discussed and approved at the 21st Board of Directors' Meeting of the 11the Session (April 16, 2015), and was amended and approved by the Board of Directors for the fifth time on August 9, 2022. Information about the "Corporate Governance Best Practice Principles" and related important rules and regulations or their operation is available on the Company's website or on the Market Observation Post System.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure and shareholders' equity (I) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (II) Does the Company have a list of the major shareholders who	v v		(I) The Company has a spokesman, a deputy spokesman and stock affairs staff to properly handle shareholder suggestions, doubts, disputes, litigation and other related issues. (II) The Company regularly reviews the list of the major shareholders who actually control the Company and those	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

actually control the Company and those who ultimately have control over the major shareholders?			who ultimately control the major shareholders.	
(III) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	v		(III) In accordance with the "Supervision and Management of Subsidiaries" and "Management of Transactions of Related Persons," the Company has clearly defined the rights and responsibilities of personnel, assets and financial management among the affiliated enterprises and regularly audits the accounting and internal control systems of affiliated enterprises and has established appropriate risk control and firewall mechanisms.	
(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	v		(IV) The Company established the "Corporate Governance Best Practice Principles" in 2015, which was amended for the fifth time at the 8th Board of Directors' Meeting of the 14th Session (August 9, 2022) and which took effect. Article 10 stipulates: "The Company shall establish internal regulations to prohibit insiders from trading securities using non-public privileged information" and "Directors (including independent directors) of the Company shall not trade their shares during the closed-book period of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report. "In addition, the Company's internal regulations, such as the "Procedures for Handling Material Internal Information" and the "Procedures and Conduct Guidelines for Integrity Management," contain explicit provisions prohibiting insiders from trading marketable securities using undisclosed information in the market.	

III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors formulated diversification policies and specific management objectives and implemented them?	v		(I) The Company implements a policy of diversity of Board of Directors members, and the "Corporate Governance Best Practice Principles" governs the policy of diversity of Board of Directors members, including but not limited to the following two major criteria: (1) Basic conditions and values: gender, age, nationality, race and culture, etc.; (2) Professional knowledge and skills: professional background (*e.g.,* law, accounting, industry, finance, marketing or technology), professional skills and industry experience. Management Objectives: directors and independent directors shall not serve as directors of more than five listed companies at the same time; the number of independent directors on the board of directors shall exceed one-third of the board of directors and independent directors shall serve no more than three consecutive terms; the number of directors who are also managerial officers of the Company shall not exceed one-third of the members of the Board of Directors. More than half of the directors shall not be related to each other as spouses or relatives within the second degree of kinship. Implementation: The Company's 14th Board of Directors consists of nine members (including 4 independent directors), all of whom have diverse and complementary industry experience and financial and accounting expertise. The Board of Directors consists of 1 female director (11%), 4 independent directors (44%, 3 of whom have less than 3 years of service and 1 of whom has 4 to 6 years of service) and 1 corporate director (11%) who is not a related spouse or relative within the second degree of kinship. The board members actively attended the Board of Directors and the attendance rate in person of the	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

			14th Session reached 98.1% in 2022, indicating that Board members have supervised and understood the implementation of the business plans. The Company has established the "Corporate Governance Best Practice Principles" to standardize the composition of the Board of Directors, pay attention to diversification elements and examine the operations, operating pattern and development needs of the Company. The members of the Board of Directors have the knowledge, skills and qualities required for their positions, including different professional backgrounds such as law, accounting and industry, different genders and work fields and the composition is diversified. There are 9 members of the 14th-term Board of Directors of the Company (including 4 independent directors, including 1 legal person director and 1 female director).	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company set up other functional committees?	v		(II) The Company has established Compensation Committee and an Audit Committee in accordance with the law, and currently has not set up any other functional committees.	
(III) Does the Company establish a methodology for evaluating the performance of its board of directors, implemented it on an annual basis, and submit the evaluation result to the Board of Directors and use it as a reference for individual director's remuneration and nomination for reappointment?	v		(III) In order to implement corporate governance and improve the functions of the Board of Directors of the Company, and establish performance objectives to enhance the operational efficiency of the Board of Directors, the Company has formulated the "Performance Evaluation Measures of the Board of Directors". The measurement items for the overall performance evaluation of the Board of Directors include the following five aspects: I. Degree of participation in company operation. II. Improvement of the quality of the decision making of the Board of Directors.	

			III. Composition and structure of the Board of Directors. IV. Election and continuing education of the directors. V. Internal control. The measurement items for the performance evaluation of the board members include at least the following six aspects: I. Awareness of the Company's goals and mission. II. Awareness of directors' duties and responsibilities. III. Degree of participation in company operation. IV. Management of internal relationship and communication. V. Expertise of directors and continuing study. VI. Internal control. The measurement items of the performance evaluation of the Compensation Committee include the following five aspects: I. Participation in the Company's operations. II. Awareness of the duties of the Remuneration Committee. III. Improvement of quality of decisions by the Remuneration Committee. IV. Composition and election of the Remuneration Committee. V. Internal control. The self-evaluation method is adopted for the Board of Directors of the Company, which is implemented once a year. The evaluation methods include the internal performance evaluation of the board of directors, the performance evaluation of the directors, and the performance evaluation of the Compensation Committee. After the completion of the self-assessments questionnaire, the responsible unit collects and summarizes the overall evaluation of the Board of Directors, and reports the evaluation results to the Board of Directors in the first quarter of the next year. The results of the performance evaluation of the Board of Directors in 2022 were stellar and were submitted to the Compensation Committee and the Board of Directors for discussion and	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

			reporting on March 22, 2023 as a reference for evaluating the remuneration of individual directors; the content was also posted on the Company's website.	
(IV) Does the Company regularly evaluate the CPAs' independence?	v		(IV) The Company's places emphasis on the attesting accounting firm's Audit Quality Indicators (AQIs) and Corporate Governance Indicators for 2023. The Company confirmed that the independence and suitability of the attesting CPAs conformed to the relevant provisions through the following evaluation procedures every year and submitted the evaluation results to the Audit Committee on March 22, 2023, which was approved by the Board of Directors. 1. Obtain the independent statement of the CPA; 2. Review the limit on the number of consecutive years for the service of the same CPA's certification; 3. Summarize the evaluation results through the competency questionnaire, and the evaluation items are: ■ Has the certifying CPA serves as a director of the Company or its affiliated enterprises? ■ Is the certifying CPA a shareholder of the Company or its affiliated enterprises? ■ Does the certifying CPA receive a salary payment from the Company or its affiliated enterprises? ■ Has the certifying CPA confirmed that his/her affiliated accounting firm has followed the relevant independence standards? ■ Has any of the CPAs of the accounting firm to which the certifying CPA belongs served as a director or manager of the Company or a position that has a significant impact on the audit case within one year after resignation? ■ Has the certifying CPA provided audit services for the Company for seven consecutive years? ■ Does the certifying CPA meet the requirements of	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

			independence in the Statement of Professional Ethics for Accountants No. 10?	
IV. Has the TWSE/TPEX listed company allocated an adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, the convention of Board of Directors and shareholder meetings, and preparation of board/shareholder meeting minutes)?	v		The Company established the Corporate Governance Task Force on December 27, 2016 at the 11th meeting of the 12th Session of the Board of Directors to be responsible for corporate governance-related matters, and resolved at the 10th meeting of the 14th Session of the Board of Directors (December 27, 2022) to approve Ms. Li-Ling Su, Associate Manager, as the head of corporate governance of the Company. Ms. Li-Ling Su has more than three years of experience in legal compliance and financial management in public companies, and her main duties are to supervise the operation of corporate governance. The Corporate Governance Officer is responsible for conducting meetings of the Board of Directors and shareholders, preparing minutes of board meetings and shareholders' meetings, assisting directors in their appointment and continuing education, providing information necessary for directors to perform their duties, assisting directors in complying with laws and regulations, promoting the achievement of corporate governance indicators, reviewing the score requirements of corporate governance indicators, arranging communication between independent directors and attesting CPAs and internal auditors and handling directors' liability insurance matters.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
V. Does the Company establish a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' concerns on corporate social responsibilities?	v		1. The Company values its stakeholders, including but not limited to shareholders, employees, customers and suppliers, etc. In addition to maintaining good communication with each stakeholder, a "Stakeholder Zone" is set up on the Company's website to disclose the communication channels of each stakeholder for contact purposes. 2. The Company has a dedicated mailbox and whistle blowing channel for employees to reflect their opinions and provide suggestions through emails, so that we can maintain close interaction with our employees.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

VI. Does the Company engage a share transfer agency to handle shareholder meeting affairs?	v		The Company entrusts the Stock Affairs Agency Department of Yuanta Securities Co., Ltd. to handle matters related to the shareholders' meeting.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure (I) Has the Company set up a website to disclose finance and business matters and corporate governance information? (II) Does the Company use other information disclosure channels (e.g. setting up an English-language website, designating staff to handle information collection and disclosure, implementing the spokesman system, webcasting briefings to corporate investors, etc.)? (III) Does the Company publish and make the official filing of the annual financial report within two months after the end of each accounting period, and announce and file Q1, Q2 and, Q3 financial reports along with	 v v	 v	 (I) Our company has set up a website to disclose information on financial operations and corporate governance. The URL for the Company's website is www.kuenling.com.tw." (II) The Company has a spokesman and a deputy spokesman according to regulations. In addition, there are dedicated personnel are responsible for the collection and disclosure of the Company's major information, and inputting it on the MOPS on time. The Chinese and English summary of the Company's briefings to corporate investors are all disclosed on the MOPS and the "Briefings to Corporate Investors" section under "Investor Services" on the Company's website for query. (III) The Company announces and files its annual financial report, quarterly financial report and monthly operating conditions in compliance with relevant regulations: 1. After the end of each fiscal year, the Company announces and files the annual financial report information within three months before the deadline. 2. After the end of the first quarter, the second quarter and the	 In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

monthly business performance before the designated due dates?			third quarter of each year, the Company announces and files the financial report information within 45 days before the deadline. 3. The Company announces and files the operation of the previous month before the 10th of each month.	
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	v		1. The Company encourages employees to communicate directly with the management and appropriately reflect employees' opinions on the Company's operation or major decisions on employees' interests. 2. The Company has its own website (http://www.kuenling.com.tw/) to place information about the Company, corporate social responsibility, products, business and service offices, activity news, investor services and human resources, and provides communication data such as email, telephone, address, etc. 3. The Company has established an online reporting operating system for public information in accordance with regulations to provide information that may affect decisions on investors and stakeholders. 4. The directors of the Company participate in further education from time to time. 5. The Company has purchased liability insurance for its directors. 6. Quality assurance and after-sales services are provided for the Company's products, and product liability insurance is purchased to protect the rights and interests of consumers.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
IX. Please explain what has been improved on the results of the corporate governance evaluation issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and the proposals of priority enhancements and measures for those that have not yet improved. The improvement of the Company's corporate governance evaluation results released in the most recent year (2022) is described as follows: The Company conducted a self-assessment of corporate governance in 2022, and the evaluation results were [66%-80%] in the [TPEx-Listed Company Group]. The Company adheres to the spirit of excellence and convenes meetings among relevant regional departments from time to time to continuously promote and optimize relevant indicators, especially on strengthening information disclosure and providing more transparent information and effective communication channels.				

(IV) Composition, responsibilities and operation of the Remuneration Committee

I. Information of Compensation Committee members

(1) Information of Compensation Committee Members

March 31, 2023

Identity type (Note 1)	Name / Criteria	Professional qualifications and experience (Note2)	Independence status (Note 3)	Number of positions as Compensation Committee member in other public companies
Independent director (Convener)	Li-Rong Hong	Please refer to page 20 for the relevant content of Directors' Information (1)	Please refer to page 20 for the relevant content of Directors' Information (1)	2
Independent director	Yean-Der Kuan			0
Independent director	Wen-An Yang			2
Independent director	Ming-Bing Chen			0

Note 1: Please specify in the form the relevant length of service, professional qualifications, experience and independence of the members of the Compensation Committee; if the member is an independent director, it can be marked to refer to (I) of Table 1 Information of Directors and Supervisors on page OO. For the identity type, indicate whether the person is an independent director or others (please note if the convener).

Note 2:Professional qualifications and experience**:** describe the professional qualifications and experience of individual members of the Compensation Committee.

Note 3: Compliance with independence: describe the compliance with independence of the members of the Compensation Committee, including but not limited to whether the member, his/her spouse or relatives within the second degree of kinship have served as directors, supervisors or employees of the Company or its affiliated enterprises; the number and proportion of shares of the Company held by the member, his/her spouse or relatives within the second degree of kinship (or in the names of others), and whether they have served as directors, supervisors, or employees of any company that has a specific relationship with the Company (refer to subparagraphs 5 to 8, paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Securities Dealer); the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the Company or its affiliates in the past 2 years.

Note 4: For the disclosure method, please refer to the Best Practice Reference Examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

II. Information on the operation status of the Compensation Committee

(I) There are 4 members on the Compensation Committee of the Company.

(II) Term of office of the current members: From July 20, 2021 to July 19, 2024. In the most recent year, the Compensation Committee held 3 meetings (A) and the qualifications and attendance status of the members are as follows:

Position	Name	Number of attendance in person (B)	Number of proxy attendance	Actual attendance rate (%) (B/A) (Note)	Notes
(convener)	Li-Rong Hong	3	0	100%	Newly elected on July 20, 2021
Member	Yean-Der Kuan	3	0	100%	Re-elected on July 20, 2021
Member	Wen-An Yang	3	0	100%	Newly elected on July 20, 2021
Member	Ming-Bing Chen	3	0	100%	Newly elected on July 20, 2021

Other mandatory disclosures:

I. If the Board of Directors does not adopt or amend the suggestion of the Compensation Committee, state the date, session number, content of the motion, resolution of the Board of Directors and the Company's handling of the opinions of the Compensation Committee (if the remuneration passed by the Board of Directors is superior to the suggestion of the Compensation Committee, state the difference and the reason): None

II. For the resolutions of the Compensation Committee, if any member has an objection or reservation with the record or written statement in place, state the date of the Compensation Committee meeting, the session number, the contents of the motion, the opinions of all members and the handling of member opinions:

Compensation Committee	Date of meeting	Proposal content and subsequent handling	Results of Resolutions	The Company's handling of the opinions of the Compensation Committee
3rd meeting of the 5th Session	2022.11.09	1. Kuen Ling Machinery Refrigerating Co., Ltd. Employee Stock Ownership Trust Company allocation of funds for eligible managerial officers.	All members of the committee agreed to pass.	Submitted to the Board of Directors on November 09, 2022 and approved by resolution.

Compensation Committee	Date of meeting	Proposal content and subsequent handling	Results of Resolutions	The Company's handling of the opinions of the Compensation Committee
4th meeting of the 5th Session	2022.12.27	1. 2022 year-end bonus distribution principle and intended distribution plan for managerial officers. 2. Establishment and appointment of the "Corporate Governance Officer" of the Company. 3. Discussed the promotion and salary adjustment of the Company's managerial officers. 4. Reviewed the Company's policies, systems, standards and structures for evaluating the performance and remuneration of directors and managers for 2023.	All members of the committee agreed to pass.	Submitted to the Board of Directors on December 27, 2022 and approved by resolution.
5th meeting of the 5th Session	2023.03.22	1. Approved the compensation to employees and remuneration to directors and supervisors for 2022. 2. 2022 Summary report of self-assessment of the Board of Directors and functional committees.	All members of the committee agreed to pass.	Submitted to the Board of Directors on March 22, 2023 and approved by resolution.

III. The Committee shall faithfully perform the following functions and powers with the attention of a good manager, and submit its suggestions to the Board of Directors for discussion:

1. Formulate and regularly review the policies, systems, standards and structures for the performance evaluation and remuneration of directors and managers.
2. Periodically evaluate and determine the salaries of directors and managers.
3. When performing the functions and powers in the preceding paragraph, the Committee shall follow the principles below:

(1) For the performance evaluation and salary of directors and managers, reference shall be made to the normal level of payment in the industry, while considering the connection with personal performance, company operating performance and future risks and the rationality.

(2) Directors and managers should not be led to engage in any behavior that exceeds the Company's risk appetite for the pursuit of higher salaries.

(3) The proportion of dividends paid for the short-term performance of directors and senior managers and the timing of payment of variable salaries should be determined after considering industry characteristics and the nature of the Company's business.

The salary and compensation referred to in the two preceding paragraphs include employee remuneration, pension, severance pay, various allowances and other measures with substantial rewards.

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

Promotion items	Status of implementation			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (or one holding concurrent positions) unit to promote sustainable development, with the Board of Directors authorizing the senior management to manage the organization which is supervised by the Board of Directors?		V	The Company has not set up a full-time (part-time) unit to promote corporate social responsibility.	No material difference.
II. Has the Company conducted a risk assessment on environmental, social, and corporate governance issues that are relevant to its operations and implemented risk management policies or strategies based on principles of materiality?	V		The Company adheres to the business philosophy of "service, innovation, integrity and care" and the materiality principle. While pursuing the sustainable operation and profit of the enterprise, it performs its corporate social responsibility, pays attention to the rights and interests of stakeholders, pays attention to the issues of environment, society and corporate governance, and incorporates them into the Company's management policies and operating activities to achieve the goal of sustainable operation.	No material difference.

<table>
<tr><td>III. Environmental issues
(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?</td><td>V</td><td></td><td>(I) All of our plants and subsidiaries have established environmental management systems in accordance with ISO 14001 and are working toward the goal of saving and reducing pollution and continuously improving environmental quality to further achieve the Company’s goal of sustainable development. (Please refer to Page 120 of the report for more detail)</td><td>No material difference.</td></tr>
<tr><td>(II) Is the Company committed to achieving efficient use of resources and does it use recycled materials with less impact on the environment?</td><td>V</td><td></td><td>(II) The Company promotes the reduction of power consumption by turning off the power when not used. The Company has also promoted the use of paperless workflow and electronic sing-off processes to limit the amount of paper used, and has reviewed existing equipment and formulated a replacement plan for energy-saving equipment in order to reduce the impact on the environment. The production process of our products mostly involves assembly, so there are no pollution and waste that may cause environmental impact. (Please refer to Page 120 of the report for more detail)</td><td></td></tr>
<tr><td>(III) Does the Company evaluate its potential risks and opportunities due to climate change now and in the future, and take corresponding measures to respond to climate related issues?</td><td>V</td><td></td><td>(III) The Company is concerned about the issue of climate change, and is constantly aware of the movement of domestic and foreign regulations to identify the risks and opportunities brought by climate change and has prepared the following plans to address the risks of climate change:
<table><tr><th>Climate Risk</th><th>Climate Opportunities</th><th>Countermeasures</th></tr><tr><td>Unstable supply of hydropower, impact on production and increase in operating costs</td><td>Improve water resource efficiency to reduce the impact of disasters on production</td><td>Reduce annual per capita water consumption by 10L/person, adjust water consumption and install water saving devices and strengthen management and timely inspection.</td></tr></table></td><td>No material difference.</td></tr>
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<tr><td></td><td></td><td></td><td>
<table>
<tr><td>Typhoons, floods, and droughts affect production, resulting in financial losses and decreased revenue.</td><td>Enhance natural disaster response capabilities, strengthen climate resilience and reduce the chance of operating disruption and possible losses.</td><td>Establish a comprehensive water monitoring mechanism so that production is not affected by water shortages or outages. Emergency response training to reduce disaster losses</td></tr>
<tr><td>Rising temperature increases electricity consumption and increases costs and carbon emissions.</td><td>Promote low-carbon green production, save electricity and costs.</td><td>Energy-saving electricity consumption, the target of reducing electricity consumption by 5KWH/year per NT$10,000 of output value. The lights go out when people leave; the equipment stays off when not used.</td></tr>
<tr><td>Greenhouse gas emissions, carbon reduction equipment settings.</td><td>Promote energy saving efficiency, recycle and re-use, save cost.</td><td>Maximize paperless processes; print unimportant documents with recycled paper.</td></tr>
</table>
</td><td></td></tr>
<tr><td>(IV) Did the Company prepare statistics on its greenhouse gas emissions, water consumption and the total weight of waste for the past two years, and formulate</td><td></td><td>V</td><td>(IV) The Company has not yet developed a greenhouse gas reduction strategy.
However, in terms of energy saving and carbon reduction, greenhouse gas reduction and reduction of water consumption or</td><td>No material difference.</td></tr>
</table>

policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?			other waste management policies, the Company has been thoroughly implementing them for years. We adjust electricity in a timely manner according to electricity demand in order to achieve the purpose of energy saving and carbon reduction. 1. Office energy-saving measures: (1) Adjust the air conditioners and set the constant temperature at 26°C with the seasons to reduce the power load. Employees also turn off the computer, air conditioner and lighting power when not in use. (2) The office lighting is fully from LEDs, which not only reduce the heat of the light source, but also achieve the purpose of energy saving. 2. Energy-saving measures for the computer room: Server virtualization is promoted to save power and the life of related equipment. 3. Water-saving measures: The water supply device is equipped with a frequency converter to stabilize the water pressure, and the water-saving valve is used to effectively reduce the unnecessary waste of water. 4. Others: (1) Continuing to promote the electronic document management system to reduce the use of paper, and increasing the use of recycled paper. (2) Implementing the recycling management and resource classification of waste such as kitchen waste, iron, aluminum and glass cans, waste paper and plastic bottles, and assigning professionals to handle and classify the waste.	
IV. Social issues (I) Has the Company formulated relevant management policies and procedures according to relevant laws and regulations and the international covenants of human	V		(I) The Company recognizes and voluntarily complies with internationally recognized human rights standards such as the United Nations Universal Declaration of Human Rights, the United Nations International Labor Organization, the United	No material difference.

rights?			Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights. In accordance with the Labor Standards Act, the Act of Gender Equality in Employment, the Regulations for Implementing Unpaid Parental Leave for Raising Children, the Labor Pension Act and other relevant laws and regulations, the Company provides employees with various legal rights and interests, and has formulated management regulations which are approved by the Labor Bureau of Kaohsiung Municipal Government for employees to follow.	
(II) Has the Company established and implemented reasonable employee benefit measures (including remuneration, leaves and other benefits) and adequately reflected the operating performance or result to the employee remuneration?	V		(II) The Company has established various employee salary and welfare measures (including quarterly bonuses, birthday gifts, special leave and parental leave) in accordance with the law. The Company has also established an Employee Welfare Committee, an Employee Stock Option Trust and organizes incentive trips, group recreational activities and employee health checkups from time to time each year to safeguard the physical and mental health of employees. Please refer to page 126 for detailed employee welfare benefit policy descriptions. The Company's year-end bonus system is based on the year-end bonus payment method and the EPS value of the current year as the basis for calculating the basic year-end bonus days, which are distributed to all employees after duly considering their seniority and annual performance evaluation to motivate all employees to jointly work together for the Company's established goals. Article 20-1 of the Company's Articles of Incorporation: The Company shall distribute employees' remuneration at a rate of 3% to 7%, and directors' remuneration at a rate of no more than 3% based on the profit of the current year. However, the cumulative loss, if any, shall be offset first. Employees'	No material difference.

			remuneration may be paid in stock or cash, and may be paid to employees of affiliated companies who meet certain conditions.	
(III) Has the Company provided a safe and healthy working environment for employees, and regularly implemented safety and health training for employees?	V		(III) The Company follows labor related measures in the handling of the safety and health education, disaster prevention training and health examination necessary for employees' work; In terms of physical health, staff health checks are held regularly every year, and workplace health education advocacy is carried out in cooperation with the competent authorities in conjunction with the national health education policy to implement workplace influenza vaccination, which passed the health certification of the National Health Administration of the Ministry of Health. On job security, employees' emergency response ability and safety concept is developed through training and diversity advocacy on the bulletin board to ensure personal safety.(Please refer to Page 69~71 and Page 123 of the report)	
(IV) Has the Company established effective career development training plans for employees?	V		(IV) The Company regularly conducts personnel capability check and professional and general training for employees in order for operation and future development planning. (Please refer to Page 124 of the report)	
(V) Regarding product and service issues such as customer health and safety, customer privacy, and marketing and labelling, does the Company follow relevant regulations and international standards, and has it formulated relevant consumer or customer rights protection policies and grievance procedures?	V		(V) 1. The Company complies with relevant laws and regulations and international standards, and produces standardized products that conform to the area of marketing and bear the trademark that meets relevant certification. 2. The Company adopts process orientation in all processes according to the ISO 9001 system; From pre-sale and in-sale management to after-sales service, the process is customer demand-oriented and a circular system is formed through customer feedback to achieve a complete customer service system. The Company also has specially-assigned personnel and e-mail to handle issues related to complaints about consumer rights and interests:	

			e-mail:klmain@kuenling.com.tw	
(VI) Has the Company formulated a vendor management policy that requires vendors to comply with relevant regulations on environmental protection, occupational safety and health or labor human rights issues? What is the implementation status?	V		(VI) In accordance with the ISO 9001 management system, the Company shall conduct supplier evaluation before dealing with suppliers and conduct outstanding supplier evaluation every year and list the suppliers to be improved as the basis of evaluation for subsequent transactions. The Company shall also form long-term understanding and communication with suppliers in environmental protection, safety and health issues, to encourage them to improve environmental protection, safety and health performance, in order to carry out the Company's corporate social responsibility	
V. Does the Company prepare a sustainability report or any other report for disclosure of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by the assurance or opinion of a third-party certifier?		V	The Company has not yet prepared an "ESG Report".	No material difference.
VI. If the Company has formulated in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies," please describe the differences of the operations between them: The Company has not yet formulated its sustainable development best practice principles, but as a corporate citizen, it is also committed to the practice of corporate governance, corporate commitment, environmental protection and community participation to give back to the society and strive for its sustainable operations.				
VII. Other important information helpful to understand the promotion of sustainable development: 1. Community participation: The Company engages with the surrounding community, actively gives back to society and participates in community activities, such a s scholarships for adjacent elementary schools, local public offices and local assembly activities, so as to perform its social responsibilities well. 2. Social welfare: 2.1 The Company actively participates in the donation plan of "Love Library" every year to improve the quality of books in the libraries of counties and cities, and accompany children through a wonderful reading moment. 2.2 The Company regularly offers student scholarships (including scholarships for the financially disadvantaged) every year, and the cooperating schools include Chung Cheng Vocational High School, Kaohsiung Vocational High School, Miaoli Agricultural College,				

Chiayi Vocational High School, Chongshi Vocational High School and Tainan Vocational High School.

2.3 The Company donates mechanical equipment related to refrigeration and air conditioning to vocational schools for teaching and practical operation in school to improve student skills.

2.4 The Company also provides off-campus teaching and internship technology platforms for colleges, technical and vocational colleges, the South District Vocational Training Center, etc.

2.5 The Company regularly contributes to Jinhu Primary School every year to provide students with a good learning environment.

2.6 The Company makes regular annual donations to the Love and Spine Neuropathology Care Association, hoping to help patients and their families to have the courage to face and embrace a life of hope.

3. In case of major social events, both the Company and its employees will try their best to make a contribution.

Scope: The compliance obligations (regulations and other requirements) apply to the promotion scope of the Company's environmental protection, occupational safety and health management system.

Stakeholders	Environmental safety and health needs and expectations	Become a compliance obligation	
		Yes	No
Environmental Protection Agency	Environmental protection regulations in compliance with the requirements of the Environmental Protection Agency	V	
Environmental Protection Bureau	Environmental protection regulations in compliance with the requirements of the Environmental Protection Bureau	V	
Customer	The equipment need to meet customers' customized order requirements	V	
Community	No demand has been reflected at present.		V
Suppliers	No demand has been reflected at present.		V
Shareholders	No demand has been reflected at present.		V
Employees	No demand has been reflected at present.		V
Labor Bureau/Labor Inspection Department of the Kaohsiung Municipal Government	In compliance with relevant laws and regulations on occupational safety.	V	
Fire brigade	In compliance with laws and regulations related to fire protection.	V	
Health Bureau	No demand has been reflected at present.		V

The number of employee disaster cases, number of employees and their ratio to the total number of employees in the current year and relevant improvement measures undertaken:

Month	January	February	March	April	May	June	July	August	September	October	November	December	Average
Total working days (days)	21.0	15.0	23.0	19.0	21.0	21.0	21.0	23.0	21.0	20.0	22.0	22.0	20.8
Total working hours (hours)	30576.0	21120.0	33304.0	27056.0	30072.0	29232.0	29846.0	33120.0	31080.0	29600.0	33440.0	33440.0	30157.2
Total employees (male)	147.0	141.0	146.0	144.0	145.0	139.0	143.0	146.0	151.0	151.0	156.0	156.0	147.1
Total employees (female)	35.0	35.0	35.0	34.0	34.0	35.0	35.0	34.0	34.0	34.0	34.0	34.0	34.4
Overtime hours (hours)	2538.0	1878.5	3328.0	3377.5	30072.0	3401.5	3531.0	3649.5	3140.5	3269.0	2672.5	2254.5	5259.4
Leave hours (hours)	2571.5	3034.0	1658.0	1862.0	2242.0	3218.5	3589.0	2337.0	1941.5	3082.0	2391.5	2525.0	2537.7
Incident Unit (Unit)	None	None	None	None	None	None	None	Processing Unit	None	None	None	None	None
Victims of accidents	None	None	None	None	None	None	None	**1**	None	None	None	0.0	None
Working hours lost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	80.0	0.0	0.0	0.0	1.0	1.8
Accumulated zero-disaster man-hours in the month	30542.5	19964.5	34974.0	28571.5	57902.0	29415.0	29788.0	0.0	32279.0	29787.0	33721.0	33169.5	27464.3
Accumulated zero-disaster man-hours in the year	30542.5	50507.0	85481.0	114052.5	171954.5	201369.5	231157.5	0.0	32279.0	62066.0	95787.0	128956.5	97800.9
Accumulated (zero-disaster) million man-hours	30542.2	50507.0	85481.0	114052.5	171954.5	201369.5	231157.5	0.0	32279.0	62066.0	95787.0	128956.5	97800.9
Disabling Frequency Rate FR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1250.0	0.0	0.0	0.0	0.0	104.2
Disabling Severity Rate SR	0	0	0	0	0	0	0	121	0	0	0	0	10
False-alarm traffic accidents	0	0	0	0	0	0	0	0	0	0	0	0	0.0

Month	January	February	March	April	May	June	July	August	September	October	November	December	Average
Traffic accident unit (unit)	None	None	None	None	None	None	None	None	None	None	None	None	
Victims of traffic accidents	None	None	None	None	None	None	None	None	None	None	None	None	
Lost time injury due to traffic accidents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total injury index	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Number of work safety incidents	0	0	0	0	0	0	0	**1**	0	0	0	0.00	0.1
Period	2022.01.01~2022.12.31												

(VI) Enforcement of ethical corporate management, and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and reasons

Assess criteria	Implementation Status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Establishment of integrity policies and solutions				No material difference.
(I) Has the Company formulated ethical corporate management policies approved by the Board of Directors, and specified the policies and measures in the regulations and documents to the outside? What is the commitment of the Board of Directors and senior management on actively implementing the policies?	V		(I) The Company has established the "Code of Ethical Conduct", the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" which must be submitted to the Board of Directors for approval before implementation. The above-mentioned documents specifically regulate the matters that the Company's employees should pay attention to when performing business, and clearly indicate that they should not accept entertainment, gifts, rebates or other illegal benefits during the performance of their duties. In addition, the Company specified in the "Code of Ethical Conduct" the system of reporting illegal and unethical acts, which is implemented in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.	
(II) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and	V		(II) The Company has adopted preventive management measures for business activities with a higher risk of unethical acts in the scope of business or as described in the second paragraph of Article 7 of	

evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?			the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" in various internal control regulations.	
(III) Has the Company formulated operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviewed and amended it?	V		(III)The Company has established the "Code of Ethical Conduct," the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" and the "Complaint and Whistleblowing Channels for Ethical Corporate Management Procedures" which regulate the handling units, the reporting channels and the complaint or reporting processing process in detail and reviews and revises them according to the actual operation situation while taking into account the change of external laws and regulations. The relevant specifications are published on the Company's internal website for employees to check at any time. Once it is confirmed that an employee commits any violation, the Company will punish him/her in accordance with the Rewards and Punishment Regulations in the "Employee Handbook." If the circumstances are serious, the employee will be sent to the judicial unit for further investigation.	
II. Enforcement of business integrity (I) Does the Company evaluate the integrity record of its trading partners, and specify the terms of integrity behavior in the contract signed with the trading partners?	V		(I) When conducting business activities, the Company will first evaluate the legitimacy and credibility of the customers and suppliers before conducting transactions with them, and conduct credit evaluation to avoid dealing with those who have unethical acts. In addition, the Company requires important suppliers and contractors who have dealings with the Company to sign contracts	No material difference.

			which clearly stipulate the compliance with integrity commitment. If there is any unethical behavior, the contract may be immediately terminated or rescinded.	
(II) Has the Company set up a special unit under the Board of Directors to promote the integrity of the enterprise, and regularly (at least once a year) reported to the Board of Directors on its ethical corporate management policy and prevention of unethical behavior program? What is the status of supervision and implementation?		V	(II) The Company has designated the administration unit and the Auditor's Office to be responsible for the formulation and supervision of the integrity management policies and preventive programs and will consider the establishment of a special unit under the Board of Directors in the future depending on actual needs. At present, if any unethical behavior is found, the Auditor's Office will submit a report to the independent director and the Board of Directors.	
(III) Does the Company have the policy to prevent conflict of interest, provide appropriate channels for an explanation, and implement it?	V		(III)The Company's "Code of Ethical Conduct," the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" specify policies to prevent conflicts of interest and provide appropriate channels of presentation and require the relevant units of the Company to implement them. The "Regulations Governing the Meetings of the Board of Directors" established by the Company also provides for the recusal of directors' to avoid conflicts of interest in order to further implement the policy of recusal for conflicts of interests. In addition, at each meeting of the Board of Directors, if there is a motion that involves recusal for conflicts of interest, the Company is reminded again by the Chairman of the Board of Directors to ask the interested party to recuse himself/herself before the motion is read. In 2022, six Board meetings were held, all of which were conducted in accordance with the "Regulations Governing the Meetings of the Board of Directors." .	
(IV) Does the Company implement ethical corporate management by establishing an effective accounting system and internal	V		(IV) In order to ensure the implementation of ethical operation, the Company has established an effective accounting system and internal control system. The internal auditors regularly check the	

control system, and have an internal audit unit to plan and conduct periodic audits on the compliance status of the programs that prevent the unethical conduct according to the unethical conduct risk assessment result, or appoint a CPA to perform the audit? (V) Does the Company regularly organize internal and external education and training on ethical corporate management?	 V		compliance with the system referred to in the preceding paragraph, and formulate an annual internal audit plan to verify the compliance, and submit a report to the Board of Directors. (V) In order to implement the Company's corporate culture - being proactive, honest and pragmatic, innovative and learning, the Company regularly holds weekly and monthly meetings, and employees will customize their reports sharing topics related to the corporate culture.	
III. Whistleblowing system (I) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters? (II) Has the Company established standard operating procedures for investigating the complaints received, follow-up measures to be taken after the investigation, and the relevant confidentiality mechanism? (III) Has the Company taken measures to protect whistleblowers from being improperly treated due to whistleblowing?	 V V V		(I) The Company has set out the specific whistleblowing and reward system in the "Complaint and Whistleblowing System for Ethical Corporate Management Procedures" and the "Employee Handbook" respectively, and clearly stipulated that the administrative management unit and the Auditor's Office are the special units to accept whistleblowing and complaints. The Company also clearly prescribes the whistleblowing channels and handling windows for internal and external personnel in the stakeholders section of the Company's official website. (II) The Company's "Complaint and Whistleblowing System for Ethical Corporate Management Procedures" clearly stipulates the standard operating procedures for the investigation of the accused matters, the follow-up measures to be taken after the investigation, and the relevant confidentiality mechanism. (III) In the "Complaint and Whistleblowing System for Ethical Corporate Management Procedures", the Company clearly stipulates the following protection for whistleblowers: 1. The safety of the whistleblower shall be protected. If the whistleblower is an employee of the Company, the Company	 No material difference.

			shall promise to protect him/her from improper treatment due to whistleblowing. 2. The personnel in charge of the case shall strictly keep confidential the identity of the whistleblower and the whistleblowing contents.	
IV. Enhanced information disclosure Does the Company disclose the information concerning the contents and achievements of its Ethical Corporate Management Best Practice Principles on its website as well as on the Market Observation Post System?	V		The Company has disclosed information related to ethical corporate management operation on its official website, and set up various contact zones to provide transparent information and communication channels.	No material difference.
V. If the Company has established its Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe the difference in the operation: The Company has established there "Ethical Corporate Management Best Practice Principles", the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" and the "Complaint and Whistleblowing Channels for Ethical Corporate Management Procedures", and published them on the Company's website for employees to consult and follow at any time. Once any internal and external unethical behavior is identified, the relevant units or the management will immediately start the investigation procedure in accordance with the relevant regulations. There is no significant difference between the Company's operation and the established Principles.				
VI. Any other important information that helps to understand the operation status of the Company's ethical corporate management (such as the Company's review and amendment to its Ethical Corporate Management Best Practice Principles) The Company operates in strict accordance with the provisions of the Company Act, the Securities and Exchange Act and other relevant laws and regulations of TWSE and TPEx, and as the basis of the implementation of ethical corporate management. The Company prohibits any unethical conduct with trading counterparts in external business transactions. The Company's relevant regulations on ethical corporate management and internal control system adopt a self-monitoring mechanism, and the Company will take corrective action once an unethical conduct or deficiency is identified.				

(VII) If the Company has established the Code of Practice for Corporate Governance or other relevant regulations, disclose the inquiry method:

1. The Company has formulated the following rules and regulations in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies":
   (1) Articles of Incorporation
   (2) Code of Ethical Conduct
   (3) Rules of Procedure for Shareholders' Meetings
   (4) Rules of Procedure for Board of Directors
   (5) Procedures for Endorsements and Guarantees
   (6) Regulations Governing the Election of Directors
   (7) Acquisition and Disposal of Assets
   (8) Procedures for Derivative Trading
   (9) Organizational Rules of the Compensation Committee
   (10) Operational Procedures for Lending Funds to Other Parties
   (11) Rules Governing the Scope of Responsibilities of Independent Directors
   (12) Corporate Governance Best Practice Principles
   (13) Administrative Measures for Preventing Insider Trading
   (14) Self-or Peer Assessment Method of the Board of Directors
   (15) Standard Operating Procedures for Handling Directors' Requirements
   (16) Ethical Corporate Management Best Practice Principles
   (17) Operating Procedures and Conduct Guidelines for Ethical Corporate Management
   (18) Complaint and Whistleblowing Channels for Ethical Corporate Management Procedures
   (19) Management Regulations of the Audit Committee Meetings
   (20)Procedures for Handling Material Internal Information

2. Query method: The Company's financial business and corporate governance information is disclosed on its website http://www.kuenling.com.tw/.

(VIII) Other important information sufficient to enhance the understanding of the operations of corporate governance may be disclosed at the same time:

1. The Company's important information is published at the Market Observation Post System http://mops.twse.com.tw/ in accordance with the regulations of the competent authority

2. Continuing education of directors, supervisors and independent directors in 2022

Position	Name	Date of taking office	Initial date of taking office	Date of study From	Date of study To	Hosting unit	Course name	Training hours	Total hours of study in the current year
Director	Chung-Kuo Tseng	2021/07/20	2000/07/28	2022/10/11	2022/10/11	Accounting Research and Development Foundation	Corporate Fraud Investigation Practices and Case Studies	6.0	6.0
Director	Rung-Pin Yeh	2021/07/20	2000/07/28	2022/09/28	2022/09/28	Accounting Research and Development Foundation	Analysis of the Latest Corporate Governance Policies and Corporate Governance Evaluation Practices	3.0	8.0
				2022/08/25	2022/08/25	Taipei Exchange	Insider Equity Advocacy Seminar for TPEx and Emerging Stock Market-Listed Companies	3.0	
				2022/07/07	2022/07/07	Taipei Exchange	Sustainable Development Pathway Industry Theme Promotion Meeting	2.0	
Director	Wen-Chi Ko	2021/07/20	2021/07/20	2022/08/30	2022/08/30	Institute of Internal Auditors - Chinese Taipei	How Auditors Detect Fraud in Financial Statements	6.0	8.0
				2022/07/13	2022/07/13	Taipei Exchange	Sustainable Development Pathway Industry Theme Promotion Meeting	2.0	
Director	Ming-Cheng Wu	2021/07/20	2021/07/20	2022/08/25	2022/08/25	Securities and Futures Institute	Advanced Seminar for Directors and Supervisors and Heads of Corporate Governance - Introduction to Short-Term Trading by Corporate Insiders	3.0	6.0
				2022/08/25	2022/08/25	Taipei Exchange	Insider Equity Advocacy Seminar for TPEx and Emerging Stock Market Listed Companies	3.0	
Representative of corporate director	Chi-Tseng Peng	2021/07/20	2018/05/23	2022/12/23	2022/12/23	Taiwan Investor Relations Association	From Core Key Technology Control to Global Artificial Intelligence Governance	3.0	6.0
				2022/08/15	2022/08/15	Taiwan Investor Relations Association	Global Economic Outlook for the Second Half of 2022	3.0	

<table>
<tr><th rowspan="2">Position</th><th rowspan="2">Name</th><th rowspan="2">Date of taking office</th><th rowspan="2">Initial date of taking office</th><th colspan="2">Date of study</th><th rowspan="2">Hosting unit</th><th rowspan="2">Course name</th><th rowspan="2">Training hours</th><th rowspan="2">Total hours of study in the current year</th></tr>
<tr><th>From</th><th>To</th></tr>
<tr><td rowspan="3">Independent director</td><td rowspan="3">Li-Rong Hong</td><td rowspan="3">2021/07/20</td><td rowspan="3">2014/05/08</td><td>2022/10/14</td><td>2022/10/14</td><td>Taiwan Corporate Governance Association</td><td>Trends and Challenges in Information Security Governance</td><td>3.0</td><td rowspan="3">9.0</td></tr>
<tr><td>2022/09/16</td><td>2022/09/16</td><td>Taiwan Corporate Governance Association</td><td>Key Duties and Responsibilities of Directors and Supervisors</td><td>3.0</td></tr>
<tr><td>2022/04/22</td><td>2022/04/22</td><td>Taiwan Institute for Sustainable Energy</td><td>Taishin 30 Sustainable Net Zero Summit Forum - Transform to Net Zero</td><td>3.0</td></tr>
<tr><td>Independent director</td><td>Yean-Der Kuan</td><td>2021/07/20</td><td>2019/05/23</td><td>2022/09/02</td><td>2022/09/02</td><td>Accounting Research and Development Foundation</td><td>The latest revision of the “Internal Control Standards” and “Information Security” Compliance and Fraud Prevention Practices</td><td>6.0</td><td>6.0</td></tr>
<tr><td>Independent director</td><td>Ming-Bing Chen</td><td>2021/07/20</td><td>2021/07/20</td><td>2022/08/16</td><td>2022/08/16</td><td>Accounting Research and Development Foundation</td><td>Internal Auditors’ Audit Control Practices on “Information Security</td><td>6.0</td><td>6.0</td></tr>
<tr><td rowspan="2">Independent director</td><td rowspan="2">Wen-An Yang</td><td rowspan="2">2021/07/20</td><td rowspan="2">2008/06/12</td><td>2022/11/29</td><td>2022/11/29</td><td>National Federation of CPA Associations of the R.O.C.</td><td>(Taipei) Sustainable Carbon Accounting Management</td><td>3.0</td><td rowspan="2">6.0</td></tr>
<tr><td>2022/11/24</td><td>2022/11/24</td><td>National Federation of CPA Associations of the R.O.C.</td><td>Analysis of Company Act and Company Registration Practices</td><td>3.0</td></tr>
</table>

3. Continuing Education of Managerial Officers in 2022

Position	Name	Date of taking office	Initial date of taking office	Date of study		Hosting unit	Course name	Training hours	Total hours of study in the current year
				From	To				
Chairman and General Manager	Chung-Kuo Tseng	2021/07/20	2000/07/28	2022/10/11	2022/10/11	Accounting Research and Development Foundation	Corporate Fraud Investigation Practices and Case Studies	6.0	6.0
Chief Financial Officer	Li-Ling Su	2003/10/24	2003/10/24	2022/06/16	2022/06/17	Accounting Research and Development Foundation	Continuing Education Course for Accounting Supervisors of Issuers, Securities Firms and Stock Exchanges	12.0	12.0

4. The Company's financial information personnel who have obtained certificates and licenses designated by the competent authorities are as follows:

None of the Company's financial information personnel have obtained certificates and licenses designated by the competent authorities; however, they will continue to study at the following institutions and obtain test results and certificates.

1. Test of Corporate Internal Control held by the Securities and Futures Institute: 2 persons from the Audit Department
2. Basic Ability Test held by the Accounting Research and Development Foundation: 3 persons from the Financial Department

(IX) Disclosures relating to the execution of internal control system:

1. Internal Control System Declaration

Date: March 22, 2023

The Company hereby declares the following on its 2022 internal control system based on the results of the self-assessment performed:

(1)The Company understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and managers, and such a system has already been established by the Company. With the purpose to provide reasonable assurance of achievement of objectives such as the effect and efficiency of operations (including profitability, performance and asset security protection), reporting reliability, timeliness, transparency, and compliance with relevant norms and relevant laws and regulations.

(2)The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the three objectives above; besides, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the internal control system of the Company features a self-monitoring mechanism that enables the Company to immediately rectify any deficiencies upon discovery.

(3)The Company judges the effectiveness of the design and implementation of the internal control system based on the provisions of the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as the “Regulations”. The judgment items adopted in the”Regulations” on the internal control system are based on the management and control process, and the internal control system is divided into five components: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervision operations. Each component in turn includes several items. Please refer to “The Governing Principles” for details.

(4)The Company has adopted the internal control system judgment items above to evaluate the effectiveness of the design and implementation of the internal control system.

(5)Based on the evaluation results in the preceding paragraph, the Company believes that its internal control system as of December 31, 2022 (including the supervision and management of subsidiaries), including understanding the effect of operations and the degree to which efficiency goals are achieved, the report is reliable, timely and transparent and complies with relevant norms and relevant laws and regulations; the design and implementation of the internal control system are effective, which can reasonably ensure the achievement of the objectives above.

(6)This declaration constitutes part of the Company’s annual report and prospectus and shall be disclosed to the public. If the disclosed contents above are false or contain concealment or other illegal activities, it will involve legal liabilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

(7)This declaration was approved by the Board of Directors of the Company on March 22, 2023. None of the 9 directors present disagreed and all agreed with the contents of this declaration.

Kuen Ling Machinery Refrigerating Co., Ltd.

Chung-Kuo Tseng, Chairman

Chung-Kuo Tseng, General Manager

2. If an external CPA reviewed the internal control system, the result of such review must be disclosed: Not applicable.

(X) For the most recent year and up to the date of printing of the annual report, if the Company and its internal personnel have been punished according to law, or the Company has punished its internal personnel for violating the provisions of the internal control system, and the punishment results may have a significant impact on shareholders' equity or securities prices, the punishment contents, main deficiencies and improvement status shall be listed: None.

(XI) Major resolutions passed in shareholder meetings and Board of Directors held in 2022 and up to the publication date of the annual report:

1. Implementation of the resolutions of the 2022 general shareholders' meeting (May 26, 2022):

No.	Resolution	Results of Resolutions	Status of implementation
1	Recognition of the business report and financial report of 2021.	Number of affirmative voting rights (including electronic voting): 54,422,843, accounting for 99.90% of the total. The number of dissenting voting rights: 42,501, the number of invalid voting rights: 0 and the number of abstention and non-voting rights: 9,042. This proposal was passed according to the proposal submitted by the Board of Directors.	Relevant operations are handled according to resolution.
2	Recognition of the profit distribution plan of 2021.	After voting (including electronic voting), the number of affirmative voting rights was 54,419,843, accounting for 99.89% of the total, the number of dissenting voting rights 45,501, the number of invalid voting rights: 0. and the number of abstention/non-voting rights: 9,042. This proposal was passed according to the proposal submitted by the Board of Directors.	The ex-dividends date was June 20, 2022, and the cash dividend was fully paid on July 13, 2022. (Cash dividends of NT$1.8 per share)
3	Pass the amendment to some articles of the "Articles of Incorporation".	After voting (including electronic voting), the number of affirmative voting rights was 54,294,843, accounting for 99.67% of the total, the number of dissenting voting rights: 162,501, the number of invalid voting rights: 0 and the number of abstention/non-voting rights:17,042. This proposal was passed according to the proposal submitted by the Board of Directors.	It was announced on the Company's website on June 1, 2022 and handled in accordance with the revised procedures and was approved for registration by the Ministry of Economic Affairs on June 8, 2022
4	Passed the amendment to some articles of the Company's "Procedures for Acquisition or	After voting (including electronic voting), the number of affirmative voting rights was 54,414,843 , accounting for 99.89% of the total, the	It was announced on the Company's website on June 1, 2022 and handled in

No.	Resolution	Results of Resolutions	Status of implementation
	Disposal of Assets".	number of dissenting voting rights was 42,501, the number of invalid voting rights was 0 and the number of abstention/non-voting rights was 17,042. This proposal was passed according to the proposal submitted by the Board of Directors.	accordance with the revised procedures.

2.The Company held 6 Board of Directors in 2022 and up to the date of printing of the annual report and a summary of the important resolutions passed is as follows:

Date of meeting	Session number	Important resolution
2022.05.10	The 6th meeting of the 14th Session	1. Approval of the Company's consolidated financial statements for the first quarter of 2022
2022.05.26	The 7th meeting of the 14th Session	1. Approved to set the ex-dividends date of FY2021 earnings distribution. 2. Approved to set the schedule for greenhouse gas inventory and verification of the parent company.
2022.08.09	The 8th meeting of the 14th Session	1. Approved the consolidated financial statements for the second quarter of 2022. 2. Approved the amendment of certain provisions of the Company's "Corporate Governance Best Practice Principles." 3. Approved the addition of a bank credit limit proposal. 4. Approved the change in the appointment of attesting CPAs effective from the third quarter of 2022 in accordance with the internal administrative restructuring of the accounting firm.
2022.11.09	The 9th meeting of the 14th Session	1. Approved the Company's consolidated financial statements for the third quarter of 2022. 2. Approved the establishment of the "Employee Stock Ownership Trust" and the appropriation of the Company's deposit for eligible managerial officers. 3. Approved the addition of the "Procedures for Handling Internal Material Information" of the Company. 4. Passed the amendment to some articles of the Company's "Organizational Rules of the Compensation Committee" and internal control system's "Management of the Proceedings of the Remuneration Meeting". 5. Approved the proposed amendment to certain provisions of the Company's internal control system on "Management of the Financial Statement Preparation Process, Management of the Application of IFRSs, Accounting Professional Judgment Process and Accounting Policy and Estimate Change Process."

Date of meeting	Session number	Important resolution
		6. Amendment to certain articles of the Company's "Rules of Procedure of the Board of Directors Meetings" and the internal control system's "Management of the Proceedings of the Board of Directors."
2022.12.27	The 10th meeting of the 14th Session	1. Approved the internal audit plan for 2023. 2. Approved the Business Plan and Financial Budget for 2023. 3. Approved the loan amount from banks for 2023. 4. Approved the principle and estimated payment of year-end bonuses to managerial officers for 2023. 5. Approved the establishment and appointment of Corporate Governance Officer of the Company. 6. Approved the promotion and salary adjustment of the Company's managerial officers. 7. Approved the policy, system, standards and structure of performance evaluation and remuneration for directors and managerial officers for 2023. 8. Approved the release of the Company's managers from non-compete restrictions.
2023.03.22	The 11th Meeting of the 14th Session	1. Approved the compensation to employees and remuneration to directors and supervisors for 2022. 2. Approved the 2022 Business Report and Financial Statements. 3. Approved the distribution of earnings for 2022. 4. Approved the evaluation of the effectiveness of the internal control system and the issuance of the statement of internal control system for 2022. 5. Approved the evaluation of the independence and suitability of attesting CPAs for 2023. 6. Approved the appointment of the attesting CPA for 2023. 7. Approved the amendment of certain provisions of the Company's Rules of Procedure of the Shareholders' Meetings. 8. Approved the proposal to convene the 2023 Annual General Meeting of Shareholders of the Company. 9. Approved the proposal of shareholders at the 2023 Annual General Meeting of Shareholders. 10. Approved the proposal to establish the timeline schedule for greenhouse gas inventory and verification of the Group (including subsidiaries).

(XII) If the directors or supervisors have different opinions on the important resolutions adopted by the Board of Directors in the most recent year and up to the publication date of the annual report, and there are records or written statements in place, state the main contents: None.

(XIII) Resignation and dismissal of the Chairman, General Manager, Head of Accounting, CFO, Chief Internal Auditor, Chief Governance Officer and head of R&D in the most recent year and up to the publication date of the annual report: None.

IV. Information on CPA fee

Unit: NT$ thousand

Name of accounting firm	Name of CPA	Period of audit service	Audit fees	Non-audit fees	Total	Notes
PwC Taiwan	Chun-Kai Wang	2022	3,520	1,049	4,569	Non-audit fees, transfer pricing report, business registration
	Chian-Chi Wu					

Note 1: If the Company has changed its CPA or accounting firm in the year, separately list the audit period, explain the reasons for the change in the notes column, and disclose the audit and non-audit fees paid in order.

Note 2: Non-audit fees shall be listed separately by service items. If the "Others" of non-audit fees reaches 25% of the total amount of non-audit fees, the service contents shall be listed in the notes column.

(I) For the non-audit fees paid to the CPA, the CPA's accounting firm and/or any of its affiliated enterprises, if the amount reaches one quarter of the audit fees paid, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: 2022 transfer pricing report.

(II) If the Company changed the accounting firm and the audit fees paid for the year when such the change took place are lower than those of the previous year, the amounts of the audit fees before and after the change and the reason(s) shall be disclosed: None.

(III) For any reduction in audit fee by more than 10% compared to that of the previous year, state the amount, percentage, and reason of such variation: None.

V. Information on replacement of CPA: Not applicable.

VI. If any of the Company's Chairman, General Manager, or financial or accounting manager was employed by the certifying CPA's accounting firm or any of its affiliated company within the most recent year, disclose the person's name, job title and the duration of service at the certifying CPA's accounting firm or its affiliated companies. The term "affiliated enterprises of the CPA's accounting firm" refers to companies or institutions in which the CPA's accounting firm holds more than 50% of the shares or obtains more than half of their directors' seats, or which are listed as affiliated enterprises in the data published or printed by the CPA's accounting firm: No such situation.

VII. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest in the last year and up to the publication date of the annual report.

(I) Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest

Title	Name	2021		As of April 15, 2023		Notes
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	
Chairman and General Manager	Chung-Kuo Tseng	0	0	0	0	
Director	Rung-Pin Yeh	0	0	(1,000,000)	0	
Director	TECO Electric & Machinery Co., Ltd.	0	0	0	0	
Director	Wen-Chi Ko	0	0	0	0	
Director	Ming-Cheng Wu	311,000	0	168,000	0	
Independent director	Yean-Der Kuan	0	0	0	0	
Independent director	Li-Rong Hong	0	0	0	0	
Independent director	Wen-An Yang	0	0	0	0	
Independent director	Ming-Bing Chen	0	0	0	0	
Shareholders holding more than 10% of the shares	TECO Electric & Machinery Co., Ltd.	0	0	0	0	
Manager	Hsien-Jung Kuo	0	0	0	0	Deputy General Manager, Sales Tech.Department
Manager	Chin-Chung Wu(Note)	0	0	0	0	Deputy General Manager, Sales Department
Manager	Li-Ling Su	0	0	0	0	Assistant Manager, Financial Department

Note: Chin-Chung Wu, Deputy General Manager of Sales Department of the Company, was promoted to the new position of Manager on January 2, 2023.

(II) If the equity transferee or the counterparty is a related party, the name of the counterparty, the relationship with the Company, directors, supervisors and shareholders holding more than 10% of the shares and the number of shares acquired or pledged shall be disclosed.

Information of the equity transferee or the counterparty who is a related party:

None.

VIII. Information about the top-ten shareholders who are related parties, spouses or relatives within the second degree of kinship.

Information of top 10 shareholders who are related parties

As of April 15, 2023; Unit: thousand shares

Name (Note 1)	Self-owned Shares		Shareholding of spouse and underage children		Shareholding under the title of a third party		Title, name and relationship of the top ten shareholders who have mutual relationship as spouse or blood relatives within the second degree of kinship relationships (notes 3)		Notes
	Shares	Share-holding ratio	Shares	Share-Holding ratio	Shares	Share-holding ratio	Name	Relation	
TECO Electric & Machinery Co., Ltd.	11,132	14.62%	-	-	-	-			
Representative: Chwen-Jy Chiu	0	0	-	-	-	-			
Wen-Chi Ko	4,414	5.80%	-	-	-	-			
En Hung Investment Co., Ltd.	3,149	4.14%							
Representative: Shu-Ching Yeh	376	0.49%					Rung-Pin Yeh	Father-daughter	
Rung-Pin Yeh	2,658	3.49%	96	0.13%	-	-	Shu-Ching Yeh	Father-daughter	
Chung-Kuo Tseng	2,423	3.18%	344	0.45%	3,857	5.06%			
Qie Lun Investment Co., Ltd.	2,390	3.14%	-	-	-	-			
Representative: Chung-Kuo Tseng	2,423	3.18%	344	0.45%	3,857	5.06%			
Dian Jiang Jia Investment Co., Ltd.	2,254	2.96%	-	-	-	-			
Representative: Jing-Sung Chen	297	0.39%	-	-	-	-			
Wen-Chi Investment Co., Ltd.	2,229	2.93%	-	-	-	-			
Representative: Wen-Chi Ko	4,414	5.80%	-	-	-	-			
Ming-Cheng Wu(Note)	3,063	4.02%	-	-	-	-	Pei-Rung Wu	Father-daughter	
Jiun Sheng Investment Co., Ltd.	1,871	2.46%	-	-	-	-			
Representative: Pei-Rung Wu	12	0.02%	-	-	-	-	Ming-Cheng Wu	Father-daughter	

Note: Including 1,180 thousand shares in a trust with the reserved discretion of exercise rights.

IX. Investments held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company, and the aggregate shareholding of the parties above.

Aggregate shareholding ratio

March 31, 2023; Unit: thousand shares; %

Reinvestment enterprises (Note 1)	Held by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate ownership	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding ratio
Ching Chi International Limited	6,200	83%	1,250	17%	7,450	100%
Cozy Air-Conditioning Co., Ltd.	3,000	100%	-	-	3,000	100%
KLEAN AIR Enterprise Ltd.	4,101	100%	-	-	4,101	100%
Star Royal Co., Ltd.	2,350	23.5%	150	1.5%	2,500	25%
I Chi Industrial Ltd.	Note 2	70%	-	-	Note 2	70%

Note 1: It is an investment of the Company through the equity method.
Note 2: Limited company

Four. Capital Overview

I. Matters Related to Capital and Shares

(I) Source of capital:

1. History of capital change

As of April 15, 2023 Unit: NT$/share

Year/ Month	Issued price (NT$)	Authorized capital		Paid-up capital		Notes		
		Shares	Amount	Shares	Amount	Sources of share capital	Payment in properties other than cash	Others
1988.04	10	1,000,000	10,000,000	1,000,000	10,000,000	Cash payment by sponsor	None	None
1993.02	10	5,000,000	50,000,000	6,000,000	60,000,000	Capital increase of NT$50 million in cash.	None	None
1995.12	10	6,000,000	60,000,000	12,000,000	120,000,000	Capital increase of NT$60 million in cash.	None	None
1996.06	10	5,800,000	58,000,000	17,800,000	178,000,000	Capital increase of NT$58 million in cash.	None	None
1996.06	10	1,200,000	12,000,000	19,000,000	190,000,000	Capital increase of NT$12 million from earnings.	None	None
1997.07	10	1,900,000	19,000,000	20,900,000	209,000,000	Capital increase of NT$19 million from earnings.	None	Note 1
1997.07	10	2,100,000	21,000,000	23,000,000	230,000,000	Capital increase of NT$21 million in cash.	None	Note 1
1998.09	10	2,300,000	23,000,000	25,300,000	253,000,000	Capital increase of NT$23 million from earnings.	None	Note 2
1999.07	10	1,265,000	12,650,000	26,565,000	265,650,000	Capital increase of NT$12.65 million from earnings.	None	Note 3
2000.09	10	1,328,250	13,282,500	27,893,250	278,932,500	Capital increase of NT$13.28 million from earnings.	None	Note 4
2001.05	14	5,000,000	50,000,000	32,893,250	328,932,500	Capital increase of NT$50 million in cash.	None	Note 5
2007.05	10	1,952,527	19,525,270	34,845,777	348,457,770	Capital increase of NT$19.53 million from earnings.	None	Note 5
2002.05	10	696,916	6,969,160	35,542,693	355,426,930	Capital increase of NT$6.97 million from capital surplus	None	Note 6
2002.05	10	696,916	6,969,160	36,239,609	362,396,090	Capital increase of NT$6.97 million from earnings.	None	Note 6
2004.06	10	2,899,169	28,991,690	39,138,778	391,387,780	Capital increase of NT$28.99 million from earnings.	None	Note 7
2005.06	10	195,694	1,956,940	39,334,472	393,344,720	Capital increase of NT$1.96 million from earnings.	None	Note 8
2005.06	10	978,470	9,784,700	40,312,942	403,129,420	Capital increase of NT$9.78 million from capital surplus	None	Note 8
2006.06	10	688,364	6,883,640	41,001,306	410,013,060	Capital increase of NT$6.88 million from convertible bond conversion.	None	-
2006.07	10	4,651	46,510	41,005,957	410,059,570	Capital increase of NT$46,000 from convertible bond conversion.	None	-
2006.06	10	2,015,648	20,156,480	43,021,605	430,216,050	Capital increase of NT$20.15 million from earnings.	None	Note 9
2007.03	10	14,634	146,340	43,036,239	430,362,390	Capital increase of NT$146,000 from convertible bond conversion.	None	-
2007.06	10	507,314	5,073,140	43,543,553	435,435,530	Capital increase of NT$5.07 million from convertible bond conversion.	None	-
2007.06	10	2,151,081	21,510,810	45,694,634	456,946,346	Capital increase of NT$20.15 million from earnings.	None	Note 10
2007.08	10	97,560	975,600	45,792,194	457,921,940	Capital increase of NT$975,000 from convertible bond conversion.	None	-
2008.06	10	4,121,298	41,212,980	49,913,492	499,134,920	Capital increase of NT$41.21 million from earnings.	None	Note 11
2009.06	10	2,495,675	24,956,750	52,409,167	524,091,670	Capital increase of NT$24.95 million from earnings.	None	Note 12
2011.06	10	1,048,184	10,481,840	53,457,351	534,573,510	Capital increase of NT$10.48 million from earnings.	None	Note 13

Year/ Month	Issued price (NT$)	Authorized capital		Paid-up capital		Notes		
		Shares	Amount	Shares	Amount	Sources of share capital	Payment in properties other than cash	Others
2012.06	10	2,672,868	26,728,680	56,130,219	561,302,190	Capital increase of NT$26.72 million from earnings.	None	Note 14
2012.07	10	160,488	1,604,880	56,290,707	562,907,070	Capital increase of NT$1.604 million from convertible bond conversion.	None	
2012.10	10	2,360,126	23,601,260	58,650,833	586,508,330	Capital increase of NT$23.6 million from convertible bond conversion.	None	
2013.01	10	2,679,106	26,791,060	61,329,939	613,299,390	Capital increase of NT$26.79 million from convertible bond conversion.	None	
2013.03	10	6,892,114	68,921,140	68,222,053	682,220,530	Capital increase of NT$68.92 million from convertible bond conversion.	None	
2013.08	10	100,000,000	1,000,000,000	75,495,991	754,959,910	Capital increase of NT$72.74 million from convertible bond conversion.	None	
2013.11	10	100,000,000	1,000,000,000	76,152,370	761,523,700	Capital increase of NT$6.56 million from convertible bond conversion.	None	

Note 1: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated July 3, 1997 referenced (86) Tai-Tsai-Cheng (I) No. 52535.

Note 2: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated September 28, 1998 referenced (87) Tai-Tsai-Cheng (I) No. 82999.

Note 3: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated July 17, 1999 referenced (88) Tai-Tsai-Cheng (I) No. 65574.

Note 4: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated September 28, 2000 referenced (89) Tai-Tsai-Cheng (I) No. 80803.

Note 5: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated May 3, 2001 referenced (90) Tai-Tsai-Cheng (I) No. 119474.

Note 6: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated May 14, 2002 referenced (92) Tai-Tsai-Cheng (I) No. 125961.

Note 7: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated June 3, 2004 referenced Tai-Tsai-Cheng I No. 0930124621.

Note 8: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 30, 2005 referenced Jin-Guan-Cheng I No. 0940126243.

Note 9: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 29, 2006 referenced Jin-Guan-Cheng I No. 0950127383.

Note 10: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 25, 2007 referenced Jin-Guan-Cheng I No. 0960032749.

Note 11: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 24, 2008 referenced Jin-Guan-Cheng I No. 0970031333.

Note 12: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 23, 2009 referenced Jin-Guan-Cheng I No. 0980031146.

Note 13: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 14, 2011 referenced Jin-Guan-Cheng I No. 1000027189.

Note 14: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 15, 2012 referenced Jin-Guan-Cheng I No. 1010026844.

2. Types of share capital

April 15, 2023/share

Share category	Authorized capital			Notes
	Outstanding shares	Unissued shares	Total	
Registered common shares	76,152,370	23,847,630	100,000,000	TPEx listed shares

3. **Information to be disclosed for the offering and issuance of securities under the blanket reporting system: <u>None.</u>**

(II) Shareholder Structure:

Base date: April 15, 2023

Shareholder structure / Quantity	Government agency	Financial institution	Other legal persons	Individual	Foreign institution and foreigner	Total
Number	1	-	33	4,217	10	4,261
No. of shares held	51	-	28,743,162	45,867,935	1,541,222	76,152,370
Shareholding ratio	0.0001%	-	37.7443%	60.2318%	2.039%	100%

(III) Equity Dispersion

1. Common shares

Base date: April 15, 2023

Shareholding range	Number of Shareholder	No. of shares held	Shareholding ratio
1 to 999	1,074	166,475	0.22%
1,000 to 5,000	2,380	4,864,060	6.39%
5,001 to 10,000	376	2,955,037	3.88%
10,001 to 15,000	111	1,428,432	1.88%
15,001 to 20,000	73	1,335,225	1.75%
20,001 to 30,000	66	1,656,652	2.18%
30,001 to 40,000	34	1,231,971	1.62%
40,001 to 50,000	21	948,631	1.25%
50,001 to 100,000	51	3,738,033	4.91%
100,001 to 200,000	27	3,579,684	4.70%
200,001 to 400,000	24	6,433,450	8.45%
400,001 to 600,000	5	2,411,516	3.17%
600,001 to 800,000	0	0	0%
800,001 to 1,000,000	1	945,000	1.24%
For more than 1,000,001, to be graded according to the actual situation.	18	44,458,204	58.36%
Total	4,261	76,152,370	100.00%

2. Special shares: <u>The Company has not issued special shares.</u>

(IV) List of Major Shareholders:

Base date: April 15, 2023

Name of major shareholder \ Shares	No. of shares held	Shareholding ratio
TECO Electric & Machinery Co., Ltd.	11,131,642	14.62%
Wen-Chi Ko	4,414,075	5.80%
En Hong Investment Co., Ltd.	3,149,000	4.14%
Ming-Cheng Wu (Note)	3,063,089	4.02%
Rung-Pin Yeh	2,658,418	3.49%
Chung-Kuo Tseng	2,423,351	3.18%
Qie Lun Investment Co., Ltd..	2,390,000	3.14%
Dian Jiang Jia Investment Co., Ltd	2,254,000	2.96%
Wen-Chi Investment Co., Ltd.	2,229,303	2.93%
Jiun Sheng Investment Co., Ltd.	1,871,000	2.46%

Note: Including 1,180,000 shares of trust stock with reserved voting rights.

(V) Information on the Market Price, Net Value, Earnings and Dividend per Share for the Last Two Years

Item \ Year			2021	2022
Market price per share	High		31.90	29.60
	Minimum		26.70	25.55
	Average		29.11	27.45
Net worth per share	Before Distribution		18.89	20.17
	After Distribution		17.09	18.17
Earnings per share	Weighted average number of shares (thousand shares)		76,152	76,152
	Earnings per share	Before Adjustment	1.98	2.68
		After Adjustment	1.98	2.68
Dividends per share	Cash Dividends		1.8	2(Note 4)
	Free-Gratis Dividends	Retained Shares Distribution	-	-
		Capital Reserve Shares Distribution	-	-
	Accumulated Unpaid Dividend		-	-
ROI Analysis	Price/Earnings Ratio (Note 1)		14.70	10.24
	Price/Dividend Ratio (Note 2)		16.17	13.73
	Cash Dividend Yield (Note 3)		6.18%	7.29%

Note 1: P/E ratio = current average closing price per share/earnings per share
Note 2: P/D ratio =current average closing price per share/cash dividend per share
Note 3: Cash dividend yield=cash dividend per share/current average closing price per share.
Note 4: The profit distribution of 2022 has been approved by the Board of Directors on March 22, 2023, and will submit to the shareholders' meeting for ratification on June 14, 2023.

(VI) Dividend Policy and Execution Status:

1. Dividend policy

The industrial environment of the Company is changing, and the Company is in a stable growth stage. The Company will conduct the future capital demand forecast and long-term financial planning, and seek to maximize shareholders' rights and benefits. If there is any surplus after the annual final account, in addition to paying taxes according to laws and regulations, the Company shall first make up for the losses of previous years, and then allocate 10% as the legal reserve, except when the legal reserve has reached the total capital. When our company makes appropriations to the special surplus reserve in accordance with legal requirements, any shortfall in the provision for "Net Increase in Fair Value of Investment Properties Accumulated in Previous Periods" and "Net Decrease in Other Equity Items Accumulated in Previous Periods" should be first set aside fromt the undistributed earnings in previous periods before profit distribution. If there is still a shortfall, it should be set aside the current undistributed earnings, excluding current net income, by including other items. After the appropriation or reversal of the special surplus reserve as required by laws and regulations, together with the beginning balance of undistributed earnings, it becomes the accumulated distributable earnings for shareholders. The Board of Directors shall prepare a distribution proposal, and when the distribution is made by issuing new shares, it shall be submitted for resolution at a shareholders' meeting before the distribution. The amount of cash and stock dividends distributed shall not be less than 50% of the distributable earnings of the current year, and the cash dividend shall not be less than 10% of the total amount distributed in the current year.

The dividend policy of the Company is determined based on factors such as earnings stability, evaluation of future annual operating development, moderate earnings retention and shareholders’ tax burden. In the future, we will take the balanced dividend policy as the goal, which in the long run can protect investors' rights and interests, and control the flow of funds and maintain the Company's image. (the dividend policy over the years was the payment of cash dividend, and the dividend payout rate is more than 70%. For 2021, a cash dividend of NT$1.8 was distributed, with a dividend payout rate of 90%. For 2022, the dividend policy will be a distribution of cash dividend of NT$2.0, and the cash yield is 7.29%.)

2. Proposed dividend distribution at the shareholders' meeting:

The Company's profit distribution plan for 2022 was approved at the Board of Directors on March 22, 2023 and report to the general shareholders' meeting for recognition.

Unit: NT$

Cash Dividends		Stock dividend	
dividend per share	Amount	dividend per share	Amount
2.0	152,304,740	0	0

3. When the dividend policy is expected to be subject to significant changes, explain the situation: Not applicable.

(VII) Impact of the Proposed Stock Dividend for the Current Year on The Company's Business Performance and Earnings per Share: Not applicable.

(VIII) Remuneration of Employees, Directors and Supervisors:

1. Percentage or range of employees and directors and supervisors remuneration as stated in the Articles of Incorporation.

The Company shall distribute employees' remuneration at a rate of 3% to 7%, and directors' remuneration at a rate of no more than 3% based on the profit of the current year. However, the cumulative loss, if any, shall be offset first.

2. The basis for estimating the remuneration of employees, directors and supervisors in the current period, the basis for calculating the number of shares distributed as employee remuneration, and the accounting treatment for the difference between the actual distribution amount and the estimated amount.

a. The estimated amount of the Company's employees' bonus and director's remuneration is based on the profit status as of the current period, the percentage range set out in the Articles of Association, and the profit status and performance evaluation results of the current year.

b. The calculation basis of the number of shares paid as employees' remuneration: Not applicable.

c. If there is any difference between the actual distribution amount and the estimated amount, it shall be listed as the next year's profit and loss according to treatment for the change of accounting estimate.

3. Distribution of remuneration approved by the Board of Directors:

(1) Amounts of employees' remuneration and directors' and supervisors' remuneration paid in cash or stock. If there is any discrepancy between the recognized expense amount and the estimated amount for the year, the discrepancy, reasons and treatment shall be disclosed:

Unit: Unit: NT$

Item	Amount to be distributed	Estimated amount	Difference	Reason for the difference	Treatment of the difference
Directors' remuneration	7,038,000	7,038,000	-	No difference	None
Employees' remuneration	16,423,000	16,423,000	_		

(2) The amount of employees' remuneration distributed by shares, and its proportion to the total after-tax profit and total employees' remuneration in the individual or respective financial report in the current period: Not applicable.

4. The actual distribution of the remuneration of employees, directors and supervisors in the previous year (including the number and amount of shares distributed and the share price); if there is a difference from the recognized remuneration of employees, directors and supervisors, state the differences, reasons and treatment.

Unit: NT$

Item	Amount to be distributed	Estimated amount	Difference	Reason for the difference	Treatment of the difference
Directors' remuneration	5,299,128	5,299,128	-	No difference	None
Employees' remuneration	12,364,632	12,364,632	-		

(IX) Other Matters:

I. The Company's repurchase of its own shares: The Company had no such situation as of April 30, 2023.

II. Handling of corporate bonds: None.

III. Handling of preferred shares: None.

IV. Handling of overseas depositary receipts: None.

V. Handling of employee stock option certificates: None.

VI. Handling of new shares issued for merger or acquisition or assignment of shares of other companies: None.

VII. Implementation of the fund utilization plan, including the plan content and implementation status: The Company has no situation where the issuance has not been completed, or has been completed in the last three years but the planned benefits have not yet been shown.

Five. Operational Highlights

I. Business Activities

(I) Business Scope:

1. The major businesses of the Group are as follows:

(1) CB01071 Frozen and Air-Conditioning Equipment Manufacturing
(2) E602011 Refrigeration and Air Conditioning Engineering
(3) CB01010 Mechanical Equipment Manufacturing
(4) E604010 Machinery Installation
(5) F401010 International Trade
(6) JE01010 Rental and Leasing
(7) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
(8) CA02060 Metal Containers Manufacturing
(9) CB01990 Other Machinery Manufacturing
(10) D401010 Thermal Energy Supply
(11) E599010 Piping Engineering
(12) E601010 Electric Appliance Construction
(13) E601020 Electric Appliance Installation
(14) E603050 Automatic Control Equipment Engineering
(15) E603100 Electric Welding Engineering
(16) EZ15010 Warming and Cooling Maintenance Construction
(17) EZ99990 Other Engineering
(18) I101061 Professional Engineering Consulting
(19) IG03010 Energy Technical Services
(20) A102020 Agricultural Products Preparations

2. Business proportion of main products:

Unit: NT$ thousand; %

Product Type	Sales Performance in 2022	% of annual sales
Chiller Unit	1,739,214	57.36%
Condenser Unit	23,901	0.79%
Maintenance Income	209,320	6.90%
Engineering	94,701	3.12%
Fan Coil Units and Terminal	346,775	11.43%
Others	618,952	20.40%
Total	3,032,863	100.00%

3. Main products:

(1) Host and equipment: centrifugal chiller, full liquid chiller, dry-type chiller, water-cooled brine machine, DC variable frequency centrifugal chiller, water source heat pump, air-cooled chiller and heat pump, hot and cold water machine, air source water heater, computer room air conditioner and condenser unit, ventilation equipment, refrigeration equipment, marine equipment, heat exchanger, vacuum freeze dryer, ice storage tank, ice maker, and condenser automatic washing machine.

(2) System engineering integration: planning, design and construction of refrigeration system, monitoring system, planning, design and construction of ice storage system, computer room air conditioning, chiller equipment preservation service, and project management.

4. New products planned to be developed:

(1) Key technology and verification development of magnetic levitation centrifuge below 180RT.

(2) Development of microcomputer human-machine.

(3) Development of energy saving products for refrigeration and air conditioning.

(4) Development of large chiller units with high efficiency.

(5) Refrigeration equipment.

(6) Development of low ODP and GWP.

(7) Development of agricultural rice drying and sludge dryer.

(II) Industry Overview:

1. Current industry status and future prospects

(1) Current industry status

The refrigeration and air conditioning industry is a high-tech industry that combines the fields of machinery, electrical machinery, electronics, meteorology, chemistry and so on. Because the products have the functions of regulating the humidity and temperature in the indoor air, air exchange and sterilization, they have a wide and deep application field. They are common equipment in ordinary families and necessary items for buildings; some are peripheral support in industrial production, and some are the process itself. Therefore, it is an important livelihood industry to meet modern human needs, and also the advanced engineering technology to support industrial development. In addition to relying on precision technology, the high-precision semiconductor factory, wafer factory, biochemical technology and other related industries are quite strict with the temperature, humidity and cleanliness offered by air conditioners. Therefore, the so-called "refrigeration and air conditioning industry" is the mother of precision industry, which is a fact. Its development and application also play a key role in the development stage of the national economy.

The Group is a professional manufacturer of chiller units for central air conditioning systems. The chiller units are composed of motors, compressors, heat exchangers and refrigerant expansion devices, and are the main products to support the central air conditioning system. The central air conditioning system is an integrated system, which will affect the energy consumption of the air conditioning system from the building structure, air conditioning load calculation, selection of air conditioning systems and equipment, planning and design of indoor space and air supply system, system installation and configuration, and subsequent operation and maintenance. The largest energy-consuming equipment in the air conditioning system is chiller, accounting for about 60%, so its efficiency will affect the overall air conditioning's operation efficiency. Chiller units are widely used in office buildings, hospitals, banks, airports, theatres, department stores, supermarkets, hotels, stadiums and other large business places, as well as in manufacturing, construction cement industry, clean rooms, telecommunications rooms, food processing and other industrial processes. They can be divided into centrifugal, spiral, reciprocating and scroll types according to the type of the compressor; if categorized by a condenser, they can be divided into water cooled, air cooled and evaporative cooling types; if categorized by an evaporator, they can be divided into dry expansion and full liquid types.

In the 50s and 60s, Taiwan was at the stage of industrial take-off. The government vigorously tutored and nurtured relevant industries, and the domestic industry and commerce were well developed; the construction industry was booming, and office buildings were everywhere, which prompted a high demand for air-conditioning systems and equipment. Since the 80s, the domestic refrigeration and air-conditioning industry made a considerable progress in manufacturing technology, design and construction capacity, and people pay more attention to the quality of living environment because of the substantial increase in national income. Therefore, the growth of refrigeration and air-conditioning products was considerable, and reached the peak in 1995 and 1996. With the change of the environment and the transformation of the industry, the application of chiller units now covers all aspects of human life, including food, clothing, housing, transportation and entertainment. In response to the trend of environmental protection and energy consumption reduction, intelligent technology has been developed to improve the responsiveness, avoid energy consumption, and rationalize the maintenance cycle and cost of equipment by monitoring the power consumption, operation and maintenance of ice water host equipment in real-time for the concrete achievements in smart green buildings.

Looking ahead to 2023, the world is facing many risk variables that deserve continued attention, including the global war in Russia and Ukraine, the development of the COVID-19 pandemic, rising inflation, global public debt risk exacerbating financial volatility, geopolitics, and climate change, etc., which all have a profound effect on the international economic outlook. According to the data of the Department of Statistics, the Ministry of Economic Affairs, the sales value of the central air-conditioning system reached NT$2,650.98 million in 2022, showing a growth of 18.62% compared to the same period in 2021 when it was NT$2,234.79 million. Therefore, the output value of Taiwan's central air-conditioning system is expected to slow down in 2023.

Statistics of Annual Sales Volume and Sales Value of Central Air-Conditioning System

Year	Sales volume (unit)	Growth Rate (%)	Sales value (NT$10 thousand)	Growth Rate (%)
2001	7,171	(21.60)	138,819	(18.60)
2002	6,315	(11.94)	120,583	(13.14)
2003	7,712	22.12	167,235	38.69
2004	11,308	46.63	232,808	39.21
2005	11,387	0.70	236,917	1.76
2006	13,507	18.62	253,071	6.82
2007	11,837	(12.36)	204,611	(19.15)
2008	12,339	4.24	236,874	15.77
2009	9,143	(25.90)	197,979	(16.42)
2010	11,597	26.84	248,020	25.28
2011	10,198	(12.06)	264,581	6.68
2012	8,605	(15.62)	256,706	(2.98)
2013	9,674	12.42	255,771	(0.36)
2014	9,183	(5.08)	275,138	7.57
2015	10,596	15.39	321,372	16.8
2016	8,725	(17.66)	296,949	(7.60)
2017	8,222	(5.77)	287,352	(3.23)
2018	7,731	(5.97)	271,226	(5.61)
2019	7,325	(5.25)	238,649	(12.01)
2020	6,977	(4.75)	225,258	(5.61)
2021	6,625	(5.05)	223,479	(0.79)
2022	7,459	12.59	265,098	18.62

Note: Source: Department of Statistics, the Ministry of Economic Affairs

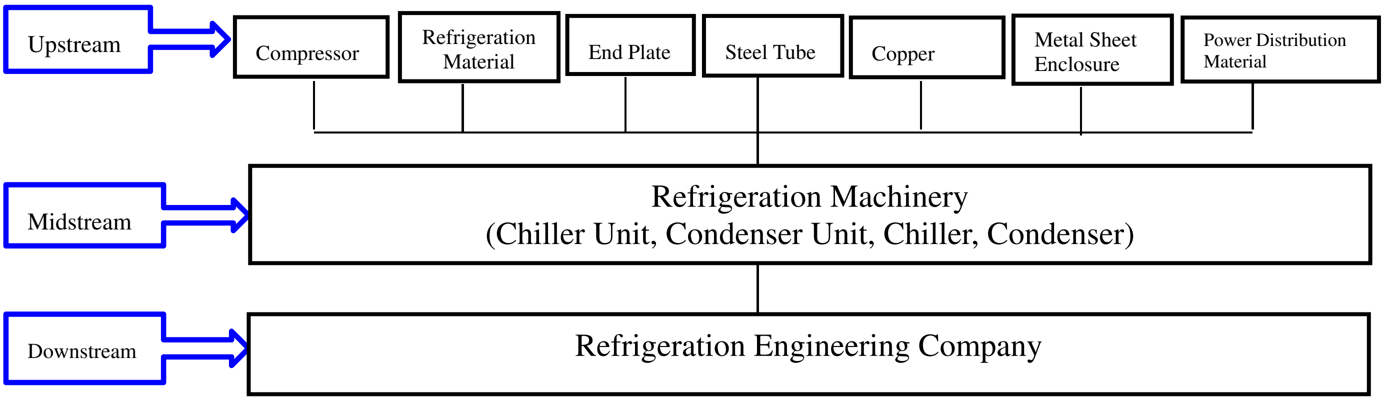
(2) Development trend

The global air conditioning equipment is facing an unprecedented revolution in recent years. Under the dual requirements of energy saving and environmental protection, the development and application of energy saving, high efficiency and alternative refrigerant will become the most important topic of the air conditioning industry. In the future, as the air conditioning products and technologies are gradually developing towards the directions of complexity, multi-function, environmental protection and energy saving, the industry will strengthen frequency conversion control, compressor manufacturing, high efficiency heat exchanger, comfortable airflow distribution, air quality control, new refrigerant technology and other key components and equipment manufacturing technologies of air conditioning systems. In addition, in order to meet the air conditioning environment required by high-tech industries, dust-free clean room environmental control and information technology will be the main development priorities.

In terms of chiller units for central air conditioning, due to the lack of water or poor water quality in some parts of Taiwan, the condenser and cooling water tower of water-cooled ice water units have serious scaling, which has led to the development trend of air-cooled chiller units, and the refrigeration capacity is also towards large-scale development, while the performance and efficiency of spiral compressors required for chiller units are still equivalent to those of large foreign manufacturers. Looking forward to the development of the global magnetic levitation centrifugal refrigerant compressor, Taiwan's supply chain of magnetic levitation centrifuges has decided to actively participate by launching the industry's energy project R&D plan, and plans to complete the commercial model by 2022 to maintain the competitive advantage of the industry with high-precision production and efficient R&D and manufacturing, so as to meet the new customer demand after 2023. The magnetic levitation centrifugal chiller has the advantages of high partial load efficiency, low vibration noise, environmental protection and oil-free, low maintenance requirement, and intelligent operation. It is a new generation of machines that have been fully developed by large chiller plants around the world, and is currently in a rapid growth period. Taiwan's mechanical, electrical and magnetic industries have a good foundation, and will be able to keep pace with the world after technological upgrading and integration. As for the design of heat exchangers, it is mainly based on experience inheritance and less dependent on computer-aided design, while in terms of control, the traditional sequential control and microcomputer control respectively account for half. In addition, the refrigerant used in chiller units currently contains CFCs, which will be completely banned in 2020 according to the provisions of international conventions. Therefore, it is imperative to comprehensively change the environmental protection refrigerant, and it is also necessary to maintain the refrigeration and air conditioning industry in Taiwan. At present, alternative refrigerants have been developed in Taiwan, but due to the high price of new environment-friendly refrigerants, the price of chiller units with new environment-friendly refrigerants is higher than that of traditional refrigerants. In the future, the market for replacing the existing traditional old models with new environment-friendly refrigerants will be very considerable. The Group has integrated with the world to fully convert into high-efficiency energy-saving units and comply with the energy-saving seal certification, and gradually completed the grading of energy consumption, benchmark and energy efficiency of products. In response to the Climate Change Response Act passed on 2023/01/10, which incorporated the 2050 net-zero emission target into the Act, and officially activated the carbon tax collection mechanism, the Company has conducted research on new refrigerant (low GWP) high-efficiency energy-saving units and gradually complete low GWP models.

2. Relationship among the upstream, midstream, and downstream of the refrigeration and air conditioning manufacturing industry

The upstream of the refrigeration and air conditioning industry is mainly composed of component suppliers of compressors, refrigeration materials, end plates, iron pipes, copper pipes, distribution boxes and distribution materials. Due to the fact that domestic manufacturing technology and production scale of critical components are unable to compete with foreign manufacturers, a majority of the components need to rely on imports from abroad. The midstream is the manufacturer of refrigeration machinery that forms the central air-conditioning system which composed of chiller unit and refrigeration unit. As for the downstream, it is the refrigeration engineering companies responsible for the installation and maintenance of the central air-conditioning system. Due to the gradual implementation of a production and sales separation system in the Taiwanese central air conditioning industry, refrigeration engineering companies are responsible for directly dealing with end-users to ensure the quality of installation and maintenance. On the whole, because office buildings, commercial plazas, high-tech factories, etc. must adopt the central air conditioning system to regulate the air temperature and create a comfortable working and living environment, the demand is closely related to the economy, public works and real estate boom.



3. Product development trend

(1) The construction of super-high buildings is one of the development focuses of high-efficiency chiller units.

(2) With the rising awareness of environmental protection, energy conservation and power limitation crisis, the demand for high-efficacy, high-tech and high-efficiency ice storage machines and ice storage air-conditioning equipment utilizing off-peak electricity will become the mainstream.

(3) In our country, the rapid industrial upgrade, continuous improvement of quality, and the creation of product added value have become inevitable trends in the development of various industries, including agriculture, forestry, fisheries, and animal husbandry.

(4) Due to the power shortage crisis, the concept of virtual power plant has been developed recently. The intelligent host (IOT controller and IOT firewall device) can receive the unloading instructions of the air conditioning DR unloading cloud platform (www.abridr.tw) (less than 2 seconds) or the cloud platform designated by the Executive Yuan and start to unload. The host unloading capacity can save more than 30% energy. The small capacity that can cooperate with the demand response breaks through the restrictions of participating in the financial model and physical equipment model of the independent power dispatching center, and can flexibly define the virtual power plant at any level of grid type and geographical entity location.

(5) In response to the demand for environmental protection and the trend of low ozone depletion potential (ODP) and global warming potential (GWP) refrigerants, the Company is actively seeking next-generation alternative refrigerants to develope new refrigerant (low ODP, low GWP) units.

4. Competition

The Group mainly produces central system chiller units. At present, the domestic manufacturers of chiller units have been listed except for Teco, Tatung, ZTE and other companies. Hitachi, Trane, Daikin and Taiwan Carrier are foreign-funded companies, and Super Ari Condition, Leading, Yangfan and Guo Hsiang are domestic manufacturers. The sales value of chiller units of the listed companies and public companies above only accounts for a relatively low proportion of their operating income. China is a huge and important market for chiller units; in addition to the aforementioned Taiwanese businesses and international giants, there are also well-known local companies and manufacturers such as Haier, Midea, and Gree. The competition among these players is even more intense. Our plant in Vietnam has the advantages of local manufacturing and after-sales service because of local manufacturing. Recently, Chinese manufacturing giants have been aggressively entering the Taiwanese and Southeast Asian markets using low-cost strategies, intensifying the competition even further.

The market share of the Company's central-system chiller units is as follows:

Unit: NT$ thousand; %

Item / Year	Sales amount of Kuen Ling	National sales amount	Market share
2001	543,331	1,388,193	39.14%
2002	613,931	1,205,827	50.91%
2003	794,217	1,672,355	47.49%
2004	883,135	2,328,080	37.93%
2005	797,701	2,369,173	33.67%
2006	837,116	2,530,714	33.08%
2007	779,487	2,046,115	38.10%
2008	920,115	2,368,742	38.84%
2009	645,023	1,979,791	32.58%
2010	880,668	2,480,196	35.51%
2011	957,910	2,645,807	36.20%
2012	1,010,614	2,567,058	39.37%
2013	931,269	2,557,709	36.41%
2014	1,057,991	2,751,384	38.45%
2015	1,192,702	3,213,715	37.11%
2016	1,178,679	2,969,488	39.69%
2017	1,191,441	2,873,523	41,46%

Item / Year	Sales amount of Kuen Ling	National sales amount	Market share
2018	1,210,621	2,712,255	44.64%
2019	891,364	2,386,489	37.35%
2020	853,405	2,252,577	37.89%
2021	831,307	2,234,786	37.20%
2022	1,076,858	2,650,981	40.62%

Source: The national total sales amount is based on the monthly report of industrial production statistics of the Department of Statistics of the Ministry of Economic Affairs.

Note: The above-mentioned sales amount of the Company includes ODM and OEM. The sales statistics is based on the individual sales data of Kuen Ling.

The competitive advantages of our products lie in the complete range of products, comprehensive data of design drawing library, excellent quality and rapid delivery.

(III) Technology and R&D Overview

1. R&D expenses

Unit: NT$ thousand

Item \ Year	2021	2022
R&D Expenses	69,013	79,680
Net Revenue	2,533,785	3,032,863
Percentage of Net Revenue	2.72%	2.63%

2. Technologies or products successfully developed

Year	Technologies or products successfully developed
1999	1. Development of the corrosion-resistant air-cooled chiller unit. 2. The chiller originally used 1/2 "copper pipe instead of 3/8" copper pipe, the two front and rear refrigerant-end covers were changed to one, and the copper pipe was changed from a straight shape to U-shaped.
2000	1. Research on the performance of shell-and-tube heat exchanger and plate-fin heat exchanger. 2. The design and manufacturing of full liquid-type central air conditioning chiller units 3. Development of environment-friendly low-noise fans.
2001	The development of environmentally friendly refrigerant new models has been completed.
2002	High EER air-cooled chiller box machines for computer rooms.
2003	R-407C refrigerant air-cooled chiller single crystal control circuit.
2004	Air-cooled full-liquid chiller.
2005	Centrifuge 650RT.
2006	1. Two-stage centrifuge 500RT. 2. Development of the environment-friendly refrigerant R-410A chiller unit.
2007	Vacuum freeze dryer.
2008	Development of integrated refrigeration unit.
2009	Development of spraying chiller unit.
2010	Development of tube ice machine unit.
2010	Development of water cooled heat pump defrosting condensing unit.
2011	Development of evaporative cooling-type chiller unit.
2012	Low temperature water source heat pump unit.
2012	Development of the open-type brine unit.
2012	Cold and hot double-effect energy-increasing unit.
2012	Integrated ground-source heat pump unit.

Year	Technologies or products successfully developed
2013	Development of the 30 "fan blade.
2013	High-efficiency full-liquid air-cooled heat pump unit.
2014	Development of the two-stage vortex high-temperature heat pump system.
2015	Explosion-proof brine unit.
2016	Semi-contact freezing unit (SCF).
2017	Container express depot.
2018	Air-cooled DC variable frequency condensing unit.
2019	Development of the agricultural unhusked rice drying and sludge dryer.
2020	Smart host (IOT controller and IOT firewall device)
2021	Localized magnetic levitation centrifugal unit, Kuen Ling microcomputer human-machine.
2022	DC Inverter box type unit, localization of magnetic levitation centrifugal units

(IV) Long and Short-Term Business Development Plans

1. Short-term plans

(1) Diversifying product portfolio: To meet market demands and development trends, the company is promoting the development of high-efficiency DC frequency conversion centrifugal chiller units, spiral full liquid chiller units, and air-cooled chiller for the refrigeration and air conditioning market. The sales of supporting equipment such as water chillers and condensers are continuously growing, allowing the company to achieve a diversified product portfolio.

(2) Strengthening the marketing of energy conservation and environmental protection products: In response to the demand of customers for energy efficiency improvement and the trend of world environmental protection, actively expand the market of environment-friendly refrigerants, centrifugal chiller unit, full liquid chiller unit and other high energy efficiency machines.

2. Long-term plans

(1) Marketing strategies:

A. Establishing overseas marketing bases: Under the government's established policy of vigorously promoting liberalization and internationalization, the domestic market will be more open in the future. The Company is sensitive to the changes in the industrial environment, will be committed to the establishment of overseas business bases, and will strive to increase export sales, in order to seek space for development in the international market.

B. Establishing strategic alliances with well-known manufacturers: Actively seeking opportunities for technical cooperation with well-known equipment manufacturers at home and abroad to improve the image of our products and acquire the most advanced technology.

(2) Expanding overseas production bases based on the consideration of the economic scale and labor costs, in order to reduce production and transportation costs, and then improve the Company's market competitiveness.

(3) The products of the Group are high-priced goods, so customers have high requirements for quality and after-sales service. Vertically integrate the supply chain

ensures that the quality is free of concern, and provide customers with complete installation, maintenance, and real-time monitoring of energy management services, and improve revenue and profit by integrating the upstream and downstream.

(4) The Group actively develops its products at multiple levels, in combination with the development of agriculture and fishery, such as the mushroom growth system, low temperature freezing treatment of fishery, cold drink preservation of vegetables and fruits, and meat processing and freezing preservation, in order to reduce production costs and raw material inventory, and make future maintenance fast and convenient, which will effectively promote the Company's popularity and profit increase.

II. Market and Sales Overview

(I) Market Analysis

1. Areas where the Company's main products (services) are sold (provided)

The Group is a professional manufacturer of chiller units and condensing units, and its products are mainly sold to ODM and OEM customers and refrigeration and air-conditioning engineering companies. Because Taiwan is located in the subtropical zone, and building development is an inevitable trend, the demand for the central air-conditioning system is relatively urgent. In addition, the products provided by the Group are highly recognized by domestic large manufacturers in terms of quality, delivery time, price and service As a result, the Group has predominantly focused on the domestic market for a long time. In recent years, in response to the needs of customers to set up factories overseas, the Company has actively set up factories in Vietnam and mainland China in order to pursue the goal of product internationalization and become the first brand in the Chinese circle.

Year / Area	2021	2022
Taiwan	56.65%	57.00%
Mainland China	40.24%	38.79%
Vietnam	3.06%	4.05%
Other Southeast Asia Region	0.05%	0.16%
Total	100%	100%

2. Market share

Unit: set; %

Year / Central System Chiller	2021	2022
Kuen Ling Company	1,337	1,892
Percentage of total national sales volume	20.18%	25.37%
Total national sales volume	6,625	7,459

Unit: NT$ thousand; %

Year / Central System Chiller	2021	2022
Sales value of Kuen Ling Company	831,307	1,076,858
Percentage of total national sales value	37.20%	40.62%
Total national sales value	2,234,786	2,650,981

Note 1: The national total sales amount is based on the monthly report of industrial production statistics of the Department of Statistics of the Ministry of Economic Affairs.

Note 2: The Company's sales volume includes its own brands, ODM and OEM.

3. Future market supply, demand and growth

Refrigeration and air conditioning equipment, including various types of chiller units, hot and cold water machines, condensers, chillers, oil coolers, ice makers, industrial heat exchangers, and specialized condensers for ships, are designed to meet the demand for refrigeration and air conditioning in various applications. With robust economic growth, rapid industrial upgrading, and a significant increase in per capita income, commercial and industrial activities have become more frequent. This has led to an increased demand for a wide range of refrigeration units for industrial, commercial, and residential purposes. The industry is evolving towards high efficiency, high stability, and high technology to meet these demands.

◎Domestic and international economic situation

From the perspective of global economic development, the economy still faces significant challenges, including the ongoing stalemate in the Russo-Ukrainian war, continued tensions between the United States and China, failure to contain excessive inflation in Europe and the United States, and the financial system facing stringent tests. In this context, it is anticipated that the global economic growth rate in 2023 will be lower than that of 2022. Furthermore, international trade growth is increasingly declining, coupled with uncertain factors such as climate change. Major international institutions expect global economic growth rate this year to be lower than the previous year. The first quarter has shown a weaker performance, but there is anticipation for gradual improvement in the subsequent quarters. Compared to that, domestic demand, particularly private consumption, has shown growth opportunities due to measures such as the lifting of restrictions and opening up in the post-pandemic period. This has led to an expansion of demand and created business opportunities, resulting in a growth pattern where domestic demand is relatively stronger compared to external demand. According to the data provided, domestic demand has contributed 2.23 percentage points to the overall economic growth. Within domestic demand, private consumption has contributed 2.08 percentage points, while fixed capital formation has contributed 0.08 percentage points. On the other hand, external net demand has made a negative contribution of approximately -0.22 percentage points due to the slowdown in international commodity trade growth.

In 2022, the issue of inflation continued to be a concern. While global economic growth slowdown helped alleviate inflationary pressures to some extent, energy-related issues, such as OPEC production cuts and emissions reduction efforts, continued to exert pressure. Domestically, although imported inflation pressures have gradually eased, overall price trends remain relatively high due to supply-demand imbalances and factors such as base effect and seasonal variations. It is estimated that the annual growth rate of the Producer Price Index (PPI) in 2023 will be around 2.67%, significantly lower than the double-digit growth rates seen in the previous two years, indicating a clear slowdown. The Consumer Price Index (CPI) is expected to have an annual growth rate of about 2.18%, slightly higher than 2.0%, but lower than the estimated value of 2.95% in 2022, indicating a downward revision of 0.77 percentage points.

◎Future Prospects

2022 was a year of unpredictable and ever-changing global dynamics. From the beginning of the year, everything became difficult to grasp. The ongoing conflict between Russia and Ukraine persisted, while soaring inflation numbers reached new highs in Europe and the United States, not seen in 40 years. To mitigate the impact of inflation, central banks, led by the United States, swiftly raised interest rates, driving the U.S. dollar index to a 20-year high. Additionally, tight supply of raw materials, skyrocketing of natural gas prices in Europe, etc.

According to the latest World Economic Outlook report by the International Monetary Fund (IMF), strong policy actions have been taken to contain the risks of banking system contagion following the collapse of two regional banks in the United States and the forced merger of Swiss Credit. However, apart from persistently high inflation and spillover effects from the Russia-Ukraine conflict, this turmoil adds an additional layer of uncertainty. In April 2023, the IMF slightly downgraded its global economic growth outlook for both the current and next year, citing a cooling of economic activity due to interest rate hikes. The organization also warned that a severe outbreak of financial system turmoil could push output levels close to recessionary levels.

During the Spring Meetings held in Washington in April 2023, the International Monetary Fund (IMF) and the World Bank expressed their concerns about the deepening fog surrounding the global economic outlook, driven by increased financial market volatility. The IMF emphasized the high level of uncertainty and the downward shift in risks as long as the financial industry remains unstable. The IMF currently forecasts a real GDP growth rate of 2.8% for 2023 and 3.0% for 2024, indicating a significant slowdown compared to the 3.4% growth rate in 2022, primarily due to tightening monetary policies. The IMF raised its core inflation projection for 2023 from 4.5% in January to 5.1%, noting that despite the decline in energy and food prices, many countries have yet to see their core inflation peak. The organization also predicted that in the worst-case scenario, risks on bank balance sheets would have broader implications, leading to significant reductions in loans and substantial decreases in household spending in the United States and other developed economies, with investment funds shifting towards hedging assets denominated in US dollars.

Emerging market economies are expected to face significant challenges due to declining export demand, currency depreciation, and worsening inflation. This situation could result in a substantial setback to economic growth in 2023, with a projected decrease of 1.8 percentage points to 1.0%. This means that per capita GDP growth would be close to zero. The International Monetary Fund (IMF) has highlighted other downside risks, including sustained high inflation, escalating tensions in the Russia-Ukraine conflict, and setbacks in China's recovery from the COVID-19 pandemic, including deterioration in the real estate sector.

The ongoing Russia-Ukraine conflict, which began in the first quarter of 2023, continues to pose threats to global supply chains, energy, and food security. There is a high probability that the conflict will persist throughout 2023. Both Russia and Ukraine are significant exporters of agricultural products, minerals, and energy, and any developments in the conflict will impact the global supply of these commodities. Furthermore, although commodity prices saw a slight correction in the second half of 2022, Western countries have reached agreements on capping the price of Russian oil. If Russia were to impose a ban on sales in retaliation against Western sanctions, it would likely have an impact on oil prices. Therefore, it is essential to closely monitor Russia's production reduction plans and the subsequent reactions of OPEC countries.

Although raising interest rates slightly helps control rampant inflation, it also affects people's purchasing power, making it difficult for businesses to reduce inventory and dampening investment, thereby leading to a decline in GDP and an economic recession. According to the minutes of the November meeting of the U.S. Federal Reserve (Fed), the probability of the U.S. economy entering a recession in 2023 has risen to nearly 50% due to factors such as sluggish consumer spending and global economic slowdown. In addition, stagnant inflation is a phenomenon that sustains economic recession and high inflation. While there has been some relief in the supply chain and a weakening in demand, inflation in the United States has started to moderate. However, the pressure of service sector inflation remains significant due to the continued growth in rent and wages. Market participants are particularly concerned about the occurrence of a "wage-price spiral," where wages and prices escalate in a self-reinforcing cycle. Therefore, close attention should be paid to the trends in wages and service prices. If the economy weakens and the unemployment rate rises while wages continue to grow, the risk of stagnant inflation will increase and serve as an indicator of an impending economic recession.

Since Donald Trump took office in 2018 and initiated the U.S.-China trade war, the relationship between the two major powers has remained frozen without improvement. Even after Joe Biden assumed the presidency, tensions persisted in U.S.-China relations until the leaders of both countries broke the ice and met at the G20 summit in 2022. When major power relations turn towards confrontation or even a cold war, it implies that government expenditures or support may be redirected towards defense competition, establishing technological barriers, or forming strategic alliances that do not directly contribute to economic growth, thereby hindering economic development.

Based on the analysis above, economic forecasting has always been challenging because many factors that disrupt the economy are difficult to quantify. Examples include trade wars, climate change, geopolitics, and supply chain shifts. These factors can have far-reaching consequences that are not easily incorporated into predictive models. Therefore, a cautious approach, with three parts optimism and seven parts prudence, is a better way to navigate the uncertainties. The aforementioned uncertainties are all important factors that will influence the economic situation in 2023.

Sales volume forecast and the basis

Unit: set

Main product	Estimated sales volume in 2023
Chiller Unit	2,942

Based on the overall production capacity and estimated contract orders of this year, the Group estimated that the shipment volume in 2023 will be lower than the sales volume in 2022, mainly due to the high proportion of large energy-saving and high-efficiency units in the estimated sales category in 2023.

4. Favorable and unfavorable factors of the development prospect and countermeasures

(1) Niche of the Company’s competitiveness

The Group's production technology is sophisticated, the quality is stable, the delivery date is accurate, and it can fully grasp the market information of various components required for the products and maintain a good relationship with the suppliers. In order to improve product quality, it has continuously increased various test equipment to enhance the accuracy of quality control, and has made great efforts to strengthen the process control to ensure product stability. The Group's Kaohsiung plant, Shanghai plant and Suzhou plant and Vietnam plant all have obtained ISO-9001 quality certification and can provide the energy efficiency and energy conservation marque.

(2) Favorable factors of the development prospect

A. Active development of high value-added and diversified products:

Our manufacturing process is flexible, and we can develop new products at any time to meet the needs of the market. At present, we have developed and integrated super-large chiller units, fully frozen ice storage tanks, vacuum freeze dryers, condensers, chiller heat pumps, centrifugal chiller units, condenser automatic washing machines, chiller equipment preservation services, air conditioning boxes, ventilation fan terminal, etc. to make the Company's product series more complete.

B. Quality internationalization:

Due to the improvement of the living standard of the country in recent years, consumers have new consumption consciousness with the change of the social pattern, and higher requirements for power saving, quietness, dehumidification, etc. The Company, in line with the quality internationalization strategy, follows the ISO quality control strategy, keeps abreast of the market situation at any time, guarantees 100% of the quality of the ex-factory products, and pays attention to pre-sale planning and after-sales service, so as to make the development and positioning of the products forward-looking.

C. Reduction of production costs and improvement of competitiveness:

We take high quality as the priority for our products, so the product stability is better than that of other brands, and the product life is longer. In addition, we also take specialization and standardization as the production goal, and improve the degree of automation to reduce production costs and enhance competitiveness.

(3) Unfavorable factors of the development prospect and countermeasures

A. The cost of imported raw materials is subject to fluctuation due to the change in exchange rates.

Imported compressors, which are the main raw materials, account for about 10% of the operating costs, and are subject to fluctuation due to the change in exchange rates.

Countermeasures:

a. Pay attention to the change of exchange rates and interest rates at any time and take necessary hedging measures.

b. Increase the purchase proportion of domestic raw materials.

c. The Company has maintained a good long-term relationship with all major suppliers, and the supply of all raw materials is normal. The Company also actively develops other sources of raw material supply to diversify procurement risks.

B. High R&D costs:

In order to improve the technical level, it is necessary to invest a large amount of research and development expenses, resulting in an increase in operating costs.

Countermeasures:

a. Strengthen long-term technical cooperation with major domestic and foreign professional manufacturers to reduce R&D costs.

b. Cooperate with professional institutions and universities in development to shorten the development time and make new products enter the market quickly to create profits.

c. The Company also attaches great importance to the training of R&D and engineering personnel to ensure the technology of the R&D team and enable the Company to operate sustainably.

C. Increasing labor costs:

As the living standard of Taiwanese people continues to improve, the labor cost is correspondingly rising.

Countermeasures: Develop the production mode towards automation as much as possible, and improve the production process to reduce the production hours and production costs.

(II) Important Applications and Production Processes of Main Products

1. Important applications of main products

No.	Product name	Applications
1	Spiral type chiller unit	It is the exclusive advanced and efficient refrigeration function of refrigeration and air conditioning machinery.
2	Centrifugal chiller unit	It is the exclusive advanced and efficient refrigeration function of large refrigeration and air conditioning machinery.
3	Full-liquid chiller unit	It is the exclusive advanced and efficient refrigeration function of refrigeration and air conditioning machinery.
4	Open-style chiller unit	It is the exclusive advanced and efficient refrigeration function of refrigeration and air conditioning machinery.
5	Semi-hermetic chiller unit	It is the function of more economical refrigeration and air conditioning.
6	Air-cooled chiller unit	It uses air cooling as the refrigeration function of refrigeration and air conditioning for places with insufficient water supply.
7	Semi-hermetic condensing unit	It is specially used for refrigeration equipment.
8	Condenser.	It is the exclusive cooling function of refrigeration and air conditioning machinery.
9	Chiller	It is the exclusive refrigeration function in refrigeration and air conditioning machinery.
10	Pump cooler	It is the exclusive oil pressure cooling function in refrigeration and air conditioning machinery.
11	Ice making equipment	It is specially used for keeping fresh vegetables of fishing boats and farmers and fishermen of ice factories.
12	Cold and heat exchanger for industrial chemical industry	It is a special cold and heat exchange function used in the industrial chemical industry.
13	Freezing ice storage tank	It is exclusively applicable to all types of ice storage engines, such as spiral, centrifugal, reciprocating or scroll ice storage engines.
14	Vacuum drying and freezing machine	It is exclusively applicable to food and health food processing and biochemical technology.

2. Production process of main products

A. Manufacturing Process for Chiller Unit

1. Pedestal assembly, condenser assembly
2. Pedestal assembly, chiller assembly
3. Compressor pedestal assembly, Power distribution box, drying cylinder assembly
4. Liquid pipe assembly
5. Appearance finishing and painting
6. Installation, with high and low pipe
7. Set up weighing scale for distribution box
8. Vacuuming, refrigerant filling, Commissioning and packing

B. Manufacturing Process for Condenser Unit

1. End plate
2. Tube sheet flattened
3. CNC drilling
4. Iron tube
5. Drilling
6. Sandblasting
7. Filming treatment
8. Iron pipe chamfered
9. Tube plate and iron tube welding
10. Weld inlet and outlet
11. Remove welding slag in the pipe
12. Copper tube piercing
13. Tube expansion
14. Leak finding for condenser
15. Pedestal welding
16. Painting
17. Install compressor
18. Install distribution box
19. Piping
20. Leak finding
21. Painting Treatment
22. Packing with wooden crate

C. Manufacturing Process for Condenser

1. End plate
2. Tube sheet flattened
3. CNC drilling
4. Iron tube
5. Iron tube lineation
6. Iron tube drilling
7. Iron tube chamfered
8. Sandblasting
9. Filming treatment
10. Spray paint the inner and outer diameter of iron tube
11. Weld tube sheet and iron pipe together
12. Weld inlet and outlet
13. Remove welding slag in the tube
14. Pierce copper tube
15. Tube expansion
16. Leak finding for condenser
17. Sealing
18. Painting

D. Manufacturing Process for Chiller

1. End plate
2. Tube sheet flattened
3. CNC drilling
4. Iron tube
5. Iron tube lineation
6. Iron tube drilling
7. Iron pipe chamfered
8. Sandblasting
9. Filming treatment
10. Spray paint the inner and outer diameter of iron tube
11. Partition spray painting
12. Weld partition
13. Pierce copper tube
14. Weld tube sheet and iron pipe together
15. Weld inlet and outlet
16. Tube expansion
17. Leak finding for chiller
18. Sealing
19. Painting

(III) Supply of Major Raw Materials

The Group mainly produces chiller units and refrigeration units. The chillers and condensers required for the products are manufactured by each respective company, or manufactured and supplied by Kuen Ling Suzhou, while the compressors, refrigeration materials, sheet metal outer boxes, end plates, iron pipes and copper pipes are purchased from domestic and foreign manufacturers. Since the main suppliers are well-known manufacturers, the quality level is quite high, and the procurement sources are scattered. We maintain a good cooperation relationship with all suppliers, so there is no shortage of supply sources.

Main Raw Materials	Main Suppliers	Main Sources	Supply Status
Compressor	Fusheng, Emerson, Bitzer, Hanbell and Danfoss	Domestic and foreign	Procurement based on seasons and additional purchases based on order status
Copper tube	Longda, MEGATREND, Kung Chen, Chung Cheng and Hsin Tai tong	Domestic and foreign	Procurement based on seasons and additional purchases based on order status
Chiller and condenser	Self-made, Kuen Lin Suzhou	Foreign	Purchase quarterly
Cooling coil	Karo’s, Chung Chen, Mega Tank and Invax System	Domestic and foreign	Purchase to order
Sheet metal outer box	Feng-Hou and Feng Yuh	Domestic	Purchase to order

(IV) List of Major Purchasing Customers in the Last Two Years

1. Major suppliers of more than10% in the last two years

Unit: NT$ thousand

Item	2021				2022			
	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer
1	Fusheng	185,294	12%	None	Danfoss	194,326	11%	None
2	Danfoss	168,445	11%	None	Fusheng	145,494	8%	None
3	Others	1,191,183	77%	None	Chung Chen	129,509	7%	None
4					Others	1,329,799	74%	None
Net purchase (Note)		1,544,922	100%	—	Net purchase	1,799,128	100%	—

Note: The increase in 2022 compared to 2021 was mainly attributed to the increase in demand for revenue growth and the increase in procurement costs due to the increase in international raw materials prices and exchange rate fluctuations.

2. Major customers of more than10% in the last two years

Unit: NT$ thousand

Item	2021				2022			
	Name	Amount	Percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales for the year (%)	Relationship with the issuer
1	A004	129,276	5%	None	A004	128,472	4%	None
2	X003	51,129	2%	None	X005	107,410	4%	None
3	X004	44,505	2%	None	A001	95,116	3%	Entities with material influence
4	Others	2,308,875	91%	None	Others	2,701,865	89%	None
Net sales		2,533,785	100%	—	Net sales	3,032,863	100%	—

Note: Comparison of 2022 with 2021: Revenue growth in Taiwan, China and Vietnam due to increased demand for COVID-19 orders and special rush orders.

(V) Production Volume and Value in the Last Two Years

Unit: NT$ thousand; set

Year / Production volume/value / Main product	2021			2022		
	Production capacity	Production volume	Output Value	Production capacity	Production volume	Output Value
Chiller Unit	2,920	2,678	1,224,347	2,730	2,466	1,207,133
Others	-	-	390,363	-	-	457,484
Total	2,920	2,678	1,614,710	2,730	2,466	1,664,617

(VI) Sales Volume and Value in the Last Two Years

Year / Sales volume/value / Main product	2021				2022			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Chiller Unit	3,517	1,687,976	76	63,999	3,867	1,995,349	84	35,744
Others	15,187	738,761	27,216	43,049	11,199	958,917	25,723	42,853
Total	18,704	2,426,737	27,292	107,048	15,066	2,954,266	25,807	78,597

III. Information of Employees in the Last Two Years

Year		2021	2022	As of March 31, 2023
Employee count	Clerk	317	351	340
	Operator	307	268	257
	Total	624	619	597
Average age		38	38.6	39.1
Average years of service		9	9.8	10.0
Academic background (%)	Doctoral Degree	0.16%	0.13%	0.14%
	Master's degree	1.24%	1.20%	1.24%
	University/professional school	41.95%	42.25%	37.05%
	Senior high school	46.81%	47.94%	50.56%
	Below senior high school	9.84%	8.48%	11.01%

IV. Contribution to Environmental Protection

(I) Losses Due to Environmental Pollution in the Last Two Years:

Item	Plant	2021	2022
1. Pollution status (type and degree)	Taiwan	None	None
	Shanghai		
2. Compensation object or sanctioned unit	Taiwan	None	None
	Shanghai	None	None
3. Compensation amount or sanction status	Taiwan	None	None
	Shanghai	None	None
4. Other losses	Taiwan	None	None
	Shanghai	None	None

(II) Countermeasures:

1. Items with proposed improvement measures

(1) Environmental protection equipment improvement plan

A. Improve the existing process, and implementing the reduction of industrial waste and carbon dioxide emission:

In order to reduce the production of industrial waste and waste materials which are waste pollution sources that increase the environmental load, the Company collects and processes waste materials in a centralized manner to give full play to the spirit of resource recovery and recycling, and to cherish our environment with gratefulness. At the same time, we also investigate the process with the lowest waste and the lowest consumption of materials, adopt high-efficiency machinery and equipment, reduce the electricity consumption by all staff, and make efforts to save energy and reduce carbon to implement the low pollution goal of "industrial waste reduction", leaving a clean land of green mountains and waters for future generations.

B. Restrict and prohibit CFC (refrigerant) to reduce greenhouse gases:

In order to protect the ecological environment of the earth, limiting and prohibiting the use of CFCs has become an international consensus and government policy, and the comprehensive use of new alternative refrigerants is bound to drive the technological transformation of refrigeration machinery itself. The Company has already developed and completed the technology, planning, process design and production capacity of new machinery, in order to comply with the promotion and implementation of government policies, provide products to users, comprehensively reduce greenhouse gases and create a better living environment.

(2) Management improvement plan

We actively promote occupational safety and health management and have obtained certification on November 22, 2012. We continue to promote the improvement of the system and passed the conversion certification to ISO 45001 on October 10, 2020. We have been regularly reviewed by the SGS in the third quarter of each year. We must make safety and health management a part of our corporate management culture, continuously strengthen occupational safety and health site inspections and proposals for improvement, identify unsafe environments and conditions in our factories and improve them and regularly hold environmental protection, safety and health training, implement fire and emergency response drills, work environment monitoring, employee health checks and health promotion activities to effectively reduce workplace hazards and risks and prevent occupational disasters.

Continuing to promote ISO 14001 environmental management system certification and have obtained certification on October 2, 2014. The continuous improvement system conversion was certified on October 2, 2017 and is regularly reviewed by the SGS in the third quarter of each year. Control and manage the impact that has a significant impact on the environment and improve the generation of pollution sources in business activities (including production, sales, product use, and the entire product life cycle after being wasted) to reduce environmental impact and improve environmental performance.

Estimated future environmental capital expenditure:

1. Proposed purchase of pollution prevention equipment or expenditure

Scheduled plan for the next 2 years	
2023	2024
1. Improvement of product performance test equipment.	1. Improvement of product performance test equipment.

Scheduled plan for the next 2 years	
2023	2024
2. Improvement of the air quality of the plant by installing ventilation and heat removal equipment.	2. U-shaped pipe coiling machine, welding robot arm
3.Enhance process yield and purchase additional cutting center machine	3. Improvement of welding equipment
4. U-shaped pipe coiling machine, welding robot arm	
About NT$16.5 million	About NT$8.5 million

2. Expected improvement

(1) Reduce emission of air pollution and waste water treatment in compliance with relevant laws and regulations.

(2) Promote industrial waste reduction, reduced waste output, improved resource waste recovery mechanism, and implemented volume reduction control.

(3) Implement workplace risk assessment, on-site inspection and self-inspection system to provide a safe working environment.

3. Impact after improvement

(1) Impact on net profit

a. Avoided losses caused by fines.

b. Avoided losses caused by shutdown.

c. Avoided public nuisance disputes caused by environmental pollution.

d. Reduced environmental protection expenditure and cost due to waste reduction and pollution prevention.

(2) Impact on competitive position

a. Improved the Company's image and met the expectations of stakeholders.

b. Complied with international environmental protection trends and increased product sales opportunities.

(III) Protective Measures for Working Environment and Personal Safety of Employees

1. All the factories have set up dedicated units for environmental protection, safety and health:
   Dedicated units are set up according to the "Occupational Safety and Health Organization Management and Automatic Inspection Measures", and various dedicated personnel for occupational safety and health and environmental protection are organized to be responsible for environmental protection and safety and health; the management system is developed according to the regulations, and the safety, health and environment-related business is regularly implemented.
2. Regular training on environmental protection, safety and health:
   Safety and health training is conducted for new employees and transferred employees, and the training hours and subjects are in accordance with the regulations; personnel who operate dangerous machinery or equipment, such as fixed cranes, forklifts, organic solvents, etc., must be trained and licensed before they may operate, and regular retraining is conducted according to regulations.
3. Workplace safety:
   In addition to establishing the safety protection of machinery and equipment and the use and safe operation of personal protective equipment in accordance with the occupational safety and health regulations, the supervisor leads the safety inspection from time to time to ensure that the employees operate in accordance with the regulations, and at the same time to explore the improvement points that can be further strengthened to establish the safety awareness of all the staff in the spirit of continuous improvement, so as to achieve the safety protection superior to the regulatory requirements and ensure workplace safety.
4. Operation environment monitoring:
   The measurement of chemical factors and physical factors is carried out in accordance with the “Measures for the Implementation of Labor Working Environment Measurement”. The chemical factors are carbon dioxide, dust, n-hexane, manganese, nickel, oil droplets, organic solvents, etc., and the physical factors are noise and wind speed. According to law, a qualified working environment measurement institution is regularly appointed to carry out the measurement to ensure that the workplace complies with legal regulations to protect the health of employees.
5. Health care and management:
   The health of employees is of paramount importance and the biggest asset of the Company. In accordance with the "Labor Health Protection Rules," the Company implements health checkups for general operations and special hazard operations, respectively, and the health checkups are followed up and promoted by occupational doctors and nurses at the factory according to the current operating status. Due to the severity of the COVID-19 epidemic in recent years, we have switched to seed health education, which is conducted monthly according to the different attributes of the seasons. In 2023, we have adopted on-site visits

and care to continue to promote the company's employees to focus on self-health management and provide a safe and comfortable working environment, in order to enhance the health and physical fitness of employees and then extend this concept to the families of employees.

6. Regular fire training and emergency response drills in special places:

   General fire training is carried out once every six months to train employees in organizing, drilling, emergency response and aftermath treatment; each special workplace holds emergency response drills every year to train the emergency response ability in case of accidents.

7. GHS Global Harmonization System for Chemicals and CCB Chemical Classification Management Drive:

   In order to show the dangerous and harmful substances that employees are exposed to in the workplace, safety signs have been hung in the workplace, and the latest safety data sheets have been placed in the workplace and the Company's intranet for employees to view. Any raw material changes or process changes must be reviewed and the safety data sheets collected beforehand according to the change management measures formulated by the Company, and the changes can be imported into the process operation after the training of relevant personnel.

8. In order to prevent occupational disasters and ensure the safety of employees, the Company has established an "Emergency Disaster Response Team" to carry out regular drills and response measures for possible disasters, such as floods, fires, spills, typhoons, earthquakes, wars, transportation accidents, notifications, evacuations and recovery. When accidents occur, the Company will be able to deal with them in a more organized and systematic way to minimize injuries and losses.

V. Labor Relations

(I) The Company's employee welfare measures, further education, training, retirement system and their implementation, as well as the agreement between labor and management and various employee right and interest protection measures:

1. We firmly believe that talents are the cornerstone of the Company's sustainable operation.

   The goal of labor relations is to strengthen the development of talents, build Kuen Ling into a happy enterprise, achieve the sustainable operation of the enterprise, and become the friendliest workplace. We highly value the self-development and accomplishments of our employees in their work, and have therefore built an open career development environment and welfare measures that take into account life and family, so that employees can work and grow with the Company.

   (1) Career development and self-achievement

In order to cultivate excellent talents with enthusiasm and innovative ideas, and to help talents achieve achievements in the Company's development stage, in addition to the complete hands-on training and regulatory care for new employees, the Company ensures the opening of career development channels; the relevant programs are as follows:

New employee training:

According to the requirements of occupational safety/environmental safety, priority should be given to the training related to work safety and administration for 3.5 hours to strengthen the attention of the new employee to work safety and the understanding of the Company's basic management rules. Then, the head of each department will lead the new employee to each working environment to carry out environmental awareness and equipment operation training, as well as OJT and apprenticeship-system professional skill training.

Professional training of each department:

Each department shall propose annual training plans according to the professional skills needs of its staff every year, and participate in relevant government subsidized plans, such as the enterprise human resources improvement plan/charging take-off plan, so as to strengthen and improve the training quality and environmental needs of each employee, and enhance the professional skills of employees.

On-the-job employees' further education:

To encourage personal growth and upward development for each employee, our company has implemented relevant management guidelines such as the "On-the-Job Employee Training Policy." As part of this policy, we provide full tuition reimbursement for every employee, allowing them to pursue further education while continuing to work. This initiative empowers employees to fully dedicate themselves to self-enrichment and training, enhancing their professional skills and fostering better career development opportunities for themselves.

Talent training:

A. Priority of internal talent recruitment of each department: To ensure holistic talent development, if a specific department requires additional expertise, we prioritize talent assessment from within the department or other departments. After evaluating the skills and capabilities of employees, we facilitate talent rotation and on-the-job training (OJT) to enhance their effectiveness. This approach aims to activate and strengthen the company's professional competitiveness by leveraging the diverse skills and knowledge of our talented workforce

B. External talent recruitment (youth employment pilot plan and industry-academia cooperation): In order to cultivate the skills of young students, we have conducted industry-academe cooperation with major colleges/universities and vocational colleges for many years and actively participated in relevant government programs, so that young students can have better self-growth and satisfaction while training and working.

(2) Employee rights and interests protection

A. Job security and gender equality guarantee: According to the Personal Data Protection Act, the Company ensures the personal security of job seekers, and does not use it for purposes other than recruitment or selection purposes without the consent of job seekers. In terms of employment targets, the Company fully complies with the provisions of the Labor Standards Act and does not employ people under the age of 15 for any labor work; in addition, in order to balance the gender structure and ensure the employment of women in posts, the proportion of women in the Company has increased from 12% to 20% in the past three years.

B. Competitive salary policy: The Company actively grasps the salary level of the industry market, and regularly reviews its salary policy to facilitate the recruitment and retention of high-quality talents. In addition, in consideration of the hard work of employees, work allowances are given according to the particularity of different workstations; in order to encourage the employees, we set up bonus categories such as the certificate bonus, business bonus and proposal bonus to encourage the employees to work hard; in order to retain outstanding talents, we also plan the relevant supporting reward system to retain talents, and provide employees with salary and welfare conditions to free them from worries about their families.

2. Employee benefit policies

The labor relations of the Company have always been very harmonious. Since the Company’s start of the business, due to the open-minded style of the operator and the full recognition of the labor, the cooperation between the two parties has been extremely pleasant.

(1) Employee Welfare Committee:

A. The Company has established the Employee Welfare Committee, which is jointly organized and established by the labor and management representatives, with 10 labor representatives and 1 management representative.

B. The Committee has a chairman, who is responsible for the overall affairs of the meeting, and a vice-chairman who is elected by the members among themselves. The term of office of the members is 2 years, and they are all unpaid. The number of members who are re-elected shall not exceed 2/3, but the term of office of those members who are business executives is not limited. In addition, the resignation of the chairman, vice-chairman or member shall be submitted to the Committee. Those who fail to attend the meeting of the Committee for three consecutive times without any reason shall be deemed to have resigned. The Members of the Committee whose term of office is less than 1 year may not be recalled.

C. The members of the Committee are all volunteers. The meeting of the Committee is held once every 3 months, and an extraordinary meeting may be held when necessary. The Committee meeting shall be convened by the chairman. An extraordinary meeting may be convened by the chairman within 7 days upon the request of 1/3 of all members. If the chairman fails to convene a general or extraordinary meeting without justified reasons, it may be reported to the competent authority with the signature of 1/3 of all the members to designate one member to convene the meeting.

D. Source of employee welfare fund: 0.15% of the total monthly operating income, 40% of the sale and allocation of waste materials, and 0.5% of the employee salaries (monthly income).

E. The Welfare Committee organizes regular recreational and cultural activities with the aim of promoting employee well-being, and facilitating interpersonal relationships.

(2) Employee welfare policies

A. All employees of the Company shall participate in the insurance scheme, which shall be implemented in accordance with the Labor Insurance Act.

B. The Company also plans group comprehensive insurance for employees, including life insurance, accident insurance, medical insurance, occupational disaster insurance, etc., to increase the overall protection of employees.

C. When an employee dies due to occupational accidents or occupational diseases, our company not only provides funeral expenses equivalent to five months' average salary but also offers death compensation to the surviving family members. The death compensation consists of a one-time payment equal to 40 months' average salary of the deceased employee.

D. For non-work-related deaths of employees (excluding those on leave without pay), in addition to the benefits provided under labor insurance as required by law, the company may also offer a bereavement allowance based on the length of service.

2-1. Those who have served for less than three years will be given a one-time bereavement allowance equivalent to one month's salary.

2-2. Those who have served for three years or more will be given a one-time bereavement allowance equivalent to three month's salary.

2-3. The "bereavement allowance" above shall be paid from the month of death (inclusive) according to the "Labor Insurance Salary Tier Table", in the amount of the 6-month average monthly salary for insurance.

2-4. The bereavement allowance provisions above can be offset by group insurance and other insurance provided for the Company.

2-5. The bereavement allowance shall not be issued to "exclusions" such as suicides, criminal acts, illegal smoking or use of narcotic drugs.

E. Employees have the right to enjoy the Company's cultural and entertainment activities, tours, lectures, further education, dinners and other benefits.

F. Depending on the Company's operating conditions, employees with excellent performance will be additionally paid employees’ remuneration and year-end bonuses.

G. Full subsidy of the cost of regular physical examination every two years.

H. Education scholarships and pre-school subsidies for employees and their children.

I. Transportation subsidies.

J. Employee Stock Ownership Trust

(3) Employees’ further education and training

A. Training courses for each new employee to introduce the Company's relevant administrative rules and the advocacy of work environment safety.

B. Regular and irregular arrangement of courses related to professional skills to improve the ability of refrigeration and air conditioning and improve product quality assurance.

C. Irregular job rotation to develop employees' diversified skills.

D. Talent training: Each department head selects suitable candidates for relevant training every year.

E. Certificate acquisition: Providing relevant training and environment to encourage employees to obtain certificates and licenses related to refrigeration and air conditioning.

F. Providing relevant study subsidies in accordance with the "Guidelines for the Handling of In-service Employee Training" to encourage employees to go to the relevant departments of national universities and colleges.

Employee Training Program is divided into two categories based on the nature: New Employee Training and On-the-Job Training for Existing Employees, as follows:

Item	Number of sessions	Total number of participants	Total hours	Total costs
1. New Employee Training	24	43	129	38,150
2. On-the-Job Training (internal training)	4	792	1419.5	45,600
3. On-the-job Training (external training) (Note)	28	139	953	191,040

Note: Employee Continuing Education Subsidy: The Company provides incentives for on-the-job employees to pursue further education at domestic and foreign research institutes and national polytechnic universities. This initiative aims to foster the long-term development of high-level talents and enhance the technical proficiency of the Company.

3. Retirement system and implementation status:

3.1 Since July 1, 2005, the Company and its domestic subsidiaries have formulated a defined-allocation retirement plan in accordance with the “Labor Pension Act” which is applicable to employees of ROC nationality. The Company and its domestic subsidiaries shall pay 6% of the employee's salary to the individual account of the Bureau of Labor Insurance for the employees who select the labor pension system of the Labor Pension Act. The payment of the employee pension shall be paid by month or in one go in accordance with the balance of the employee's individual pension account and the accumulated income.

(1) Applicable to: All formal employees.

A. Voluntary retirement

a. Those who have served for 15 years and are over 55 years old.

b. Those who have served for 25 years.

c. Those who have served for 10 years and are over 60 years old.

B. Compulsory retirement by the Company:

a. Those who are over 65 years old.

b. Those who are unable to work due to mental deterioration or physical disability.

(2) The base of (old system) employees' pension shall be the 6-month average salary before retirement as stipulated by the government; the calculation criteria are as follows:

A. Those who have served for less than 15 (inclusive) years will be given two base numbers for each full year.

B. Those who have served for more than 15 (exclusive) years, an additional base amount will be provided for each completed year of service beyond the fifteenth year.

C. If it is less than half a year, it shall be calculated as half a year; if it is more than half a year but less than one year, it shall be calculated as one year.

D. The upper limit is 45 base numbers.

(3) Pension payment method:

A. The pension shall be paid within 30 days from the date of retirement.

B. The Labor Retirement Reserve Supervision Committee of the Company issues a document to notify the Labor Bureau and the Labor Fund Payment Section of the Trust Department of the Bank of Taiwan to handle it.

(4) Pension allocation method:

A. According to Article 56 of the Labor Standards Act, the labor retirement reserve shall be allocated monthly within the range of 2% to 15% of the total monthly salary of the worker, and deposited in a special account. (old system)

B. According to Article 14 of the Labor Pension Act, 6% of the total salary shall be allocated as the labor pension on a monthly basis. (new system)

3.2 The pension of subsidiaries in overseas regions is a defined allocation system. According to the regulations of the local government, the pension, medical and other social security funds are paid every month.

4. Agreements between labor and management and various measures to safeguard the rights and interests of employees:

   All regulations and measures concerning labor relations have been implemented in accordance with relevant laws and regulations; the new or modified measures of working conditions can all be implemented after communication and coordination between the labor and management, and the rights and interests of employees can be protected.

5. Code of employee behavior or ethics:

   5.1 In order to maintain the employment order in the workplace, and clearly regulate the rights and obligations of both labor and the management, the Company has formulated the "Work Rules" in accordance with the law and publicly disclosed it after the approval of the competent authority, and complies with the internationally recognized norms of labor human rights, so as for the Company to follow in the management of employees. In the Work Rules, the position, title, appointment, service, leave, salary, rewards and punishment, assessment, promotion, welfare, severance, occupational disaster compensation and retirement are clear defined.

   5.2 The Company expects every employee to strive to their fullest potential to achieve the highest business goals of the Company and enhance their personal moral sensibilities. To ensure this, the Company has established a "Code of Conduct" that outlines the following key points:

   (1) Employees are strictly prohibited from accepting gifts or favors from vendors, their agents, employees, or any individuals involved in business transactions with the company without prior approval from their supervisor.

   (2) The Company's internal information (that is, information related to the Company's interests or business), regardless of technology, finance, business, or similar information, is the Company's industrial and commercial secrets; employees have the obligation to keep such industrial and commercial secrets, and shall not disclose them to external parties. In addition, after leaving the Company, employees should still keep such secrets for the Company in good faith, and should not disclose or use the Company's industrial and commercial secrets to engage in illegal or improper competition.

(II) Labor disputes and handling

The Company has a well-established set of management rules and regulations, and measures are implemented to ensure fairness and reasonableness. Both labor and management strive to coexist and prosper together, fostering good interaction and harmonious relationships. Through regular meetings, such as weekly meetings, employees have the opportunity to express different opinions and engage in communication for issue resolution. In the 2022, the Company did not incur any losses due to labor-management disputes.

VI. Information Security Management:

(I) Describe the information security risk management structure, information security policy, specific management scheme and resources invested in information security management.

1. Information security risk management structure

The responsibility for information security within the company lies with the Information Technology (IT) Department. This department is headed by one Information Manager who is responsible for establishing internal information security policies, planning information security operations, and promoting and implementing information security policies

2. Information security policy and specific management plan:

2.1. The Company's information security management mechanism includes the following three aspects:

(1) System specification: Formulate the Company's information security management system to standardize the operation behavior of employees.

(2) Technology application: Install information security management equipment to implement information security management measures.

(3) Personnel training: Carry out information security training to improve the information security awareness of internal staff.

2.2 The management measures are described as follows:

(1) System specification: The Company has a requirement for the use of computers for employees which contains the information user safety behavior, and regularly checks whether the relevant regulations comply with the changes of the operating environment every year, and timely adjust them according to the needs.

(2) Technology application: In order to prevent various external information security threats, in addition to adopting a multi-layer network architecture design, the Company also built various information security protection systems to improve the security of the overall information environment.

3. Information security risk assessment:

In order to improve the information security awareness of employees, the Company carries out information security advocacy irregularly, controls the access behavior of information equipment via authority control, maintains the security of physical information equipment, strictly controls the access to the information equipment room, ensures the security of information equipment data, backs up data every day and synchronously stores it in remote equipment, and purchases information security equipment and orders information security services to ensure the security of external communication behavior. The Company also established a contingency plan for information security, and classifies information security incidents into levels 1 to 4. According to different levels, information security incidents are reported to the supervisor and relevant personnel for damage control, so that users can know how to make a preliminary judgment and treatment. In addition, the Company has hired an external professional information security incident identification team to assist in the investigation and mends the deficiencies and insufficiencies according to the incident investigation report, and effectively communicates with customers or the public to avoid damage to the corporate image; the professional information lawyer is also consulted about litigation issues to formulate the litigation strategy. Only by building an information security protection framework with the three mechanisms of prevention, detection and response, can the Company continue to operate steadily in a threatening environment.

(II) Losses arising from major information security incidents in the last year up to the publication date of the annual report, possible impact and countermeasures; state the reasons if the losses cannot be reasonably estimated. None.

VII. Important Contracts:

The valid and recently expired supply contracts, technical cooperation contracts, engineering contracts, long-term loan contracts, and other significant contracts that may impact shareholders' equity, as of April 30th, 2023 are listed below.

Nature of Contract	Counterparty	Contract Period	Main Content	Limitation clauses
Long-term technical cooperation contract	Company A001	2023.01.01 ~ 2023.12.31	Entrustment of the manufacture of chiller units, and provision of product quality assurance, after-sales service, trademark, patent design use, etc.	None
	Company A009	2023.01.01 ~ 2024.12.31		
	Company A010	2023.01.01 ~ 2023.12.31		
	Company B001	2023.01.01 ~ 2023.12.31		
Raw material purchase contract	FU SHENG INDUSTRIAL CO., LTD.	2023.01.01 ~ 2023.12.31	Compressor	None
	Chung Chen Metal Industry Co., Ltd.	2023.01.01 ~ 2023.12.31	Copper tube	None
	Feng-Hou Corporation	2023.01.01 ~ 2023.12.31	Sheet metal	None
	Karo's Refrigeration & Air Conditioning Co., Ltd.	2023.01.01 ~ 2023.12.31	Coil unit	None
Long-term lease cooperation contract	Hsin Ho Cheng Co., Ltd.	2021.06.01 ~ 2026.05.31	Plant rental	None
Long-term lease cooperation contract	Shanghai Jiu Li Ting Corporation	2019.05.01 ~ 2023.03.31	Lease of plant and office	None

Nature of Contract	Counterparty	Contract Period	Main Content	Limitation clauses
Long-term lease cooperation contract	Shanghai Shunyige Industrial Co., Ltd.	2023.03.01 ~ 2032.01.14	Lease of office	None
Mid- and long-term loan contract	ChinaTrust Commercial Bank	2020.04.27 2025.04.28	Loan for NT$23.66 million	None
Mid- and long-term loan contract	Taiwan Cooperative Bank Xingfeng Branch	2019.07.05 ~ 2024.07.05	Loan for NT$35 million	None

Six. Financial Status Overview

I. Condensed Balance Sheet and Comprehensive Income Statement for the Last 5 Years

(I) Condensed Consolidated Balance Sheet - IFRS- compliant

Unit: NT$ thousand

Item \ Year		Consolidated financial information for the most recent 5 years (Note)				
		2018	2019	2020	2021	2022
Current assets		1,972,061	1,905,617	2,005,535	2,158,261	2,468,576
Property, plant and equipment		510,213	531,654	574,413	571,393	601,059
Intangible assets		2,374	6,394	13,395	11,094	8,757
Other assets		105,273	173,752	137,892	129,063	113,944
Total assets		2,589,921	2,617,417	2,731,235	2,869,811	3,192,336
Current liabilities	Before Distribution	955,868	875,722	907,728	1,106,744	1,394,202
	After Distribution	1,108,173	997,565	1,060,033	1,243,818	1,546,507
Non-current liabilities		163,951	290,893	287,107	233,396	162,228
Total liabilities	Before Distribution	1,119,819	1,166,615	1,194,835	1,340,140	1,556,430
	After Distribution	1,272,124	1,288,458	1,347,140	1,477,214	1,708,735
Equity attributable to owners of parent						
Share capital		761,524	761,524	761,524	761,524	761,524
Capital reserve		128,616	128,616	128,616	128,616	128,616
Retained earnings	Before Distribution	555,921	563,993	644,806	644,971	727,613
	After Distribution	403,616	442,150	492,501	507,897	575,308
Others		(76,365)	(97,590)	(96,241)	(102,117)	(81,442)
Treasury shares		-	-	-	-	-
Non-controlling interests		100,406	94,259	97,695	96,677	99,595
Total equity	Before Distribution	1,470,102	1,450,802	1,536,400	1,529,671	1,635,906
	After Distribution	1,317,797	1,328,959	1,384,095	1,392,597	1,483,601

Note: The profit distribution of 2022 has been approved by the Board of Directors on March 22, 2023, and will submit to the shareholders' meeting for ratification on June 14, 2023.

Condensed Individual Balance Sheet - IFRS-compliant

Unit: NT$ thousand

Item \ Year		Individual financial information for the most recent 5 years (Note)				
		2018	2019	2020	2021	2022
Current assets		1,136,599	889,911	886,001	972,537	1,025,656
Property, plant and equipment		235,531	283,106	302,293	320,194	325,173
Intangible assets		1,729	2,755	9,247	6,634	4,478
Other assets		690,808	806,049	856,725	865,502	899,162
Total assets		2,064,667	1,981,821	2,054,266	2,164,867	2,254,469
Current liabilities	Before Distribution	536,291	372,389	384,825	532,573	571,458
	After Distribution	688,596	494,232	537,130	669,647	723,763
Non-current liabilities		158,680	252,889	230,736	199,300	146,700
Total liabilities	Before Distribution	694,971	625,278	615,561	731,873	718,158
	After Distribution	847,276	747,121	767,866	868,947	870,463
Equity attributable to owners of parent						
Share capital		761,524	761,524	761,524	761,524	761,524
Capital reserve		128,616	128,616	128,616	128,616	128,616
Retained earnings	Before Distribution	555,921	563,993	644,806	644,971	727,613
	After Distribution	403,616	442,150	492,501	507,897	575,308
Others		(76,365)	(97,590)	(96,241)	(102,117)	(81,442)
Treasury shares		-	-	-	-	-
Total equity	Before Distribution	1,369,696	1,356,543	1,438,705	1,432,994	1,536,311
	After Distribution	1,217,391	1,234,700	1,286,400	1,295,920	1,384,006

Note : The profit distribution of 2022 has been approved by the Board of Directors on March 22, 2023, and will report to the shareholders' meeting for ratification on June 14, 2023.

(II) Condensed Consolidated Income Statement - IFRS-compliant

Unit: NT$ thousand

Item \ Year	Consolidated financial information for the most recent 5 years (Note)				
	2018	2019	2020	2021	2022
Operating revenue	2,975,329	2,677,510	2,606,787	2,533,785	3,032,863
Gross profit	694,982	701,887	683,012	600,601	704,728
Operating income	265,019	195,268	241,029	175,687	224,498
Non-operating income and expenses	12,025	14,365	19,577	19,663	27,326
Profit before tax	277,044	209,633	260,606	195,350	251,824
Current net income from continuing operations	214,794	161,616	209,737	150,887	206,165
Loss from discontinued operations	-	-	-	-	-
Net income	214,794	161,616	209,737	150,887	206,165
Other comprehensive income for the current period (net, after-tax)	(9,266)	(27,859)	(1,512)	(4,769)	38,007
Total comprehensive income in the current period	205,528	133,757	208,225	146,118	244,172
Net income attributable to parent company shareholders	213,864	163,270	206,980	150,793	204,046
Net Profit Belongs to Non-controlling Interests	930	(1,654)	2,757	94	2,119
Total Amount of Comprehensive Income Attributed to Owner of Parent Company	206,544	139,152	204,005	146,593	240,391
Total Amount of Comprehensive Income Belongs to Non-controlling Interests	(1,016)	(5,395)	4,220	(475)	3,781
Earnings per share (dollar)	2.81	2.14	2.72	1.98	2.68

Note: All of them were audited and certified by CPAs.

Condensed Individual Income Statement - IFRS-compliant

Unit: NT$ thousand

Year / Item	Individual financial information for the most recent 5 years (Note)				
	2018	2019	2020	2021	2022
Operating revenue	1,879,078	1,312,915	1,323,519	1,162,181	1,427,701
Gross profit	463,040	220,562	224,576	175,308	216,809
Operating income (loss)	253,881	8,913	29,092	(878)	26,303
Non-operating income and expenses	19,462	171,359	188,682	159,852	188,538
Profit before tax	273,343	180,272	217,774	158,974	214,841
Current net income from continuing operations	213,864	163,270	206,980	150,793	204,046
Loss from discontinued operations	-	-	-	-	-
Current profit (loss)	213,864	163,270	206,980	150,793	204,046
Other comprehensive income for the current period (net, after-tax)	(7,320)	(24,118)	(2,975)	(4,200)	36,345
Total comprehensive income in the current period	206,544	139,152	204,005	146,593	240,391
Earnings per share (dollar)	2.81	2.14	2.72	1.98	2.68

Note: All of them were audited and certified by CPAs.

(III) The types of reports reviewed or audited by the certifying CPAs in the last five years:

1. Names of the certifying CPAs in the last five years and audit opinions

Year	Name of accounting firm	Certifying accountant	Type of report reviewed or audited
2018	PwC Taiwan	Kuo-Hua Wang Ah-Shen Liao	Unqualified opinions (including other matters)
2019	PwC Taiwan	Kuo-Hua Wang Ah-Shen Liao	Unqualified opinions (including other matters)
2020	PwC Taiwan	Ah-Shen Liao Chian-Chi Wu	Unqualified opinions (including other matters)
2021	PwC Taiwan	Ah-Shen Liao Chian-Chi Wu	Unqualified opinions (including other matters)
2022	PwC Taiwan	Chun-Kai Wang Chian-Chi Wu	Unqualified opinions (including other matters)

2. For the change of CPA in the past five years, the explanation of the reasons for the change by the Company, the predecessor CPA and the successor CPA:
   PwC Taiwan carries out regular internal rotation in order to maintain the independence of the certifying CPAs. From July 1, 2022, the certifying CPAs for the audit of the Company's financial reports were changed to Chun-Kai Wang and Chian-Chi Wu.

II. Analysis of financial ratios in the last five years- IFRS-compliant: Consolidated

Item of analysis (Note 1) \ Year		Financial Analysis over the Last 5 Years (Consolidated)				
		2018	2019	2020	2021	2022
Financial structure (%)	Liability to asset ratio	43.00	45.00	44.00	47.00	49.000
	Ratio of long-term funds to property, plant and equipment	301.00	269.00	317.00	309.00	299.00
Solvency (%)	Current Ratio	206.00	218.00	221.00	195.00	177.00
	Quick Ratio	151.00	164.00	167.00	137.00	123.00
	Interest Coverage Ratio	72.00	24.00	33.00	34.00	31.00
Operating efficiency	Accounts receivable turnover (times)	3.40	2.80	2.70	2.70	2.70
	Average cash collection days	107.00	130.00	135.00	135.00	135.00
	Inventory turnover (times)	4.50	4.00	4.30	3.60	3.50
	Accounts payable turnover (times)	7.00	6.00	6.00	5.00	5.00
	Average inventory turnover days	81.00	91.00	85.00	101.00	104.00
	Property, plant and equipment turnover (times)	5.80	5.10	4.70	4.40	5.20
	Total asset turnover (times)	1.00	1.00	1.00	1.00	1.00
Profitability	Return on assets (%)	9.00	6.00	8.00	6.00	7.00
	Return on equity (%)	16.00	12.00	15.00	11.00	14.00
	Ratio of pre-tax profit to paid-in capital (%)	36.00	28.00	34.00	26.00	33.00
	Profit margin (%)	7.00	6.00	8.00	6.00	7.00
	Earnings per share (NTD)	2.81	2.14	2.72	1.98	2.68
Cash flow	Cash flow ratio (%)	33.00	17.00	44.00	6.00	6.00
	Cash flow adequacy ratio (%)	117.00	112.00	124.00	92.00	78.00
	Cash reinvestment ratio (%)	8.00	0.00	12.00	(4.00)	(2.00)
Degree of leverage	Operating leverage	10.00	11.00	9.00	12.00	11.00
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons for the changes of over 20% in the financial ratios for the last 2 years (analysis can be exempted if the change is less than 20%)

1. Profitability increased mainly due to a increase of NT$56.47 million in pre-tax profit in 2022 compared with that in 2021.
2. The decrease in cash flow is due to the higher net cash outflow in the current period compared with that in 2021.

Analysis of financial ratio in the last five years- IFRS-compliant: Individual

Item of analysis (Note 1) / Year		Financial Analysis over the Last 5 Years (Individual)				
		2018	2019	2020	2021	2022
Financial structure (%)	Liability to asset ratio	34.00	32.00	30.00	34.00	32.00
	Ratio of long-term funds to property, plant and equipment	649.00	504.00	494.00	510.00	518.00
Solvency (%)	Current Ratio	212.00	239.00	230.00	183.00	179.00
	Quick Ratio	162.00	169.00	158.00	109.00	94.00
	Interest Coverage Ratio	313.00	131.00	114.00	98.00	73.00
Operating efficiency	Accounts receivable turnover (times)	3.10	2.40	3.00	3.00	3.70
	Average cash collection days	118.00	152.00	122.00	122.00	99.00
	Inventory turnover (times)	5.30	4.10	4.20	3.10	2.80
	Accounts payable turnover (times)	7.00	5.00	7.00	5.00	6.00
	Average inventory turnover days	69.00	89.00	87.00	118.00	130.00
	Property, plant and equipment turnover (times)	8.00	5.10	4.50	3.70	4.40
	Total asset turnover (times)	1.00	1.00	1.00	1.00	1.00
Profitability	Return on assets (%)	11.00	8.00	10.00	7.00	9.00
	Return on equity (%)	16.00	12.00	15.00	11.00	14.00
	Ratio of pre-tax profit to paid-in capital (%)	36.00	24.00	29.00	21.00	28.00
	Profit margin (%)	11.00	12.00	16.00	13.00	14.00
	Earnings per share (NTD)	2.81	2.14	2.72	1.98	2.68
Cash flow	Cash flow ratio (%)	52.00	15.00	66.00	14.00	24.00
	Cash flow adequacy ratio (%)	114.00	95.00	108.00	81.00	69.00
	Cash reinvestment ratio (%)	7.00	-5.00	7.00	-4.00	0.00
Degree of leverage	Operating leverage	7.00	124.00	39.00	-1,123.00	47.00
	Financial leverage	1.00	1.00	1.00	0.35	1.13

Reasons for the changes of over 20% in the financial ratios for the last 2 years (analysis can be exempted if the change is less than 20%) 1. The decrease of solvency is mainly due to the increase of inventory purchase cost and current liabilities in 2022. 2. The increase in receivable turnover rate is mainly due to the revenue growth and better account recovery in 2022. 3. The increase in accounts payable turnover is primarily attributed to the improved collection of receivables and sufficient funds resulting from the business growth in 2022. 4. Profitability increased mainly due to a increase of NT$55.87 million in pre-tax profit in 2022 compared with that in 2021. 5. The increase in cash flow was mainly due to the increase of NT$59.93 million in net cash inflow from operating activities in 2022 compared with that in 2021. 6. The increase in leverage was mainly due to the increase in net operating income in 2022 compared with that in 2021 and the decrease in short-term borrowings.

Note:

1. The formulas of financial ratios are as follows:
   (1) Debt to assets ratio = total liabilities/total assets
   (2) Long-term capital to property, plant, and equipment ratio = (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 - prepaid expenses)/current liabilities
   (3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period
3. Operating performance
   (1) Receivable (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).
   (2) Average collection days = 365/accounts receivable turnover rate
   (3) Inventory turnover rate = costs of goods sold/average inventory
   (4) Payable (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).
   (5) Average sales days = 365/inventory turnover rate
   (6) Property, plant, and equipment turnover rate = net sales/net average property, plant, and equipment
   (7) Total assets turnover rate = net sales/average total assets
4. Profitability
   (1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets

(2) Return on equity = net profits after tax/average total equity

(3) Net profit margin = net profits after tax/net sales

(4) Earnings per share = (net profits attributable to shareholders of owners of the parent - preferred stock dividend)/ weighted average number of shares outstanding

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals).

6. Degree of leverage:

(1) Operating leverage = (net operating income - variable operating costs and expenses) / operating income)

(2) Financial leverage = operating profits / (operating profits - interest expense).

III. Audit Report from the Auditing Committee on the 2022 Financial Report

Kuen Ling Machinery Refrigerating Co., Ltd.

Audit Committee's Audit Report

The Board of Directors prepared and submitted the Company's 2022 business report, individual financial report and consolidated financial report and earnings distribution proposal; the financial report has been audited by PricewaterhouseCoopers Taiwan appointed by the Board of Directors, and an audit report has been issued.

The business report, individual financial report and consolidated financial report and profit distribution proposal above have been checked and found to be in conformity with the requirements of the Audit Committee, and are submitted for review and verification in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

Kuen Ling Machinery Refrigerating Co., Ltd.
2023 General Shareholders' Meeting

Audit Committee Convener: Li-Rong Hong

March 22, 2023

IV. Consolidated Financial Report of 2022:

Please refer to pages 160~235.

V. 2022 CPA Audited and Certified Individual Financial Statements:

Please refer to pages 236~323.

VI. Impact on the Financial Status of the Company Due to Financial Difficulties Experienced by the Company and Its Affiliated Companies in the Most Recent Year up to the Publication Date of this Annual Report: None

Seven. Financial Status and Financial Performance Review and Analysis and Risk Management

I. Financial status: The main reasons and impact of major changes in assets, liabilities and shareholders' equity in the last two years

Unit: NT$ thousand; %

Item \ Year	2021	2022	Difference		Main reasons
			Amount	%	
Current assets	2,158,261	2,468,576	310,315	14	
Financial assets at fair value through other comprehensive income or loss - non-current	9,759	9,759	0	0	
Property, plant and equipment	571,393	601,059	29,666	5	
Intangible assets	11,094	8,757	(2,337)	(21)	
Other assets	119,304	104,185	(15,119)	(13)	
Total assets	2,869,811	3,192,336	322,525	11	
Current liabilities	1,106,744	1,394,202	287,458	26	(I)1
Long-term liabilities	56,321	28,701	(27,620)	(49)	(I)2
Other liabilities	177,075	133,527	(43,548)	(25)	(I)3
Total liabilities	1,340,140	1,556,430	216,290	16	
Share capital	761,524	761,524	0	0	
Capital reserve	128,616	128,616	0	0	
Retained earnings	644,971	727,613	82,642	13	
Other interests and non-controlling interests	(5,440)	18,153	23,593	(434)	(I)4
Total shareholders' equity	1,529,671	1,635,906	106,235	7	

Major change items (those with a change of more than 20% between the previous and the current period and the change amount reaches NT$10 million)

Main reasons and their impact, and future response plans:

(I) Main reasons for the change

1. Increase in current liabilities: Due to the increase in the cost of goods sold in the current period (due to the increase in the cost of raw materials) and the increase in accounts payable and short-term borrowings, respectively, over the same period.
2. Decrease in long-term liabilities: This is due to the repayment of long-term loans.
3. Other liabilities: This is due to the decrease in net defined benefit liabilities and principal repayment of lease liabilities.

4. Other equity and non-controlling interests: This is due to the benefit from the translation of the financial statements of foreign operations.

(II) Impact and future response plans:

The Company continues to grow steadily in operating performance and profit, and properly plans the control of working capital.

II. Financial performance: The main reasons for major changes in operating revenue, operating profit and pre-tax net profit in the most recent two years, the expected sales volume and its basis, the possible impact on the Company's future financial operations and the response plan.

(I) Comparative analysis of financial performance in the last two years:

Unit: NT$ thousand; %

Item \ Year	2021	2022	Amount of increase (decrease); %	Change ratio %	
Operating revenue	$ 2,533,785	$ 3,032,863	499,078	20	(1)
Operating costs	(1,933,184)	(2,328,135)	394,951	20	(2)
Gross profit	600,601	704,728	104,127	17	
Operating expenses	(424,914)	(480,230)	55,316	13	
Operating profit	175,687	224,498	48,811	28	(3)
Non-operating income and expenses	19,663	27,326	7,663	39	(4)
Net profit before tax from continuing operations	195,350	251,824	56,474	29	(5)
Income tax	(44,463)	(45,659)	1,196	3	
Net profit after tax from continuing operations	$ 150,887	$ 206,165	55,278	37	(5)

1. Description and analysis of change of increase/decrease ratio: (the change ratio exceeds 20%)

(1) Increase in net operating income: revenue growth in Taiwan, China and Vietnam due to increased demand for COVID-19 orders and special rush orders.

(2) Increase in operating costs: this is due to the increase in revenue growth costs and the impact of higher raw material costs.

(3) Increase in operating income: mainly due to the increase in gross profit from revenue growth.

(4) Increase in non-operating income and expenses: mainly due to the increase in bad debt recovery benefit and foreign currency exchange benefit.

(5) Increase in net income from continuing operations before tax and net income from

continuing operations after tax: mainly due to the favorable variance in revenue and gross operating profit, as well as the favorable variance in operating expenses and non-operating income and expenses.

2. Reasons for changes in major business scopes: there were no significant changes in the scope of the Group's major business activities.
3. Sales volume forecast in the coming year and the basis:
   In addition to continuing to provide technical services, the Company's head office in Taiwan will continue to play the role of strategic planning for the subsidiaries in mainland China, Vietnam and Indonesia to become the backing of factories in each country. The forecast is prepared based on the operation strategy of the Group, taking into account reasonable assumptions such as market estimates, industrial prospects, development trends and customer operating conditions. Therefore, it is expected that the sales volume of the next year will be consistent with that of the current period.
4. Possible financial impact to the Company and response plan:
   In addition to the continuous growth of its operating scale, the Group is committed to adjusting its financial structure in order to expand the market of new products and diversify business risks. It is estimated that the Group will continue to grow steadily in the future; according to the current financial structure, it is sufficient to meet the needs of future business growth, so it has no significant impact on the Company's financial status and capital.

III. Analysis of the changes in cash flow in the most recent year, improvement plan for insufficient liquidity, and analysis of cash flow in the next year.

(I) Analysis of the cash flow in the most recent year and improvement plan for insufficient liquidity

Item \ Year	2021	2022	Increase (decrease) ratio
Cash flow ratio	6%	6%	0%
Cash flow adequacy ratio	92%	78%	-15%
Cash reinvestment ratio	-4%	-2%	-50%
Description and analysis of change of increase/decrease ratio: (the change ratio exceeds 20%) 1. The decrease in cash reinvestment ratio was mainly due to the increase in net cash flow from operating activities for the current year compared to the previous year and a decrease in cash dividends payment.			

(II) Analysis of cash flow in the next year:

Cash balance at the beginning of the period (1)	Net cash flow from business activities for the year (2)	Cash inflow (outflow) for the full year (3)	Estimated cash surplus (shortfall) (1)+(2)+(3)	Financing of cash deficits	
				Investment plan	Wealth management plan
403,202	211,308	(289,316)	325,194	-	-

1. Analysis of expected cash flow change in the coming year:

(1) Operating activities: It is expected that the revenue growth will be lower than in 2022. However, the operating activities will continue to generate positive cash flow, with a slight increase compared to 2022.

(2) Investment activities: There are no plans to increase or sell long-term investments in the upcoming year, so there will be minimal changes in that regard.

(3) Financing activities:

A. In the upcoming year, there are plans to increase capital expenditures and make cash payments for dividends, employee compensation, and director remuneration. These activities will result in a net outflow of cash.

B. Considering that the cash in the account is scattered in the accounts of the reinvested subsidiaries, in the event of a decline in cash inflow from core business operations, it may be necessary to rely on bank financing to cope with the situation.

2. Remedial measures and liquidity analysis of estimated cash insufficiency: Not applicable.

IV. Material capital expenditures in the most recent year and impact on the financial status and business performance:

(I) Application of major capital expenditure and capital source:

Unit: NT$ thousand

Item	Actual or expected capital source	Actual or expected completion date	Total funds needed	Actual or expected capital application		
				2023	2024	2025
Plant renovation and purchase of production equipment	Working capital and bank borrowings	2023	26,000	26,000	0	0
Total			26,000	26,000	0	0

(II) Expected benefits:

1. The purpose of plant renovation is to strengthen the structure of the plant and maintain the work safety of employees.
2. This purchase of machinery and equipment is to purchase new to replace the old to increase the production capacity and meet the market demand.
3. The increase of production capacity can not only meet the product diversification, service quality and quick delivery demanded by customers, but also make the Company more competitive.

(III) Impact of material capital expenditures on the financial status and business performance: <u>None.</u>

V. Reinvestment policy for the most recent year, the main reasons for profit or loss, the improvement plan and the investment plan for the coming year:

Unit: NT$ thousand

Explanation / Item	Initial investment amount (Note)	Policy	Main causes of profit or loss	Improvement plan	Other future invest-ment plans
Cozy Air-Conditioning Co., Ltd.	TW$ 30,000	The 100% domestic investment policy aims at the market demand and development trend as well as the development space in the international market.	The company was established on November 15, 2004 and began to sell equipment in 2019; the profit after tax in 2022 was NT$138,258 thousand.	None	None
Ching Chi International Limited	TW$ 201,467	Based on the demand of expanding the market and capacity division in mainland China, the holding company established by the Company has successively invested in Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd. since 2000 and Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd. since 2006.	Based on the completion of the marketing establishment of Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd., the Company recognized a net profit of NT$12,111 thousand in 2022 and recognized a net loss of NT$4,191 thousand for Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd. in 2022 under the impact of the US-China trade war and COVID-19.	We intend to integrate the resources of the Company’s two plants in Shanghai and Suzhou and optimize the fixtures and production lines in order to reduce costs and to sell energy-saving products, in line with the government's green energy policy and to enhance the Company's reputation.	None

Explanation / Item	Initial investment amount (Note)	Policy	Main causes of profit or loss	Improvement plan	Other future invest-ment plans
Klean Air Enterprise LTD	TW$ 129,505	The Company established a holding company in order to expand into the Vietnamese market and facilitate production specialization. Since the year 2002, it has invested in Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. to manufacture and sell products such as chiller units. In 2017, the Company further expanded its presence in Southeast Asia by investing in PT. Kuen Ling Indonesia	The benefits of these establishments have gradually become evident as the market planning initiatives have yielded increased sales. In the fiscal year 2022, Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. recognized a net profit of NT$8,220 thousand. However, PT. Kuen Ling Indonesia recognized a net loss of NT$1,797 thousand in the same fiscal year.	To enhance the product visibility and drive sales growth, the Indonesian subsidiary has been actively implementing measures to improve its operational and maintenance systems.	None

Note: The amount of annual investment exceeds 5% of the paid-in capital in 2022.

VI. Evaluation Items of Risk Management Analysis:

(I) Impact of interest rate and exchange rate changes and inflation on the Company's profit and future countermeasures

1. Impact on the Company's profit:

A. Interest rate change:

Unit: NT$ thousand

Item	2021	2022
Net interest income (A)	(3,865)	(6,465)
Operating revenue (B)	2,533,785	3,032,863
Profit before tax (C)	195,350	251,824
A/B(%)	-0.15%	-0.21%
A/C(%)	-1.98%	-2.57%

The Group's long-term liabilities and long-term borrowings that mature within one year or one operating cycle are subject to floating interest rates. Therefore, any changes in market interest rates will cause the effective interest rate on these liabilities to fluctuate, resulting in variations in future cash flows. If the market interest rates increase by 1% while other factors remain constant, it would result in an approximate annual expense increase of NT$587 thousand for the Group.

B. Exchange rate change:

Unit: NT$ thousand

Item	2021	2022
Net exchange gain (A)	(2,414)	5,421
Operating revenue (B)	2,533,785	3,032,863
Profit before tax (C)	195,350	251,824
A/B(%)	-0.10%	0.18%
A/C(%)	-1.24%	2.15%

B-1. The Company's payables generated from product procurement and service requirements, except for a few specific projects, are denominated in New Taiwan Dollars (NTD), while some are denominated in US Dollars (USD). As a result, the Company's revenue and profitability are still moderately affected by exchange rate fluctuations.

B-2. In order to prevent the excessive fluctuation of exchange rate in the future from eroding the Company's profits, the Company will strengthen the control of exchange risk and take the following specific measures:

B-2-1. The Group will adopt the A/R and A/P balance strategy to reduce exchange rate risk.

B-2-2. The Group constantly gathers information on exchange rate fluctuations to monitor the currency market trends. It also conducts cash flow forecasts and implements appropriate hedging policies and methods to manage the supply and demand of foreign currencies. The Group engages in timely buying and selling activities to adjust and reduce the impact of exchange rate losses caused by the appreciation of the New Taiwan Dollar. These measures are implemented to minimize the impact on the core business operations.

C. Inflation:

In addition to the continuation of a weak global demand in the second half of 2022, the global economy will continue to face geopolitics, financial volatility, climate anomalies, global supply chain "friend-shoring" production and other factors, prompting higher prices in energy and commodity markets, increasing global inflationary pressure. As the Group relies on key raw materials such as copper, iron, and steel, the noticeable increase in their prices will lead to higher procurement costs. Although fluctuations in raw material prices have not significantly impacted the company's profitability, the Group will exercise cautious evaluation of the trends in base metal prices. It will develop optimal procurement strategies in alignment with operational needs. Regular reviews and gathering of relevant information will be conducted to provide management with valuable insights for decision-making.

(II) Policies on high-risk and high-leverage investments, loans to external parties, endorsements/guarantees and derivative trading, the main causes of profit or loss incurred and future countermeasures:

1. The Group's investment and financial management has always been moderate and conservative, and has not engaged in high-risk and high-leverage investments.
2. The Group's capital lending to others in 2022:
   In accordance with the provisions of the Group's procedures for lending funds to others, the amount of loans to a single legal person or group shall not exceed 10% of the Group's net value; the total amount of funds loaned to others shall not exceed 40% of the Group's net value, with an upper limit of NT$614,524.
   As of December 31, 2022, the Group's amount of loans to others was NT$0.
3. Endorsements and guarantees of the Group in 2022:
   According to the provisions of the Group's operating procedures for endorsements and guarantees, the amount of endorsements and guarantees for a single enterprise shall not exceed 30% of the Group's current net value, and the total amount of endorsements shall not exceed 40% of the Group's current net value; the upper limit of endorsements and guarantees is NT$614,524.
   As of December 31, 2022, the Group's amount of endorsements and guarantees was NT$0.
4. The Group’s derivative trading in 2022:
   The Group has formulated the "Procedures for Derivative Trading", and is mainly engaged in foreign currency exchange rate hedging and not in speculative transactions. Because of the hedging nature, there will not be a significant impact.
   The Group has not engaged in derivative trading as of December 31, 2022.

(III) Future R&D plan and expected R&D costs

Plan for the most recent year	Current progress	Period of investment	R&D expenses to be further invested (Note)	Completion time of mass production	Main factors influencing the success of future R&D
Key technology and application plan of domestic magnetic levitation centrifuge below 180RT.	Industry-specific capability test field validation	2021~2023	NT$12 million	2023	The information of the supply chain of some key components of maglev centrifugal compressor has been collected. (affecting the initial sales of magnetic levitation centrifuges)
New refrigerant low GWP (<750) unit development	Catalogue production	2023	NT$2.5 million	2023	Supply and test commissioning of new refrigerant system components

Note: It is estimated that NT$2.5 million will be invested in R&D in the next year.

(IV) The impact of important domestic and foreign policies and legal changes on the Company's financial status in the most recent year and countermeasures:

All businesses of the Group are carried out in accordance with the laws and regulations of the competent authority, and the development trend of important policies and laws at home and abroad and changes in laws are noted at all times to fully grasp and respond to changes in the market environment. Therefore, the changes in important policies and laws at home and abroad in the recent year have no significant impact on the financial status and business performance of the Company. In the future, the Company will collect relevant information about important domestic and foreign policies, and changes in laws and regulations of the competent authority at any time to provide tit as a reference for the decision-making of the management level, and cooperate in the implementation and response in order to adjust the relevant operational decisions of the Company.

(V) The impact of technological changes (including information and communications security risks) and industry changes on the Company's financial operations over the past year and the measures taken in response:

1. Changes in technology and industry risks:
The technology industry has changed rapidly, but in the industry in which the Group is located, the changes in technology and industry will not affect the financial status and business performance of the Company in the foreseeable future.
2. Response to changes in technology and industry:
Observe the product evolution trend and maintain good interaction with clients at any time, grasp the real needs of customers and the market, and expand the international market; research and innovate deep cultivation technology, strengthen quality improvement and professional technical services, follow the industry trend, and develop new products to implement the sustainable operation and growth of the Company.
3. Please refer to page 131 for details on information security risks.

(VI) Impact of corporate image change in the most recent year on corporate crisis management and countermeasures:

1. The Group has always adhered to the business philosophy of "integrity", "innovation", "service" and "care".
2. The Group's corporate image is based on honesty and pragmatism. So far, there has been no major change in the corporate image that has caused a crisis.
3. The Group will also continue to implement various corporate governance requirements, timely consult experts, prevent risks and strengthen corporate crisis management awareness.

(VII) Expected benefits and possible risks of merger and acquisition:

<u>There was no merger and acquisition plan for the most recent year and as of April 30, 2023, so it is not applicable.</u>

(VIII) Expected benefits and possible risks of plant expansion:

<u>There was no plant expansion plan for the most recent year and as of April 30, 2023, so it is not applicable.</u>

(IX) Risks of centralized procurement or sales:

1. Procurement: Since the Group's revenue has grown steadily, and the raw materials and materials purchased can be sourced from multiple suppliers in the market, the Company and suppliers have established a good and close relationship and adopted long-term contracts, so the risk associated with concentrated purchasing is expected to be minimal
2. Sales: The Company actively pursues the development of new ODM customers and promotes its own brand in order to maintain stable order volumes, ensure the

security of accounts receivable, and sustain sales market growth. The sales policy of the Company focuses on maintaining good cooperative relationships with existing ODM customers while actively seeking ODM orders from other reputable central air conditioning manufacturers that have not yet been collaborated with. ODM orders from central air conditioning manufacturers typically involve larger quantities compared to general refrigeration and air conditioning engineering companies. These orders also provide a stable source of business and offer opportunities to tap into new sales channels. Therefore, the Company has chosen to focus on cultivating ODM customers as a direction for expanding its business. Additionally, the Company aims to penetrate specialized industries with higher technological requirements, such as special industrial air conditioning and process clients to diversify its sales customer base and spread the risk of customer concentration.

(X) Impact and risks on the Company from the substantial transfer or exchange of shares by directors, supervisors or major shareholders holding more than 10% of the Company's shares: None.

(XI) Impact and risk of the change of management right on the Company:

In the most recent year and up to the printing date of the annual report: None.

(XII) Litigation or non-litigation events in the most recent year and as of April 30, 2023:

1. Litigation or non-litigation events: None.
2. The Company's directors, supervisors, general manager, substantive responsible persons, major shareholders with shareholdings ratio of more than 10% or affiliated companies which have been adjudicated or are still in the process of major litigation, non-litigation or administrative disputes, and the results may have a significant impact on shareholders' equity or securities prices should disclose the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the principal parties involved in the litigation and the disposition of the case as of the date of printing of the annual report: None.

(XIII) Other important risks and countermeasures:

(I) Risk control mechanism:

1. Although the Group has not established a risk management organization, it requires risk control and implementation of self-management by all staff and in

all aspects; mutual monitoring rather than control by a single person' is adopted, and each department is required to carry out the first level of control well. The management and advocacy of important risks are also strengthened. The risk control of the Group is divided into three levels (mechanisms): the sponsor or the undertaker is the first mechanism, which must be responsible for the investigation, design and prevention of the initial risk detection, evaluation and management of the operation. The second mechanism is the business meeting or policy management presided over by the General Manager's Office. In addition to the feasibility evaluation, it is also in charge of the evaluation of various risks. The third mechanism is the review by the meeting of directors and supervisors.

2. The Company's important risk assessment will be reviewed by the General Manager's Office, and will be submitted to the Board of Directors for review when necessary to carry out risk detection, evaluation and prevention recommendations. If there is any possible immediate risk found in normal times, it can also be immediately reported to the superior for proper prevention. For extremely important matters such as investment management and project bidding, each case is subject to joint review or supervision and regular tracking.
3. At the end of each year, key company-wide policies will be put forward as the basis for decision-making, work and planning of the next year, and will be included in project management for quarterly review and tracking.

(II) Information security risk:

To enhance information security management and ensure the confidentiality, integrity, and availability of information, as well as the reliability of information equipment and network systems, our company has established controls for information security checks as guidelines for managing information security risks within the company's regulations. Simultaneously, following the information security risk management framework, we have implemented intrusion defense systems, email spam filters, endpoint antivirus systems, and other security measures to gradually improve information security protection. We also conduct periodic drills for data backup systems and disaster recovery mechanisms to ensure data accuracy.

As of the printing date of the Company’s annual report, we have not experienced any significant cyber-attacks or information security incidents in 2022.

VII. Other important matters: <u>None.</u>

Eight. Special Disclosure:

I. Information of affiliated companies in the most recent year:

(I) Consolidated financial statements of affiliated enterprises: The same as the consolidated financial statements of parent and subsidiaries in Appendix 1. (Please refer to pages 160~235)

(II) Consolidated report of affiliated enterprises: Please refer to pages 324 ~ 329.

(III) Business report of subsidiaries: None

II. Private placement of securities in the most recent year and up to the printing of the annual report: None

III. Holding or disposal of the Company's shares by subsidiaries in the most recent year and up to the printing of the annual report: None

IV. Other supplementary information: None

Nine. During 2022 and up to the publication date of this annual report, any event which significantly affects shareholders' equity or share price pursuant to Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act (including the events under paragraph 1 of Article 11 of the Procedures of TPEx for Verification and Disclosure of Material Information of TPEx Listed Companies, and the press conferences on material information):None

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2022 AND 2021

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.

DECEMBER 31, 2022 AND 2021 CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

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Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of KUEN LING MACHINERY REFRIGERATING CO., LTD. (the "Consolidated FS of the Affiliates"), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2022 in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those required to be included in the Consolidated Financial Statements of KUEN LING MACHINERY REFRIGERATING CO., LTD. and its subsidiaries (the "Consolidated FS of the Group") in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, KUEN LING MACHINERY REFRIGERATING CO., LTD. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,
KUEN LING MACHINERY REFRIGERATING CO., LTD.
By

Chung-Kuo Tseng, Chairman
March 22, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000499

To the Board of Directors and Shareholders of Kuen Ling Machinery Refrigerating Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Kuen Ling Machinery Refrigerating Co., Ltd. and subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Appropriateness of cut-off on sales revenue

Description

Please refer to Note 4(25) of consolidated financial statement for accounting policies on revenue recognition, and Note 6(20) for details of operating revenue.

The Group's operating revenue arises from revenue from contracts with customers and mainly from customer acceptance and transfer of the products, such as condensers, chillers, chiller units and condensing units. Contract revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The transfer of control of the product to the customer and the fulfillment of performance obligations usually involve manual work and judgment, which may result in inappropriate timing of revenue recognition around the balance sheet date. Therefore, we consider the appropriateness of cut-off on sales revenue as one of the key audit matters for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed the accounting policies of revenue recognition.
2. Obtained an understanding, assessed and tested the effectiveness of the design and the execution of internal controls on revenue recognition.
3. Performed cut-off tests on contract revenue in a certain period around balance sheet date to ascertain that the revenue was recognised when control of goods has been transferred, and there is no performance obligation that could affect the customer acceptance of the products.

Accounts receivable impairment valuation

Description

Please refer to Note 4(7) of consolidated financial statements for accounting policy on accounts receivable, Note 5 for the uncertainty of accounting estimates and assumptions in relation to accounts receivable impairment valuation, Note 6(2) for details of accounts receivable and Note 12(2) for details of information relating to credit risk of accounts receivable.

The Group evaluates the lifetime expected credit loss amount of the accounts receivable and recognises loss allowance. The evaluation method used considers the historical transaction records, operation and current financial conditions of individual significant customers or customers of similar credit risk groups, and incorporates the effect of the time value of money. The identification of individual significant customers, the differentiation of similar credit risk groups and the aforementioned evaluation methods involve the subjective judgment of the management authority, which has a significant impact on the measurement of the expected credit loss of receivables. Therefore, we consider the Group's and its subsidiaries' accounts receivable impairment valuation as one of the key audit matters for this year's audit.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the Group's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for uncollectible accounts receivable, including identifying individual significant customers, classifying the similar credit risk groups and objective evidence for determining expected credit losses.
2. Obtained an understanding of the effectiveness of the design and implementation of the internal control procedures over the Group's credit management and the assessment of lifetime expected credit losses of receivables.
3. Assessed the reasonableness of the amounts of significant expected credit losses individually assessed by management and the expected credit losses assessed based on similar credit risk groups.
4. Performed subsequent collection tests on accounts receivable for expected credit losses that occur simply to reflect the time value of money to assess the reasonableness of expected credit losses.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain subsidiaries which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for using the equity method amounted to NT$22,626 thousand and NT$21,886 thousand, both constituting 1% of the consolidated total assets as at December 31, 2022 and 2021, respectively, and the operating revenue amounted to NT$24,916 thousand and NT$25,653 thousand, constituting 1% of the consolidated total operating revenue for the years then ended, respectively.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of KUEN LING MACHINERY REFRIGERATING CO., LTD. as at and for the years ended December 31, 2022 and 2021.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WANG, CHUN-KAI	Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan
March 22, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 403,202	13	$ 538,968	19
1140	Current contract assets	6(20)	7,589	-	48,363	2
1150	Notes receivable, net	6(2)	465,694	14	273,488	9
1160	Notes receivable - related parties	6(2) and 7	55,228	2	43,480	1
1170	Accounts receivable, net	6(2)	757,786	24	576,207	20
1180	Accounts receivable - related parties	6(2) and 7	6,739	-	17,631	1
1220	Current tax assets		16,664	-	16,664	1
130X	Inventories	6(3)	670,711	21	573,456	20
1479	Other current assets, others	6(1)(4) and 8	84,963	3	70,004	2
11XX	**Current Assets**		2,468,576	77	2,158,261	75
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(5)	9,759	-	9,759	-
1600	Property, plant and equipment	6(7)(9) and 8	601,059	19	571,393	20
1755	Right-of-use assets	6(8) and 8	42,793	2	56,147	2
1780	Intangible assets		8,757	-	11,094	-
1840	Deferred income tax assets	6(25)	28,677	1	28,081	1
1920	Guarantee deposits paid	8	21,252	1	20,537	1
1930	Long-term notes and accounts receivable, net	6(10)	1,256	-	1,733	-
1990	Other non-current assets, others		10,207	-	12,806	1
15XX	**Non-current assets**		723,760	23	711,550	25
1XXX	**Total assets**		$ 3,192,336	100	$ 2,869,811	100

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11) and 8	$ 244,786	8	$ 207,727	7
2130	Current contract liabilities	6(20)	104,386	3	101,319	4
2150	Notes payable	7	17,034	-	14,205	-
2170	Accounts payable	7	555,194	17	414,276	14
2200	Other payables	6(12)	345,979	11	251,057	9
2230	Current income tax liabilities		27,869	1	19,087	1
2250	Provisions for liabilities - current	6(13)	49,160	2	48,649	2
2280	Current lease liabilities		19,016	1	17,281	1
2320	Long-term liabilities, current portion	6(14) and 8	29,957	1	29,110	1
2399	Other current liabilities, others		821	-	4,033	-
21XX	**Current Liabilities**		1,394,202	44	1,106,744	39
	Non-current liabilities					
2540	Long-term borrowings	6(14) and 8	28,701	1	56,321	2
2570	Deferred income tax liabilities	6(25)	54,034	2	52,118	2
2580	Non-current lease liabilities		8,321	-	25,333	1
2640	Accrued pension liabilities	6(15)	69,729	2	96,602	3
2645	Guarantee deposits received		1,443	-	3,022	-
25XX	**Non-current liabilities**		162,228	5	233,396	8
2XXX	**Total Liabilities**		1,556,430	49	1,340,140	47
	Equity					
	Equity attributable to owners of parent					
	Share capital	6(16)				
3110	Share capital - common stock		761,524	24	761,524	27
	Capital surplus	6(17)				
3200	Capital surplus		128,616	4	128,616	4
	Retained earnings	6(18)				
3310	Legal reserve		245,884	8	230,637	8
3320	Special reserve		102,117	3	96,241	3
3350	Unappropriated retained earnings		379,612	12	318,093	11
	Other equity interest	6(19)				
3400	Other equity interest		(81,442)	(3)	(102,117)	(3)
31XX	**Equity attributable to owners of the parent**		1,536,311	48	1,432,994	50
36XX	Non-controlling interest	4(3)	99,595	3	96,677	3
3XXX	**Total equity**		1,635,906	51	1,529,671	53
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 3,192,336	100	$ 2,869,811	100

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

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			Year ended December 31			
			2022		2021	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(20) and 7	$ 3,032,863	100	$ 2,533,785	100
5000	Operating costs	6(3)(23)(24) and 7	(2,328,135)	(77)	(1,933,184)	(76)
5900	Net operating margin		704,728	23	600,601	24
	Operating expenses	6(23)(24)				
6100	Selling expenses		(238,832)	(8)	(209,330)	(8)
6200	General and administrative expenses		(162,284)	(5)	(144,803)	(6)
6300	Research and development expenses		(79,680)	(3)	(69,013)	(3)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	566	-	(1,768)	-
6000	Total operating expenses		(480,230)	(16)	(424,914)	(17)
6900	Operating profit		224,498	7	175,687	7
	Non-operating income and expenses					
7100	Interest income		1,884	-	2,125	-
7010	Other income	6(21)	30,141	1	27,345	1
7020	Other gains and losses	6(22)	3,650	-	(3,817)	-
7050	Finance costs	6(8)(11)(14)	(8,349)	-	(5,990)	-
7000	Total non-operating income and expenses		27,326	1	19,663	1
7900	**Profit before income tax**		251,824	8	195,350	8
7950	Income tax expense	6(25)	(45,659)	(1)	(44,463)	(2)
8200	**Profit for the year**		$ 206,165	7	$ 150,887	6

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Year ended December 31 2022 AMOUNT	2022 %	2021 AMOUNT	2021 %
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(15)	$ 19,588	-	$ 2,095	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(3,918)	-	(419)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		15,670	-	1,676	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		22,337	1	(6,445)	-
8300	**Other comprehensive income (loss) for the year**		$ 38,007	1	($ 4,769)	-
8500	**Total comprehensive income for the year**		$ 244,172	8	$ 146,118	6
	Profit, attributable to:					
8610	Owners of the parent		$ 204,046	7	$ 150,793	6
8620	Non-controlling interest		2,119	-	94	-
	Total		$ 206,165	7	$ 150,887	6
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 240,391	8	$ 146,593	6
8720	Non-controlling interest		3,781	-	(475)	-
	Total		$ 244,172	8	$ 146,118	6
	Basic earnings per share	6(26)				
9750	Total basic earnings per share		$	2.68	$	1.98
9850	Total diluted earnings per share		$	2.65	$	1.96

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

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent								Non-controlling interest	Total equity
				Retained Earnings			Other equity interest				
		Certificates of Bond-to-Stock Conversion	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total		
Year ended December 31, 2021											
Balance at January 1, 2021		$ 761,524	$ 128,616	$ 210,371	$ 97,590	$ 336,845	($ 62,923)	($ 33,318)	$1,438,705	$ 97,695	$1,536,400
Profit (loss) for the year		-	-	-	-	150,793	-	-	150,793	94	150,887
Other comprehensive income (loss)	6(19)	-	-	-	-	1,676	(5,876)	-	(4,200)	(569)	(4,769)
Total comprehensive income (loss)		-	-	-	-	152,469	(5,876)	-	146,593	(475)	146,118
Appropriation and distribution of 2020 retained earnings:											
Legal reserve appropriated		-	-	20,266	-	(20,266)	-	-	-	-	-
Reversal of special reserve		-	-	-	(1,349)	1,349	-	-	-	-	-
Cash dividends	6(18)	-	-	-	-	(152,304)	-	-	(152,304)	-	(152,304)
Cash dividends paid from subsidiaries		-	-	-	-	-	-	-	-	(543)	(543)
Balance at December 31, 2021		$ 761,524	$ 128,616	$ 230,637	$ 96,241	$ 318,093	($ 68,799)	($ 33,318)	$1,432,994	$ 96,677	$1,529,671
Year ended December 31, 2022											
Balance at January 1, 2022		$ 761,524	$ 128,616	$ 230,637	$ 96,241	$ 318,093	($ 68,799)	($ 33,318)	$1,432,994	$ 96,677	$1,529,671
Profit for the year		-	-	-	-	204,046	-	-	204,046	2,119	206,165
Other comprehensive income	6(19)	-	-	-	-	15,670	20,675	-	36,345	1,662	38,007
Total comprehensive income		-	-	-	-	219,716	20,675	-	240,391	3,781	244,172
Appropriation and distribution of 2021 retained earnings:											
Legal reserve appropriated		-	-	15,247	-	(15,247)	-	-	-	-	-
Special reserve appropriated		-	-	-	5,876	(5,876)	-	-	-	-	-
Cash dividends	6(18)	-	-	-	-	(137,074)	-	-	(137,074)	-	(137,074)
Cash dividends paid from subsidiaries		-	-	-	-	-	-	-	-	(863)	(863)
Balance at December 31, 2022		$ 761,524	$ 128,616	$ 245,884	$ 102,117	$ 379,612	($ 48,124)	($ 33,318)	$1,536,311	$ 99,595	$1,635,906

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

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 251,824	$ 195,350
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit (gain) loss	12(2)	(566)	1,768
Depreciation expense (including amortisation of right-of-use assets)	6(7)(8)(23)	69,325	67,240
Amortisation charge	6(23)	3,340	3,646
Interest expense		8,349	5,990
Interest income		(1,884)	(2,125)
Dividend income	6(21)	(1,707)	(1,841)
Losses (gains) on disposals of property, plant and equipment	6(22)	(209)	121
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		40,774	(33,237)
Notes receivable		(189,612)	(65,577)
Notes receivable due from related parties		(11,748)	11,280
Accounts receivable (including long-term notes and accounts receivables)		(171,581)	6,234
Accounts receivable due from related parties		4,494	7,137
Inventories		(88,876)	(161,386)
Other current assets, others		(14,161)	11,245
Changes in operating liabilities			
Current contract liabilities		1,494	3,701
Notes payable		2,829	(54,547)
Accounts payable		142,555	133,302
Other payables		95,264	(6,062)
Provisions for liabilities - current		218	(5,395)
Other current liabilities, others		(3,212)	3,333
Net defined benefit liability, non-current		(7,285)	(6,030)
Cash inflow generated from operations		129,625	114,147
Interest received		1,884	2,125
Dividends received		1,707	1,841
Interest paid		(8,266)	(5,937)
Income taxes paid		(39,480)	(49,174)
Net cash flows from operating activities		85,470	63,002

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6(27)	($ 60,329)	($ 45,471)
Increase in prepaid equipment		(8,478)	(10,711)
Proceeds from disposal of property, plant and equipment		257	42
Increase in prepayments for business facilities		(920)	(1,372)
Increase in guarantee deposits paid		(710)	(207)
Increase in other non-current assets - others		(1,418)	-
Net cash flows used in investing activities		(71,598)	(57,719)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(28)	745,100	384,053
Repayment of short-term borrowings	6(28)	(711,390)	(262,210)
Repayment of long-term borrowings	6(28)	(30,094)	(26,107)
Payments of lease liabilities	6(28)	(17,652)	(16,705)
Increase (decrease) in guarantee deposits paid		(1,579)	1,248
Cash dividends paid	6(18)	(137,074)	(152,304)
Cash dividends paid from subsidiaries		(863)	(543)
Net cash flows used in financing activities		(153,552)	(72,568)
Effect of exchange rate changes		3,914	(8,994)
Net decrease in cash and cash equivalents		(135,766)	(76,279)
Cash and cash equivalents at beginning of year	6(1)	538,968	615,247
Cash and cash equivalents at end of year	6(1)	$ 403,202	$ 538,968

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

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

KUEN LING MACHINERY REFRIGERATING CO., LTD. (the “Company”) was incorporated in April 1988 under the provisions of the Group Act of the Republic of China (R.O.C.). The Group is primarily engaged in the installation, maintenance, repair, manufacturing, processing, trading, domestic and foreign sales business and lease business of condensers, chillers, chiller units and condensing units.

The Group’ shares have been traded in the Taipei Exchange starting from September 2000.

For the main operating activities of the company and its subsidiaries (the “Group”), please refer to Note 4(3).

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 22, 2023.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment : proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts - cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

(2) <u>Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group</u>

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) <u>IFRSs issued by IASB but not yet endorsed by the FSC</u>

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through other comprehensive income measured at fair value.

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

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2022	December 31, 2021	Description
KUEN LING MACHINERY REFRIGERATING CO., LTD.	CHING CHI INTERNATIONAL LIMITED	Invest in other regions	83	83	
〃	KLEAN AIR ENTERPRISE LTD.	Invest in other regions	100	100	
〃	I CHI INDUSTRIAL CO., LTD.	General manufacturing	70	70	
〃	COZY AIR-CONDITIONING CO., LTD.	Sales of goods and trade business	100	100	
CHING CHI INTERNATIONAL LIMITED	KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	Engaging in manufacturing and sales of chillers	100	100	
〃	KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	General manufacturing	100	100	
KLEAN AIR ENTERPRISE LTD.	KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD.	General manufacturing	100	100	
〃	PT. KUEN LING INDONESIA	Sales of goods and trade business	99	99	
KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD.	PT. KUEN LING INDONESIA	Sales of goods and trade business	1	1	

C. Subsidiaries not included in the consolidated financial statements: None.

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2022 and 2021, the non-controlling interest amounted to $99,595 and $96,677, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interests				
Subsidiary	Principal place of business	Amount	%	Amount	%	Description
CHING CHI INTERNATIONAL LIMITED	China	$ 94,510	17	$ 91,670	17	Note

Note: Registered location of the subsidiary is British Virgin Islands.

Summarised financial information of the subsidiaries:

Balance sheet

	CHING CHI INTERNATIONAL LIMITED AND SUBSIDIARIES	
	December 31, 2022	December 31, 2021
Current assets	$ 1,007,678	$ 836,836
Non-current assets	166,427	162,532
Current liabilities	(618,164)	(460,134)
Total assets	$ 555,941	$ 539,234

Statement of comprehensive income

	CHING CHI INTERNATIONAL LIMITED AND SUBSIDIARIES	
	December 31, 2022	December 31, 2021
Revenue	$ 1,529,432	$ 1,276,292
Profit (loss) before income tax	$ 6,926	($ 5,088)
Income tax expense	-	-
Profit (loss) for the year	6,926	(5,088)
Other comprehensive income (loss)	57,779	(15,467)
Total comprehensive income (loss)	$ 64,705	($ 20,555)

Statement of cash flows

	CHING CHI INTERNATIONAL LIMITED AND SUBSIDIARIES	
	December 31, 2022	December 31, 2021
Net cash flows from (used in) operating activities	$ 107,578	($ 2,868)
Net cash flows (used in) from investing activities	(35,901)	18,182
Net cash flows used in financing activities	(27,645)	(54,826)
Effect of exchange rate changes on cash	593	(9,143)
Net increase (decrease) in cash and cash	44,625	(48,655)
Cash and cash equivalents at beginning of period	175,800	224,455
Cash and cash equivalents at end of period	$ 220,425	$ 175,800

(4) <u>Foreign currency translation</u>

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

A. Foreign currency transactions and balances

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

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Lease payments receivable / Operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group’s ownership percentage of the associate, the Group recognises the Group’s share of change in equity of the associate in ‘capital surplus’ in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 55 years
Machinery and equipment	2 ~ 15 years
Transportation equipment	2 ~ 10 years
Office equipment	3 ~ 10 years
Leasehold improvements	5 ~ 10 years
Other equipment	3 ~ 11 years

(14) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;
(c) Amounts expected to be payable by the lessee under residual value guarantees;
(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
(a) The amount of the initial measurement of lease liability;
(b) Any lease payments made at or before the commencement date;
(c) Any initial direct costs incurred by the lessee; and
(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Intangible assets

Intangible assets mainly pertain to computer software which is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

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

(18) Accounts and notes payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(21) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consoldated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Dividends

Cash dividends are recorded as liabilities in the Company’s financial statements in the period in which they are resolved by the Company’s Board of Directors. Stock dividends are recorded as stock dividends to be distributed in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells condensers, chillers, chiller units and condensing units and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) The Group’s obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(d) Some contracts include multiple deliverables. In most cases, the installation is simple, does not include an integration service and could be performed by another party or supplier. It is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

B. Service revenue

Revenue from providing services is recognised in the accounting period in which the services are rendered.

C. Engineering service revenue

(a) Some contracts include sales, installation and integration services of equipment. The equipment, the installation and the integration services provided by the Group are not distinct and are identified to be one performance obligation satisfied over time since the installation and integration services involve significant customisation and modification. The Group recognises revenue on the basis of costs incurred relative to the total expected costs.

(b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(c) The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

D. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

E. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(26) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Impairment assessment of accounts receivable

When there is a significant increase in credit risk on the financial instrument since initial recognition, loss allowance of the financial instrument is measured by lifetime expected credit losses. After taking into consideration all reasonable and verifiable information, the Group recognises lifetime expected credit losses for all financial instruments for which there have significant increases in credit risk since initial recognition after considering all reasonable and supportable information. The measurement of expected credit losses considers the risk or probability that a credit loss occurs.

As of December 31, 2022, the Group recognised loss allowance amounting to $36,693.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	$ 2,806	$ 1,273
Checking accounts and demand deposits	400,396	537,695
	$ 403,202	$ 538,968

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group’s cash and cash equivalents amounting to $70 on December 31, 2021 were restricted to the performance guarantee for the construction and the quality guarantee for the products sold and were listed under ‘other current assets, other’. No such issue as of December 31, 2022. Please refer to Note 6(4), Note 8 for details.

(2) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021
Notes receivable	$ 465,718	$ 273,512
Less: Allowance for uncollectible accounts	(24)	(24)
	465,694	273,488
Notes receivable due from related parties (Note 7)	55,228	43,480
	$ 520,922	$ 316,968

	December 31, 2022	December 31, 2021
Accounts receivable	$ 794,455	$ 614,877
Less: Allowance for uncollectible accounts	(36,669)	(38,670)
	757,786	576,207
Accounts receivable due from related parties (Note 7)	6,739	17,631
	$ 764,525	$ 593,838

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

	December 31, 2022		December 31, 2021	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	$ 520,946	$ 742,201	$ 316,992	$ 550,288
Past due:				
Up to 30 days	-	7,223	-	10,093
31 to 90 days	-	9,908	-	17,095
91 to 180 days	-	26,169	-	18,638
181 days to 1 year	-	7,023	-	26,678
1 to 2 year(s)	-	3,885	-	2,664
Over 2 years	-	4,785	-	7,052
	$ 520,946	$ 801,194	$ 316,992	$ 632,508

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, notes receivable and accounts receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to $908,564.

C. As of December 31, 2022 and 2021, the Group does not hold any collateral as security for accounts receivable.

D. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was $1,285,447 and $910,806, respectively.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

F. As of December 31, 2022 and 2021, the Group transferred the bank acceptance to suppliers as payment in the same amount. The notes receivable derecognized but not yet matured amounted to $53,002 (RMB 12,008 thousand) and $9,454 (RMB 2,177 thousand), respectively.

G. Please refer to Note 6(10) for the information of long-term receivables.

(3) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Notes Book value
Materials and supplies	$ 385,534	($ 26,643)	$ 358,891
Work in progress	98,245	-	98,245
Finished goods	216,107	(16,881)	199,226
Merchandise	8,757	(1,963)	6,794
Materials and supplies in transit	7,555	-	7,555
	$ 716,198	($ 45,487)	$ 670,711

	December 31, 2021		
	Cost	Allowance for valuation loss	Notes Book value
Materials and supplies	$ 308,050	($ 25,713)	$ 282,337
Work in progress	98,283	(83)	98,200
Finished goods	197,472	(14,735)	182,737
Merchandise	7,800	(1,547)	6,253
Materials and supplies in transit	3,929	-	3,929
	$ 615,534	($ 42,078)	$ 573,456

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2022	2021
Cost of goods sold	$ 2,142,484	$ 1,756,735
Loss on decline in market value	2,648	6,609
Others	183,003	169,840
	$ 2,328,135	$ 1,933,184

(4) Other assets-current

	December 31, 2022	December 31, 2021
Prepayments	$ 76,089	$ 63,204
Guarantee deposits paid-current	5,090	107
Office supplies	1,516	1,469
Current financial assets at amortised cost	1,304	70
Other receivables	696	3,164
Other	268	1,990
	$ 84,963	$ 70,004

As of December 31, 2022, the Group pledged time deposits maturing over three months as collateral and classified it as 'financial assets at amortised cost' in the amount of $1,304; No such occurence for the year ended December 31, 2021. Refer to Notes 6(1) and 8 for details.

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Unlisted stocks		
Feng-Hou Corporation	$ 5,720	$ 5,720
KA LING INDUSTRIAL CORP.	4,039	4,039
FULL OCEAN TRADING LIMITED	-	-
	9,759	9,759
Valuation adjustment	-	-
	$ 9,759	$ 9,759

A. The Group has elected to classify unlisted stocks investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments all amounted to $9,759 as at December 31, 2022 and 2021.

B. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(6) Investments accounted for using equity method

The Group held 23.5% equity interest of the investee, STAR ROYAL CO., LTD., and recognised impairment losses on the former carrying amount due to the assessment that the investment has been impaired.

(7) Property, plant and equipment

	Land	Buildings and structures: Owner-occupied	Buildings and structures: Lease	Buildings and structures: Subtotal	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1, 2022											
Cost	$ 110,783	$465,928	$ 79,072	$ 545,000	$ 336,734	$ 59,400	$ 20,453	$ 2,376	$ 11,580	$ 71,528	$ 1,157,854
Accumulated depreciation and impairment	-	(240,757)	(10,531)	(251,288)	(256,407)	(48,839)	(18,774)	(1,973)	(9,180)	-	(586,461)
	$ 110,783	$225,171	$ 68,541	$ 293,712	$ 80,327	$ 10,561	$ 1,679	$ 403	$ 2,400	$ 71,528	$ 571,393
2022											
Opening net book amount as at January 1	$ 110,783	$225,171	$ 68,541	$ 293,712	$ 80,327	$ 10,561	$ 1,679	$ 403	$ 2,400	$ 71,528	$ 571,393
Additions	-	22,473	-	22,473	16,243	2,884	671	4,248	418	10,851	57,788
Transfers from prepayments for business facilities	27,082	42,469	-	42,469	176	608	10,645	-	2,373	(70,863)	12,490
Disposals-cost	-	(78)	-	(78)	(15,181)	(4,836)	(442)	-	(751)	-	(21,288)
Depreciation charge	-	(21,577)	(4,407)	(25,984)	(18,451)	(4,202)	(2,031)	(531)	(1,020)	-	(52,219)
Disposals-accumulated depreciation	-	78	-	78	15,131	4,836	444	-	751	-	21,240
Net exchange differences		3,260	7,420	10,680	856	141	(7)	-	11	(26)	11,655
Closing net book amount as at December 31	$ 137,865	$271,796	$ 71,554	$ 343,350	$ 79,101	$ 9,992	$ 10,959	$ 4,120	$ 4,182	$ 11,490	$ 601,059
At December 31, 2022											
Cost	$ 137,865	$537,213	$ 87,743	$ 624,956	$ 342,242	$ 58,834	$ 31,622	$ 6,624	$ 13,673	$ 11,490	$ 1,227,306
Accumulated depreciation and impairment	-	(265,417)	(16,189)	(281,606)	(263,141)	(48,842)	(20,663)	(2,504)	(9,491)	-	(626,247)
	$ 137,865	$271,796	$ 71,554	$ 343,350	$ 79,101	$ 9,992	$ 10,959	$ 4,120	$ 4,182	$ 11,490	$ 601,059

	Land	Buildings and structures			Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
		Owner-occupied	Lease	Subtotal							
At January 1, 2021											
Cost	$ 110,783	$ 466,026	$ 34,551	$ 500,577	$ 328,059	$ 56,765	$ 20,372	$ 2,376	$ 9,460	$ 96,487	$ 1,124,879
Accumulated depreciation and impairment	-	(219,874)	(7,680)	(227,554)	(247,805)	(45,858)	(18,750)	(1,815)	(8,684)	-	(550,466)
	$ 110,783	$ 246,152	$ 26,871	$ 273,023	$ 80,254	$ 10,907	$ 1,622	$ 561	$ 776	$ 96,487	$ 574,413
2021											
Opening net book amount as at January 1	$ 110,783	$ 246,152	$ 26,871	$ 273,023	$ 80,254	$ 10,907	$ 1,622	$ 561	$ 776	$ 96,487	$ 574,413
Additions	-	2,167	4,666	6,833	18,621	3,937	1,025	-	2,136	18,171	50,723
Transfers from prepayments for business facilities	-	-	40,799	40,799	1,303	-	-	-	-	(41,984)	118
Disposals-cost	-	(375)	-	(375)	(9,933)	(1,084)	(835)	-	-	-	(12,227)
Depreciation charge	-	(22,120)	(3,095)	(25,215)	(19,384)	(4,238)	(934)	(158)	(510)	-	(50,439)
Disposals-accumulated depreciation	-	375	-	375	9,801	1,084	804	-	-	-	12,064
Net exchange differences	-	(1,028)	(700)	(1,728)	(335)	(45)	(3)	-	(2)	(1,146)	(3,259)
Closing net book amount as at December 31	$ 110,783	$ 225,171	$ 68,541	$ 293,712	$ 80,327	$ 10,561	$ 1,679	$ 403	$ 2,400	$ 71,528	$ 571,393
At December 31, 2021											
Cost	$ 110,783	$ 465,928	$ 79,072	$ 545,000	$ 336,734	$ 59,400	$ 20,453	$ 2,376	$ 11,580	$ 71,528	$ 1,157,854
Accumulated depreciation and impairment	-	(240,757)	(10,531)	(251,288)	(256,407)	(48,839)	(18,774)	(1,973)	(9,180)	-	(586,461)
	$ 110,783	$ 225,171	$ 68,541	$ 293,712	$ 80,327	$ 10,561	$ 1,679	$ 403	$ 2,400	$ 71,528	$ 571,393

A. For the years ended December 31, 2022 and 2021, no interest expense was capitalised as part of property, plant and equipment.

B. During the period from 2004 to 2011, the Group acquired an auction-purchased land from Chung-Kuo Tseng, the Chairman of the Group. However, part of the land was restricted by the current laws and regulations that prevent legal persons from purchasing agricultural land, so the transfer and transfer procedures can only be carried out after division and change in land category. As of the date of reviewing report, the change in land category and transfer procedures for the land have not yet been completed. However, the Group kept the land ownership certificate and other information in the Company as a preservation measure.

C. The significant components of buildings include main plants, elevators and decoration equipment, which are depreciated over 55, 15 and 3 years, respectively.

D. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements－lessee

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 2 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be subleased, lent or used in any way that may affect the ownership of the lessor.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022		December 31, 2021	
	Carrying amount		Carrying amount	
Land	$	19,400	$	18,515
Buildings		23,393		37,632
	$	42,793	$	56,147

	Year ended December 31			
	Depreciation charge		Depreciation charge	
	2022		2021	
Land	$	577	$	538
Buildings		16,529		16,263
	$	17,106	$	16,801

C. For the years ended December 31, 2022 and 2021, the Group has increases in right-of-use assets of $1,674 and $0, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

	Year ended December 31			
	2022		2021	
Items affecting profit or loss				
Interest expense on lease liabilities	$	1,649	$	2,396
Expense on leases of low-value assets		1,420		621
	$	3,069	$	3,017

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were $20,721 and $19,722, respectively.

F. Extension and termination options

(a) Extension options are included the Group's lease contracts pertaining to land.

(b) In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

G. For information about the right-of-use assets that were pledged to others as collateral, please refer to Note 8 for the details.

(9) Leasing arrangements - lessor

A. The Group leases various assets mainly consisting of buildings. Rental contracts are typically made for periods of 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as pledge, mortgage or joint venture with third parties.

B. For the years ended December 31, 2022 and 2021, the Group recognised rent income in the amounts of $11,635 and $11,585, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2022	December 31, 2021
Within 1 year	$ 9,098	$ 13,144
Later than one year but not later than three years	19,484	18,349
More than three years	4,871	14,420
	$ 33,453	$ 45,913

(10) Long-term receivables

	December 31, 2022	December 31, 2021
Total long-term accounts receivable	$ 1,308	$ 1,832
Less: Unrealised interest revenue	(52)	(99)
	$ 1,256	$ 1,733

As of December 31, 2022 and 2021, the circumstances of each year's expected recovery of the portion of the long-term accounts receivable collection period over one year due to installment payments sales are as follows:

Term	December 31, 2022	December 31, 2021
Within 1 year	$ 492	$ 477
Later than one year but not later than two years	507	492
Later than two years but not later than three years	257	507
Later than three years but not later than four years	-	257
	$ 1,256	$ 1,733

A. As of December 31, 2022 and 2021, the Group does not hold any collateral as security for long-term accounts receivable.

B. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's long-term accounts receivable was $1,256 and $1,733, respectively.

C. Information relating to credit risk of long-term receivables is provided in Note 12(2).

(11) Short-term borrowings

Type of borrowings	December 31, 2022	December 31, 2021
Bank unsecured borrowings	$ 154,303	$ 177,019
Bank secured borrowings	90,483	30,708
	$ 244,786	$ 207,727
Interest rate range	1.22% ~ 6.29%	0.78% ~ 4.35%

A. Interest expense recognised in profit or loss amounted to $4,422 and $1,673 for the years ended December 31, 2022 and 2021, respectively.

B. Please refer to Note 8 for the details of collateral for the credit line for short-term borrowings.

(12) Other payables

	December 31, 2022	December 31, 2021
Salaries and wages and year-end bonuses payable	$ 90,769	$ 75,092
Payable on technical service expense	76,907	60,474
Employees' compensation payable	31,957	29,626
Business tax payable	22,738	18,575
Payable on construction	19,575	2,463
Commodity tax payable	8,902	12,030
Directors' remuneration payable	8,837	7,029
Payable on machinery and equipment	3,618	6,159
Others	82,676	39,609
	$ 345,979	$ 251,057

(13) Current provisions

Warranty	2022	2021
At January 1	$ 48,649	$ 54,137
Additional provisions	13,202	11,569
Used during the year	(12,578)	(11,333)
Unused amounts reversed	(406)	(5,631)
Net exchange differences	293	(93)
At December 31	$ 49,160	$ 48,649

The Group gives warranties on products sold and services rendered in accordance with the contract agreement. Provision for warranty is estimated based on historical warranty experience. It is expected that provision for warranty will occur within the next year.

(14) Long-term borrowings/long-term liabilities, current portion

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Secured borrowings	Borrowing period is from July 2019 to July 2024; principal is repayable in installments in accordance with the mutual agreement	1.83%	Land, buildings and structures	$ 35,000
	Borrowing period is from April 2020 to April 2025; principal is repayable in installments in accordance with the mutual agreement	10.50%~ 11.85%	Right-of-use assets	23,658
				58,658
Less: current portion				(29,957)
				$ 28,701

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Secured borrowings	Borrowing period is from July 2019 to July 2024; principal is repayable in installments in accordance with the mutual agreement	1.35%	Land, buildings and structures	$ 55,000
	Borrowing period is from December 2017 to January 2022; principal is repayable in installments in accordance with the mutual agreement	1.80%	Land, buildings and structures	$ 136
	Borrowing period is from April 2020 to April 2025; principal is repayable in installments in accordance with the mutual agreement	2.80%~ 3.90%	Right-of-use assets	$ 30,295
				85,431
Less: current portion				(29,110)
				$ 56,321

A. Interest expense recognised in profit or loss amounted to $2,278 and $1,921 for the years ended December 31, 2022 and 2021, respectively.

B. Please refer to Note 8 for the details of collateral for long-term borrowing.

(15) Pensions

A. (a) The Group has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2.3% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 97,008	$ 116,051
Fair value of plan assets	(27,279)	(19,449)
	$ 69,729	$ 96,602

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2022			
At January 1	$ 116,051	($ 19,449)	$ 96,602
Current service cost	1,263	-	1,263
Interest expense (income)	812	(136)	676
	118,126	(19,585)	98,541
Remeasurements:			
Actuarial gains	-	(1,331)	(1,331)
Change in financial assumptions	(7,307)	-	(7,307)
Experience adjustments	(10,950)	-	(10,950)
Benefits paid	(2,861)	2,861	-
	(21,118)	1,530	(19,588)
Pension fund contribution	-	(9,224)	(9,224)
At December 31	$ 97,008	($ 27,279)	$ 69,729

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
At January 1	$ 117,496	($ 14,445)	$ 103,051
Current service cost	1,101	-	1,101
Interest expense (income)	470	(58)	412
	119,067	(14,503)	104,564
Remeasurements:			
Actuarial gains	-	(94)	(94)
Changes in population assumption	133	-	133
Change in financial assumptions	(3,866)	-	(3,866)
Experience adjustments	1,732	-	1,732
Benefits paid	(1,015)	1,015	-
	(3,016)	921	(2,095)
Pension fund contribution	-	(5,867)	(5,867)
At December 31	$ 116,051	($ 19,449)	$ 96,602

(d) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2022	2021
Discount rate	1.40%	0.70%
Future salary increases	2.50%	2.50%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effect on present value of defined benefit obligation				
December 31, 2022	($ 2,440)	$ 2,527	$ 2,251	($ 2,189)
December 31, 2021	($ 2,986)	$ 3,100	$ 2,769	($ 2,687)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to $4,100.

(g) As of December 31,2022 the weighted average duration of the retirement plan is 11 years.

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

(b) KUEN LING MACHINERY REFRIGERATING CO., LTD. (SHANGHAI) and (SUZHOU) have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on 2% of employee's monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD. has a defined pension plan. Monthly contributions to an independent fund administered by the Vietnam government in accordance with the pension regulations in the local government are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d) PT. KUEN LING INDONESIA has a defined pension plan. Monthly contributions to an independent fund administered by the Indonesian government in accordance with the pension regulations in the local government are based on 2% of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(e)The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021, were $24,087 and $22,563, respectively.

(16) Share capital

A. As of December 31, 2022, the Group's authorised capital was $1,000,000, consisting of 100,000 thousand shares of ordinary stock (including 20,000 thousand shares of convertible bonds), and the paid-in capital was $761,524 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. For the years ended December 31, 2022 and 2021, the number of the Group's ordinary shares outstanding at the beginning and end of the year was both 76,152 shares.

(17) Capital surplus

A. Movements on the capital surplus for the years ended December 31, 2022 and 2021 are as follows:

	Share premium	Treasury share transactions	Total
Balance at January 1 (at December 31)	$ 128,615	$ 1	$ 128,616

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

(18) Retained earnings

A. The Company operates in a volatile industry environment and is in the stable growth stage. Considering the Company's future capital needs, long-term financial plans and to maximise shareholders' interests, under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital. After the provision or reversal of special reserve in accordance with the laws and regulations, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the shareholders.

In accordance with laws, if the balance of the special reserve is insufficient compared to the total of the cumulative amount of net increase in fair value of investment property in a preceding period and the cumulative net amount of other deductions from equity in a preceding period, the Company shall first set aside an equivalent amount of special reserve from the undistributed earnings of the prior period before the appropriation of earnings. If there remains any insufficiency, it shall be set aside from the after-tax profit of the period plus items other than after-tax net profit of the period, that are included in the undistributed earnings of the period. After the provision or reversal of special reserve in accordance with the laws and regulations, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the shareholders if dividends would be distributed by issuing new shares.

The Board of Directors of the Company can distribute all or part of the distributable dividends and bonus, capital surplus and legal reserve in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and report to the shareholders.

The amount of dividends and bonus distributed to shareholders shall be no less than 50% of the distributable earnings for the year, and cash dividends shall account for at least 10% of the current year total dividends distributed.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

In accordance with the abovementioned rules, the special reserve appropriated as a result of the Company's choice of reclassifying cumulative translation adjustment to retained earnings as of December 31, 2022 and 2021 were both $4,607.

D. (a) On May 26, 2022 and July 20, 2021, the shareholders resolved that total dividends for the distributions of earnings for the year of 2021 and 2020 were $137,074 and $152,304 at $1.80 and $2.00 (in dollars) per ordinary share, respectively.

(b) On March 22, 2023, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2022 was $152,304 at $2.00 (in dollars) per ordinary share.

(19) Other equity items

	2022		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 68,799)	($ 33,318)	($ 102,117)
Currency translation differences:			
– Group	20,675	-	20,675
At December 31	($ 48,124)	($ 33,318)	($ 81,442)

	2021		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 62,923)	($ 33,318)	($ 96,241)
Currency translation differences:			
– Group	(5,876)	-	(5,876)
At December 31	($ 68,799)	($ 33,318)	($ 102,117)

(20) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives operating revenue from contracts with customers and mainly from the transfer of goods and services over time and at a point in time in the following major product categories and geographical regions:

	Year ended December 31,2022				
	Taiwan	Mainland China	Vietnam	Other	Total
Equipment unit	$ 1,502,754	$ 1,118,294	$ 107,265	$ 529	$2,728,842
System integration construction	94,701	-	-	-	94,701
Repairs and maintenance	131,114	58,151	15,599	4,456	209,320
	$ 1,728,569	$ 1,176,445	$ 122,864	$ 4,985	$3,032,863
Timing of revenue recognition:					
At a point in time	$ 1,502,754	$ 1,118,294	$ 107,265	$ 529	$2,728,842
Over time	225,815	58,151	15,599	4,456	304,021
	$ 1,728,569	$ 1,176,445	$ 122,864	$ 4,985	$3,032,863

	Year ended December 31,2021				
	Taiwan	Mainland China	Vietnam	Other	Total
Equipment unit	$ 1,222,678	$ 954,610	$ 70,243	$ 1,202	$2,248,733
System integration construction	85,087	-	-	-	85,087
Repairs and maintenance	127,648	65,097	7,220	-	199,965
	$ 1,435,413	$ 1,019,707	$ 77,463	$ 1,202	$2,533,785
Timing of revenue recognition:					
At a point in time	$ 1,222,678	$ 954,610	$ 70,243	$ 1,202	$2,248,733
Over time	212,735	65,097	7,220	-	285,052
	$ 1,435,413	$ 1,019,707	$ 77,463	$ 1,202	$2,533,785

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets:			
System integration construction contract	$ 7,589	$ 48,363	$ 15,126
Contract liabilities:			
Equipment unit contract	$ 92,351	$ 101,319	$ 98,085
System integration construction contract	12,035	-	78
	$ 104,386	$ 101,319	$ 98,163

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year

	Year ended December 31	
	2022	2021
Equipment unit contract	$ 79,666	$ 79,920
System integration construction contract	-	78
	$ 79,666	$ 79,998

(c) As of December 31, 2022, the total transaction price allocated to unfulfilled performance obligations amounted to $330,189. The Group recognised the revenue based on the stage of completion of the system integration construction contract over time. The construction was expected to be completed in 2023~2024.

(21) Other income

	Year ended December 31	
	2022	2021
Rent income	$ 11,635	$ 11,585
Dividend income	1,707	1,841
Gains on doubtful debt recoveries	4,109	694
Other income	12,690	13,225
	$ 30,141	$ 27,345

(22) Other gains and losses

	Year ended December 31	
	2022	2021
Gains (losses) on disposals of property, plant and equipment	$ 209	($ 121)
Foreign exchange (losses) gains	5,421	(2,414)
Others	(1,980)	(1,282)
	$ 3,650	($ 3,817)

(23) Expenses by nature

	Year ended December 31	
	2022	2021
Employee benefit expense	$ 454,225	$ 412,067
Depreciation charge	69,325	67,240
Amortisation charge	3,340	3,646
	$ 526,890	$ 482,953

(24) Employee benefit expense

	Year ended December 31	
	2022	2021
Wages and salaries	$ 365,060	$ 329,895
Labour and health insurance fees	35,443	33,775
Pension costs	26,026	24,076
Directors' emoluments	9,851	7,612
Other personnel expenses	17,845	16,709
Operating lease expenses	$ 454,225	$ 412,067

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3% ~ 7% for employees' compensation and shall not be higher than 3% for directors' remuneration. If the Company has accumulated deficit, earnings should be channeled to cover losses. The employees' compensation may be distributed in the form of shares or cash and the employees include the employees of subsidiaries of the Company meeting certain specific requirements. The aforementioned current year's earnings represent current year's profit before deducting tax and distributing employees' compensation and directors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at $16,423 and $12,365, respectively; while directors' remuneration was accrued at $7,038 and $5,299, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 7% and 3% of distributable profit of current year for the year ended December 31, 2022. The employees' compensation and directors' remuneration resolved by the Board of Directors were $16,423 and $7,038, and both will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the year	$ 49,881	$ 41,051
Tax on undistributed earnings	-	1,992
Prior year income tax (over) underestimation	(1,624)	1,812
Total current tax	48,257	44,855
Deferred tax:		
Origination and reversal of temporary differences	(2,598)	(392)
Income tax expense	$ 45,659	$ 44,463

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

	Year ended December 31	
	2022	2021
Remeasurement of defined benefit obligations	$ 3,918	$ 419

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 81,722	$ 67,939
Effects from tax exempt income by tax regulation	(34,439)	(27,280)
Additional tax on undistributed earnings	-	1,992
Prior year income tax (over) underestimation	(1,624)	1,812
Income tax expense	$ 45,659	$ 44,463

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

2022	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
Temporary differences:				
–Deferred tax assets:				
Pension costs	$ 13,977	$ 1,887	($ 3,918)	$ 11,946
Product service guarantee	7,300	(56)	-	7,244
Allowance for inventory valuation losses	4,288	360	-	4,648
Allowance for bad debts	841	(453)	-	388
Unused compensated absence	488	-	-	488
Others	1,187	2,776	-	3,963
	28,081	4,514	(3,918)	28,677
–Deferred tax liabilities:				
Gain on investment	(52,118)	(1,916)	-	(54,034)
	($ 24,037)	$ 2,598	($ 3,918)	($ 25,357)

2021	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
Temporary differences:				
–Deferred tax assets:				
Pension costs	$ 14,848	($ 452)	($ 419)	$ 13,977
Product service guarantee	8,373	(1,073)	-	7,300
Allowance for inventory valuation losses	3,542	746	-	4,288
Allowance for bad debts	1,398	(557)	-	841
Unused compensated absence	488	-	-	488
Others	16	1,171	-	1,187
	28,665	(165)	(419)	28,081
–Deferred tax liabilities:				
Gain on investment	(52,635)	517	-	(52,118)
Unrealised exchange gain	(40)	40	-	-
	(52,675)	557	-	(52,118)
	($ 24,010)	$ 392	($ 419)	($ 24,037)

D. KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. was established as a wholly foreign owned manufacturing enterprise in Mainland China. Based on local regulations, the applicable income tax rate is 25%. For the year ended December 31, 2022 and 2021, the company is entitled to 10% tax relief as a qualified high-tech enterprise.

E. KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. was established as a wholly foreign owned manufacturing enterprise in Mainland China. Based on local regulations, the applicable income tax rate is 25%.

F. KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD. was established as a wholly foreign owned manufacturing enterprise in Socialist Republic of Vietnam. Based on local regulations, the applicable income tax rate is 20%.

G. PT. KUEN LING INDONESIA was established as a wholly foreign owned trading enterprise in the Republic of Indonesia. Based on local regulations, the applicable income tax rate is 25%.

H. The Group's income tax returns through 2020 have been assessed and approved by the Tax Authority. As of the report date, the Group has no significant administrative remedies for pending tax.

(26) Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 204,046	76,152	$ 2.68
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 204,046	76,152	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	876	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 204,046	77,028	$ 2.65

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 150,793	76,152	$ 1.98
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 150,793	76,152	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	826	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 150,793	76,978	$ 1.96

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31	
	2022	2021
Purchase of property, plant and equipment	$ 57,788	$ 50,723
Add: Opening balance of payable on equipment	6,159	907
Less: Ending balance of payable on equipment	(3,618)	(6,159)
Cash paid	$ 60,329	$ 45,471

B. Investing and financing activities with no cash flow effects:

	Year ended December 31	
	2022	2021
Prepayments for equipment transferred to property, plant and equipment	$ 12,490	$ 118
Increase in right-of-use assets	$ 1,674	$ -
Less: Decrease in lease liabilities	(1,674)	-
	$ -	$ -
Long-term borrowings, current portion	$ 29,957	$ 29,110

(28) Changes in liabilities from financing activities

	January 1, 2022	Changes in cash flow from financing activities	Changes in foreign exchange rate	December 31, 2022
Short-term borrowings	$ 207,727	$ 33,710	$ 3,349	$ 244,786
Long-term borrowings (Note 1)	85,431	(30,094)	3,321	58,658
Lease liability (Note 2)	42,614	(17,652)	2,375	27,337
Liabilities from financing activities-gross	$ 335,772	($ 14,036)	$ 9,045	$ 330,781

	January 1, 2021	Changes in cash flow from financing activities	Changes in foreign exchange rate	December 31, 2021
Short-term borrowings	$ 86,570	$ 121,843	($ 686)	$ 207,727
Long-term borrowings (Note 1)	112,515	(26,107)	(977)	85,431
Lease liability	59,757	(16,705)	(438)	42,614
Liabilities from financing activities-gross	$ 258,842	$ 79,031	($ 2,101)	$ 335,772

Note 1: Including current portion.

Note 2: In addition, refer to Note 6(27) for supplemental cash flow information.

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
TECO Electric & Machinery Co., Ltd. (TECO Electric & Machinery)	Entity with significant influence over the Group
AOK TECHNICAL SERVICE CO., LTD.	Entity with significant influence over the Group
TESEN ELECTRONIC CO., LTD.	Entity with significant influence over the Group
Top-Tower Enterprises Co., Ltd.	Entity with significant influence over the Group
JIANGXI TECO AIR CONDITIONING EQUIPMENT CO.,LTD (JIANGXI TECO)	Entity with significant influence over the Group
TECO (Philippines) 3C & Appliance Inc.	Entity with significant influence over the Group
TECO Technology (Vietnam) Co., Ltd.	Entity with significant influence over the Group

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2022	2021
Sales of goods:		
Subsidiaries		
TECO Electric & Machinery	$ 95,803	$ 74,184
Others	6,179	12,760
	$ 101,982	$ 86,944

Because there is no similar counterparty or transaction, the price of goods sold to related parties is conducted by mutual agreement. The collection term is 60 to 197 days after monthly billings for related parties, which is not materially different from the general transaction terms.

B. Purchases

	Year ended December 31	
	2022	2021
Purchases of goods:		
Entities with significant influence over the Group	$ 405	$ 4,243

Because there is no similar counterparty or transaction, the purchase prices with related parties are conducted by mutual agreement. The payment term is 30 to 90 days after the receipt of goods, which is not materially different from the general transaction terms.

C. Receivables

	December 31, 2022	December 31, 2021
Notes receivable:		
Entities with significant influence over the Group		
TECO Electric & Machinery	$ 55,228	$ 43,480
Accounts receivable:		
Entities with significant influence over the Group		
TECO Electric & Machinery	6,240	16,326
Others	499	1,305
	6,739	17,631
Total	$ 61,967	$ 61,111

D. Payables

	December 31, 2022		December 31, 2021	
Notes payable:				
Entities with significant influence over the Group	$	14	$	131
Accounts payable:				
Entities with significant influence over the Group		93		120
Total	$	107	$	251

(3) Key management compensation

	Year ended December 31			
	2022		2021	
Salaries and other short-term employee benefits	$	36,316	$	30,657
Post-employment benefits		223		237
	$	36,539	$	30,894

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

	Book value				
Pledged asset	December 31, 2022		December 31, 2021		Purpose
Pledged time deposit (Note 1)	$	1,304	$	-	Advance payment bonds issued by banks
Supplemental cash flow information (Note 1)		-		70	Guarantee for quality of products
Guarantee deposits paid-current (Note 2)		5,090		107	Guarantee for bids
Land		96,150		96,150	Line of credit for long-term and short-term borrowings
Buildings and structures, net		133,295		143,658	Line of credit for long-term and short-term borrowings
Right-of-use assets, net		13,372		12,418	Line of credit for long-term and short-term borrowings
Guarantee deposits paid		21,252		20,537	Construction performance bond or maintenance bond
	$	270,463	$	272,940	

Note 1: Financial assets at amortised cost, shown as 'other current assets, others'.

Note 2: Shown as 'other current assets, others'.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) The amount of the performance promissory note issued by the Group for the sale of equipment units and undertaking projects is as follows:

	December 31, 2022	December 31, 2021
Performance guarantee	$ 76,846	$ 74,490

(2) Refer to Note 6 (20), operating revenue, for the amount of unfulfilled performance obligations for the system integration construction contract undertaken by the Group.

(3) The Group undertakes contracts such as equipment unit and system integration constructions, and financial institutions provide the Group with contract guarantees and other guarantees. The amount of guarantee is as follows:

	December 31, 2022	December 31, 2021
Guaranteed amount provided by the bank	$ 46,305	$ 10,765

(4) The amount to be paid in the future for the capital expenditure contracts and outsourcing construction contracts signed by the Group is as follows:

	December 31, 2022	December 31, 2021
Outsourcing construction	$ 47,753	$ 26,765
Property, plant and equipment	5,692	98
	$ 53,445	$ 26,863

(5) As of December 31, 2022 and 2021, the Group's unused letters of credit for the import of raw materials were USD 27 thousand and USD 160 thousand, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The appropriation of earnings for the year ended December 31, 2022 as resolved by the Board of Directors on March 22, 2023 is provided in Note 6(18).

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to continuously provide returns for shareholders and to maintain an optimal capital structure.

In order to maintain the capital needed for expanding and upgrading plants and equipment, the Group's management shall ensure that there are necessary financial resources and operating plans to support operations, capital expenditures, debt repayment and dividend payment in the next 12 months.

The Group controls its capital using the debt to assets ratio, which is calculated as total liabilities divided by assets. The Group's strategy in 2022 is to continuously adjust the ratio of liabilities to assets and strive to balance the overall capital structure.

The total debt-to-asset ratios at December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ 1,556,430	$ 1,340,140
Total assets	$ 3,192,336	$ 2,869,811
Debt to assets ratio	49	47

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 9,759	$ 9,759
Financial assets at amortised cost		
Cash and cash equivalents	$ 403,202	$ 538,968
Financial assets at amortised cost (Note)	1,304	70
Notes receivable (including related parties)	520,922	316,968
Accounts receivable (including related parties	764,525	593,838
Other receivables	696	3,164
Guarantee deposits paid (including current)	26,342	20,644
Long-term accounts receivable	1,256	1,733
	$ 1,718,247	$ 1,475,385
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 244,786	$ 207,727
Notes payable	17,034	14,205
Accounts payable	555,194	414,276
Other payables	345,979	251,057
Long-term borrowings (including current portion)	58,658	85,431
Guarantee deposits received	1,443	3,022
	$ 1,223,094	$ 975,718
Lease liability (including non-current)	$ 27,337	$ 42,614

Note : Shown as 'other current assets, other'.

B. Financial risk management policies

In order to effectively control and decrease financial risks, the management of the Group focuses on identifying, evaluating and hedging market uncertainties to minimise potential adverse effects from markets on the Group's financial performance. The risk includes market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk).

Risk management is carried out by related segments under approved policies.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Group and its subsidiaries used in various functional currency, primarily with respect to the USD, RMB and VND. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii As the objective of the investments in certain foreign operations held by the Group is for strategic purposes, the Group does not hedge the investments.

iii The Group's businesses involve some non-functional currency operations (the Group's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB, VND and IDR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 696	30.71	$ 21,374
USD:RMB	619	6.96	19,009
Non-monetary items (Note)			
USD:NTD	19,788	30.71	599,395
Financial liabilities			
Monetary items			
USD:NTD	901	30.71	27,670
USD:VND	1,266	23,131	38,879

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 472	27.68	$ 13,065
USD:RMB	671	6.37	18,573
Non-monetary items (Note)			
USD:NTD	20,542	27.68	568,156
Financial liabilities			
Monetary items			
USD:NTD	1,366	27.68	37,811
USD:VND	1,036	23,135	28,676

Note: The items are financial assets at fair value through other comprehensive income and investments accounted for using the equity method.

iv The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to $5,421 and ($2,414), respectively.

v Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 214	$ -
USD:RMB	1%	190	-
Non-monetary items			
USD:NTD	1%	-	5,994
Financial liabilities			
Monetary items			
USD:NTD	1%	277	-
USD:VND	1%	389	-

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 131	$ -
USD:RMB	1%	186	-
Non-monetary items			
USD:NTD	1%	-	5,682
Financial liabilities			
Monetary items			
USD:NTD	1%	378	-
USD:VND	1%	287	-

Price risk

Equity instruments that the Group is exposed to price risk are financial assets at fair value through other comprehensive income. The price of those equity instruments will be affected by the uncertainty of the future value of the investment.

Cash flow and fair value interest rate risk

i The Group's main interest rate risk arises from long-term borrowings (including current portion) with variable rates, which expose the Group to cash flow interest rate risk. During 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in US and NTD Dollars.

ii If the borrowing interest rate had increased by 1% with all other variables held constant, pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by $587 and $854, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost.

ii In order to maintain quality of accounts receivable, the Group has set a credit risk management process or its operations.

Risk assessment of individual customers takes into account factors that may influence customers' ability to pay, such as their financial position, historical record and current economic condition. When appropriate, the Group applies certain credit enhancement tools, such as collecting sales revenue in advance, to reduce credit risk of specific customers.

The Group's treasury measures and controls credit risk of deposits with banks and other financial instruments. Because the counterparties of the Group and performing parties are banks with good credit and financial institutions or company organisations with investment grade or above and thus there was no significant possibility of default nor significant credit risk.

iii The Group adopts the assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition, to assess whether there has been a significant increase in credit risk on that instrument since initial recognition.

iv In line with credit risk management procedure, when the counterparty fails to perform the agreement between the two parties and fails to negotiate, the default has occurred.

v The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the modified approach using a provision matrix to estimate the expected credit loss.

vi The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2022 and 2021, the Group's written-off financial assets that are still under recourse procedures amounted to $44,337 and $48,920, respectively.

vii The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) Significant financial difficulty of the issuer;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(iv) The disappearance of an active market for that financial asset because of financial difficulties.

viii The expected credit loss rate established by the Group on the accounts receivable of customers on December 31, 2022 and 2021 is as follows:

		Past due					
	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	1 to 2 year(s)	Over 2 years
December 31, 2022	0.12% ~3.37%	0.29% ~ 10.74%	0.41% ~ 42.23%	2.45% ~ 64.45%	6.45% ~ 74.95%	11.45% ~ 79.95%	100%
December 31, 2021	0.23% ~ 0.87%	0.51% ~ 5.74%	0.75% ~ 22.23%	3.79% ~ 34.45%	7.80% ~ 44.95%	12.80% ~ 54.95%	100%

ix Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable, notes receivable and contract assets are as follows:

	2022		
	Accounts receivable	Effect on profit Notes receivable	Contract assets
At January 1	$ 38,670	$ 24	$ -
Reversal of impairment loss	(566)	-	-
Write-offs	(2,010)	-	-
Effect of exchange rate change	575	-	-
At December 31	$ 36,669	$ 24	$ -

	2021		
	Accounts receivable	Effect on profit Notes receivable	Contract assets
At January 1	$ 44,708	$ 24	$ -
Reversal of impairment loss	1,768	-	-
Write-offs	(7,598)	-	-
Effect of exchange rate change	(208)	-	-
At December 31	$ 38,670	$ 24	$ -

For 2022 and 2021, the impairment gains (losses) arising from customers' contracts amounts to $566 and ($1,768), respectively.

(c) Liquidity risk

The Group's objectives for managing liquidity risk are to maintain cash and deposits needed for operations and adequate borrowing credits to ensure the Group is financially flexible.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings and summarises the maturity of the Group's financial liabilities based on contractual undiscounted repayments:

	December 31, 2022				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Short-term borrowings	$ 149,646	$ 96,508	$ -	$ -	$ -
Notes payable	16,716	318	-	-	-
Accounts payable	471,276	83,918	-	-	-
Other payables	151,539	194,440	-	-	-
Lease liability	4,852	15,161	6,552	920	867
Long-term borrowings (including current portion)	8,253	24,211	25,811	3,819	-
	$ 802,282	$ 414,556	$ 32,363	$ 4,739	$ 867

Derivative financial liabilities: None.

	December 31, 2021				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Short-term borrowings	$ 149,148	$ 58,843	$ -	$ -	$ -
Notes payable	13,974	231	-	-	-
Accounts payable	407,770	6,506	-	-	-
Other payables	138,810	112,247	-	-	-
Lease liability	4,734	14,201	19,875	6,251	-
Long-term borrowings (including current portion)	7,780	22,730	29,834	27,671	-
	$ 722,216	$ 214,758	$ 49,709	$ 33,922	$ -

Derivative financial liabilities: None.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group’s investment in equity investment without active market is included in Level 3.

B. The carrying amounts of the Group’s cash and cash equivalents, financial assets at amortised cost (shown as ‘other current assets, other’), notes receivable (including receivables from related parties), accounts receivable (shown as ‘other current assets, other’), other receivables (including receivables from related parties), guarantee deposits paid, long-term notes and accounts receivables, short-term borrowings, notes payable, accounts payable, other payables, current portion of long-term liabilities, long-term borrowings and lease liabilities and guarantee deposits received approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 9,759	$ 9,759
Liabilities: None.				

D. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.
E. For the equity securities whose fair value is classified as Level 3, which are mainly investments in foreign listed companies, the Group adopts the comparable company approach to calculate the fair value of the investment target. The comparable company approach refers to the transaction price of the shares of companies engaged in the same or similar business in the active market and the value multipliers implied by these prices, and considers the liquidity discount to determine the value of the target company.

(4) Other matter

The impact of the COVID-19 pandemic has gradually eased. The COVID-19 pandemic had no material impact on the Group's overall operations and financial conditions.

13. Supplementary Disclosures

(1) Significant transactions information

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.
B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: Please refer to table 9.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on reporting information used for normal performance management and strategic decisions reviewed and implemented.

The Group is a professional manufacturer of chiller units for central air-conditioning systems. The product sales targets are mainly ODM and OEM customers and refrigeration and air-conditioning engineering companies in Taiwan. In response to the needs of downstream customers to set up plants overseas and to reach the goal of product internationalisation, the Group subsequently established operation bases in Mainland China and Southeast Asia to directly supply local demand.

There are three segments of the Group, which are operation bases in Taiwan, Mainland China and Vietnam regions.

(2) Measurement of segment information

The Group uses the operating profit as the measurement for operating segment profit and the basis of performance assessment.

Sales and transfers between segments are deemed as transactions with third parties and are measured at present market price. There is no material inconsistency between the accounting policies of each operating segment and those summarised in Note 2.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	For the year ended December 31, 2022					
	Taiwan	Mainland China	Vietnam	Other	Adjustment and elimination (Note)	Total
Revenue from external customers	$ 1,728,569	$ 1,176,445	$ 122,864	$ 4,985	$ -	$ 3,032,863
Inter-segment revenue	901,476	352,988	-	946	(1,255,410)	-
Total segment revenue	$ 2,630,045	$ 1,529,433	$ 122,864	$ 5,931	($ 1,255,410)	$ 3,032,863
Segment income	$ 218,053	($ 5,952)	$ 15,298	($ 1,977)	($ 924)	$ 224,498
Segment income:						
Depreciation and amortization	$ 30,881	$ 34,645	$ 7,130	$ 9		$ 72,665
Segment assets	$ 1,803,504	$ 1,169,550	$ 207,487	$ 11,795		$ 3,192,336
Segment liabilities	$ 857,620	$ 618,165	$ 71,511	$ 9,134		$ 1,556,430

	For the year ended December 31, 2021					
	Taiwan	Mainland China	Vietnam	Other	Adjustment and elimination (Note)	Total
Revenue from external customers	$ 1,435,413	$ 1,019,707	$ 77,463	$ 1,202	$ -	$ 2,533,785
Inter-segment revenue	733,918	256,586	-	-	(990,504)	-
Total segment revenue	$ 2,169,331	$ 1,276,293	$ 77,463	$ 1,202	($ 990,504)	$ 2,533,785
Segment income	$ 179,249	($ 7,509)	$ 8,826	($ 4,206)	($ 673)	$ 175,687
Segment income:						
Depreciation and amortization	$ 29,086	$ 35,986	$ 5,780	$ 34		$ 70,886
Segment assets	$ 1,669,657	$ 984,123	$ 189,993	$ 26,038		$ 2,869,811
Segment liabilities	$ 799,385	$ 460,134	$ 73,782	$ 6,839		$ 1,340,140

Note: It is the elimination of inter-segment revenue.

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm’s length. The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2022 and 2021 is provided as follows:

	For the years ended December 31,	
	2022	2021
Reportable segments profit and loss	$ 224,498	$ 175,687
Non-operating income and expenses	27,326	19,663
Profit before tax and continued operations	$ 251,824	$ 195,350

(5) Information on products and services

Please refer to Note 6(20).

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 1,718,300	$ 390,708	$ 1,418,952	$ 387,763
Mainland China	1,153,544	166,427	1,015,516	162,533
Others	161,019	106,938	99,317	102,877
	$ 3,032,863	$ 664,073	$ 2,533,785	$ 653,173

(7) Major customer information

The Group has no revenue from transactions with a single external customer accounting for 10% of the Group’s revenue

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD,	Other receivables due from related parties	Y	$ 27,975	$ 18,396	$ -	-	Note 1(2)	$ -	Working capital	$ -	None	$ -	$ 153,631	$ 614,524	

Note 1: The code represents the nature of loans as follows:

(1) Business relationship.

(2) Short-term financing.

Note 2: The Company’s policy for granting loans is described as follows:

(1) For business relationship or short-term financing, the total amount shall not exceed 40% of the Company’s net asset based on the latest financial statements.

(2) For short-term financing, limit on loans granted for a single party shall not exceed 10% of the Company’s net asset based on the latest financial statements.

Note 3: The abovementioned foreign currencies transaction is translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

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

December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2022				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
KUEN LING MACHINERY REFRIGERATING CO., LTD.	Capital contribution-Feng-Hou Corporation	-	Financial assets at fair value through other comprehensive income	Note	$ 5,720	18	$ 5,720	
	Stock-KA LING INDUSTRIAL CORP.	-	Financial assets at fair value through other comprehensive income	157,500	4,039	15	4,039	
	Stock-FULL OCEAN TRADING LIMITED	-	Financial assets at fair value through other comprehensive income	1,000,000	-	9	-	

Note: Not applicable since it is a limited company.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Subsidiary	Sale	$ 861,303	60%	In accordance with mutual agreements	Note	Note	$ 164,399	39%	
KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD,	KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD,	Fellow subsidiary	Sale	316,531	79%	In accordance with mutual agreements	Note	Note	89,649	78%	

Note: Credit term is in accordance with mutual agreements, so there is no significant difference comparing with general transaction.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	Footnote
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Subsidiary	$ 164,399	4.66	$ -	-	$ 164,399	$ -	None

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Significant inter-company transactions during the reporting periods

Year ended December 31, 2022

Table 5 Expressed in thousands of NTD

Transactions amount between the parent company and subsidiaries or between subsidiaries reaching $10 million are as follows: (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Sales	$ 861,303	In accordance with mutual agreements	28%
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Accounts receivable due from related parties	164,399	In accordance with mutual agreements	5%
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Income from managerial services	24,773	In accordance with mutual agreements	1%
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Other receivable due from related parties	11,846	In accordance with mutual agreements	-
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD,	1	Sales	30,861	In accordance with mutual agreements	1%
1	KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD,	KUEN LING MACHINERY REFRIGERATING CO., LTD.	2	Sales	24,186	In accordance with mutual agreements	1%
1	KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD,	KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD,	3	Sales	10,328	In accordance with mutual agreements	-
1	KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD,	KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD,	3	Sales	316,531	In accordance with mutual agreements	10%
1	KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD,	KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD,	3	Accounts receivable due from related parties	89,649	In accordance with mutual agreements	3%

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

(1) Parent company is ‘0’.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Information on investees

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2022	Initial investment amount: Balance as at December 31, 2021	Shares held as at December 31, 2022: Number of shares	Shares held as at December 31, 2022: Ownership (%)	Shares held as at December 31, 2022: Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
KUEN LING MACHINERY REFRIGERATING CO., LTD.	CHING CHI INTERNATIONAL LIMITED	British Virgin IS.	Investments in other areas	$ 201,467	$ 201,467	6,200,000	83	$ 461,238	$ 6,926	$ 5,709	Subsidiary, Note 4
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Taiwan	Sales of goods and trading business	30,000	30,000	3,000,000	100	217,296	138,258	138,258	Subsidiary
KUEN LING MACHINERY REFRIGERATING CO., LTD.	KLEAN AIR ENTERPRISE LTD.	Samoa	Investments in other areas	138,046	138,046	4,401,000	100	134,118	6,422	6,422	Subsidiary
KUEN LING MACHINERY REFRIGERATING CO., LTD.	I CHI INDUSTRIAL CO., LTD.	Taiwan	General manufacturing industry	7,073	7,073	-	70	11,865	3,136	2,195	Subsidiary, Note 1
KUEN LING MACHINERY REFRIGERATING CO., LTD.	STAR ROYAL CO., LTD.	Taiwan	General manufacturing industry	47,000	47,000	2,350,000	23.5	-	-	-	
KLEAN AIR ENTERPRISE LTD.	KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD,	Vietnam	General manufacturing industry	89,325	89,325	-	100	130,258	8,220	-	Subsidiary and second-tier subsidiary, Notes 1, 2 and 3
KLEAN AIR ENTERPRISE LTD.	PT KUEN LING INDONESIA	Indonesia	Sales of goods and trading business	17,279	17,279	-	99	3,902	(1,797)	-	Subsidiary and second-tier subsidiary, Notes 1, 2 and 3
KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD,	PT KUEN LING INDONESIA	Indonesia	Sales of goods and trading business	175	175	-	1	39	(1,797)	-	Subsidiary and second-tier subsidiary, Notes 1, 2 and 3

Note 1: It is a limited company.

Note 2: It was translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note3: Those amounts have been included in the investment income (loss) of the Company on the investees accounted for using the equity method.

Note 4: The difference of the investee company’s gain and loss in the current year and the Company’s investment gain and loss recognised was the unrealised gain and loss arising from intercompany transactions.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2022

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	Engaging in manufacturing and sales of chillers	$ 181,713	2	$ 116,068	$ -	$ -	$ 116,068	$ 12,111	83	$ 10,052	$ 242,662	$ 43,219	Notes 2 and 3
KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	General manufacturing industry	272,443	2	58,649	-	-	58,649	(4,191)	83	(3,479)	209,599	-	Notes 2 and 3
SUZHOU FIRM PRECISION INDUSTRIAL CO.,LTD	Engaging in manufacturing and sales business of precision molding	255,459	2	21,173	-	-	21,173	(30,321)	9	-	-	-	-
FIRM PRECISION INDUSTRIAL(SHANG HAI) CO.,LTD	Engaging in manufacturing and sales business of sheet metal outer box	-	2	11,157	-	-	11,157	-	-	-	-	-	Note 7

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	Footnote
KUEN LING MACHINERY REFRIGERATING CO., LTD.	$ 207,047	$ 392,435	$ 921,786	Notes 4, 5 and 6

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Investing in Mainland China through CHING CHI INTERNATIONAL LIMITED and FULL OCEAN TRADING LIMITED.

(3) Others

Note 2: The amount difference from the investee's paid in capital is because CHING CHI INTERNATIONAL LIMITED reinvested the dividends distributed by KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. as the capital contribution in the investee's capital increase, and the KUEN LING MACHINERY REFRIGERATING (SUXHOU) CO., LTD. increased its capital through capitalisation of earnings. The Company did not actually make the remittance.

Note 3: The financial statements are audited and attested by R.O.C. parent company's CPA.

Note 4: The investment amount included the amounts arising from capitalisation of earnings carried by the Company's investee in Mainland China and the reinvestment in another investee in Mainland China using the dividends distributed by the investee in Mainland China as approved by the Investment Commission of MOEA.

Note 5: Translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note 6: Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA is 60% of the Group's net assets.

Note 7: The investee company has completed the liquidation in 2018.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2022

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022	Others
KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	($ 24,186)	-	$ -	-	($ 1,831)	-	$ -	-	$ -	$ -	-	$ -	-

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Major shareholders information

December 31, 2022

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Teco Electric & Machinery Co., Ltd.	11,131,642	14.61%
Wen-Chi Ko	4,414,075	5.79%

Note: (1) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

(2) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.

(3) The preparation principle of this table uses the shareholders' register as of the book closure date for the shareholders' special meeting (no need buy-to-cover short sales) to calculate the distribution of the balance of each unsecured transaction.

(4) Ownership (%) = total shares held by the shareholder/total shares transferred in dematerialised form.

(5) Total shares transferred in dematerialised form (including treasury shares) amounted to 76,152,370 shares=76,152,370 common shares + 0 preference shares.

KUEN LING MACHINERY REFRIGERATING CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2022 AND 2021

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.

DECEMBER 31, 2022 AND 2021 PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000470

To the Board of Directors and Shareholders of Kuen Ling Machinery Refrigerating Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Kuen Ling Machinery Refrigerating Co., Ltd. (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Appropriateness of cut-off on sales revenue

Description

Please refer to Note 4(23) of parent company only financial statement for accounting policies on revenue recognition, and Note 6(18) for details of operating revenue.

The Company's operating revenue arises from revenue from contracts with customers and mainly from customer acceptance and transfer of the products, such as condensers, chillers, chiller units and condensing units. Contract revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The transfer of control of the product to the customer and the fulfillment of performance obligations usually involve manual work and judgment, which may result in inappropriate timing of revenue recognition around the balance sheet date, and the aforementioned circumstances were also existing in the Company's subsidiaries which were accounted for using equity method. Therefore, we consider the appropriateness of cut-off on sales revenue as one of the key audit matters for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed the accounting policies of revenue recognition.
2. Obtained an understanding, assessed and tested the effectiveness of the design and the execution of internal controls on revenue recognition.
3. Performed cut-off tests on contract revenue in a certain period around balance sheet date to ascertain that the revenue was recognised when control of goods has been transferred, and there is no performance obligation that could affect the customer acceptance of the products.

Accounts receivable impairment valuation

Description

Please refer to Note 4(6) of parent company only financial statements for accounting policy on accounts receivable, Note 5 for the uncertainty of accounting estimates and assumptions in relation to accounts receivable impairment valuation, Note 6(2) for details of accounts receivable and Note 12(2) for details of information relating to credit risk of accounts receivable.

The Company evaluates the lifetime expected credit loss amount of the accounts receivable and recognises loss allowance. The evaluation method used considers the historical transaction records, operation and current financial conditions of individual significant customers or customers of similar credit risk groups, and incorporates the effect of the time value of money. The identification of individual significant customers, the differentiation of similar credit risk groups and the aforementioned evaluation methods involve the subjective judgment of the management authority, which has a significant impact on the measurement of the expected credit loss of receivables, and the aforementioned circumstances were also existing in the Company's subsidiaries (shown as investments accounted for using equity method). Therefore, we consider the Company's and its subsidiaries' accounts receivable impairment valuation as one of the key audit matters for this year in our audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the Company's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for uncollectible accounts receivable, including identifying individual significant customers, classifying the similar credit risk groups and objective evidence for determining expected credit losses.
2. Obtained an understanding of the effectiveness of the design and implementation of the internal control procedures over the Company's credit management and the assessment of lifetime expected credit losses of receivables.
3. Assessed the reasonableness of the amounts of significant expected credit losses individually assessed by management and the expected credit losses assessed based on similar credit risk groups.
4. Performed subsequent collection tests on accounts receivable for expected credit losses that occur simply to reflect the time value of money to assess the reasonableness of expected credit losses.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain investments accounted for using the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for using the equity method amounted to NT$11,865 thousand and NT$11,684 thousand, both constituting 1% of the total assets as at December 31, 2022 and 2021, and the comprehensive income recognised from associates and joint ventures accounted for using the equity method amounted to NT$2,195 thousand and NT$2,238 thousand, constituting 1% and 2% of the total comprehensive income for the years then ended, respectively.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WANG, CHUN-KAI　　　　　　　　Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2023

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

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

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

	Assets	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 97,477	4	$ 165,544	8
1140	Current contract assets	6(18)	7,589	-	48,363	2
1150	Notes receivable, net	6(2)	9,394	-	8,508	-
1160	Notes receivable due from related parties, net	6(2) and 7	55,228	3	43,480	2
1170	Accounts receivable, net	6(2)	164,543	7	72,869	3
1180	Accounts receivable due from related parties, net	6(2) and 7	174,148	8	220,321	10
1210	Other receivables due from related parties	7	11,846	1	3,983	-
1220	Current tax assets		16,664	1	16,664	1
130X	Inventories	6(3)	456,250	20	357,191	17
1410	Prepayments		29,998	1	34,361	2
1479	Other current assets, others	8	2,519	-	1,253	-
11XX	**Total current assets**		1,025,656	45	972,537	45
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	9,759	1	9,759	-
1550	Investments accounted for using equity method	6(5)	824,517	37	775,825	36
1600	Property, plant and equipment	6(6), 7 and 8	325,173	14	320,194	15
1755	Right-of-use assets	6(7) and 7	12,981	1	19,701	1
1780	Intangible assets		4,478	-	6,634	-
1840	Deferred income tax assets	6(23)	25,431	1	28,065	1
1920	Guarantee deposits paid	8	17,812	1	18,223	1
1930	Long-term notes and accounts receivable	6(8)	1,256	-	1,733	-
1990	Other non-current assets, others		7,406	-	12,196	1
15XX	**Total non-current assets**		1,228,813	55	1,192,330	55
1XXX	**Total assets**		$ 2,254,469	100	$ 2,164,867	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9) and 8	$ 152,096	7	$ 163,991	8
2130	Current contract liabilities	6(18)	41,109	2	13,064	1
2150	Notes payable	7	14,824	1	11,942	1
2170	Accounts payable	7	177,361	8	182,919	8
2200	Other payables	6(10)	117,030	5	95,221	4
2230	Current tax liabilities		9,216	-	3,874	-
2250	Current provisions	6(11)	36,219	1	36,502	2
2280	Current lease liabilities	7	2,960	-	4,430	-
2320	Long-term liabilities, current portion	6(12) and 8	20,000	1	20,000	1
2399	Other current liabilities, others		643	-	630	-
21XX	**Total current liabilities**		571,458	25	532,573	25
	Non-current liabilities					
2540	Long-term borrowings	6(12) and 8	15,000	1	35,000	2
2570	Deferred income tax liabilities	6(23)	54,034	3	52,118	2
2580	Non-current lease liabilities	7	7,937	-	15,580	1
2640	Net defined benefit liability, non-current	6(13)	69,729	3	96,602	4
25XX	**Total non-current liabilities**		146,700	7	199,300	9
2XXX	**Total Liabilities**		718,158	32	731,873	34
	Equity					
	Share capital					
3110	Ordinary share	6(14)	761,524	34	761,524	35
	Capital surplus					
3200	Capital surplus	6(15)	128,616	6	128,616	6
	Retained earnings	6(16)				
3310	Legal reserve		245,884	11	230,637	11
3320	Special reserve		102,117	4	96,241	4
3350	Unappropriated retained earnings		379,612	17	318,093	15
	Other equity interest					
3400	Other equity interest	6(17)	(81,442)	(4)	(102,117)	(5)
3XXX	**Total equity**		1,536,311	68	1,432,994	66
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 2,254,469	100	$ 2,164,867	100

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2022 AMOUNT	2022 %	2021 AMOUNT	2021 %
4000	Operating revenue	6(18) and 7	$ 1,427,701	100	$ 1,162,181	100
5000	Operating costs	6(3)(21)(22) and 7	(1,210,892)	(85)	(986,873)	(85)
5900	Gross profit		216,809	15	175,308	15
5910	Unrealised profit from sales		(1,566)	-	(88)	-
5950	Gross profit from operations		215,243	15	175,220	15
	Operating expenses	6(21)(22) and 7				
6100	Selling expenses		(54,260)	(4)	(53,415)	(4)
6200	Administrative expenses		(96,584)	(6)	(91,635)	(8)
6300	Research and development expenses		(40,073)	(3)	(33,491)	(3)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	1,977	-	2,443	-
6000	Total operating expenses		(188,940)	(13)	(176,098)	(15)
6900	Net operating loss		26,303	2	(878)	-
	Non-operating income and expenses					
7100	Interest income		186	-	149	-
7010	Other income	6(19) and 7	33,394	2	32,332	3
7020	Other gains and losses	6(20) and 7	5,374	-	(780)	-
7050	Finance costs	6(7)(9)(12) and 7	(3,000)	-	(1,637)	-
7070	Share of profit of sbusidiaries, associates and joint ventures accounted for using equity method		152,584	11	129,788	11
7000	Total non-operating income and expenses		188,538	13	159,852	14
7900	**Profit before income tax**		214,841	15	158,974	14
7950	Income tax expense	6(23)	(10,795)	(1)	(8,181)	(1)
8200	**Profit for the year**		$ 204,046	14	$ 150,793	13
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains on remeasurements of defined benefit plans	6(13)	$ 19,588	1	$ 2,095	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(3,918)	-	(419)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		15,670	1	1,676	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		20,675	2	(5,876)	-
8300	**Other comprehensive income (loss)**		$ 36,345	3	($ 4,200)	-
8500	**Total comprehensive income**		$ 240,391	17	$ 146,593	13
	Earnings per share	6(24)				
9750	Basic earnings per share		$	2.68	$	1.98
9850	Diluted earnings per share		$	2.65	$	1.96

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained Earnings: Legal reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated retained earnings	Other equity interest: Financial statements translation differences of foreign operations	Other equity interest: Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Year ended December 31, 2021									
Balance at January 1, 2021		$ 761,524	$ 128,616	$ 210,371	$ 97,590	$ 336,845	($ 62,923)	($ 33,318)	$ 1,438,705
Profit for the year		-	-	-	-	150,793	-	-	150,793
Other comprehensive income (loss)	6(17)	-	-	-	-	1,676	(5,876)	-	(4,200)
Total comprehensive income (loss)		-	-	-	-	152,469	(5,876)	-	146,593
Appropriation and distribution of 2020 retained earnings:									
Legal reserve appropriated		-	-	20,266	-	(20,266)	-	-	-
Reversal of special reserve		-	-	-	(1,349)	1,349	-	-	-
Cash dividends	6(16)	-	-	-	-	(152,304)	-	-	(152,304)
Balance at December 31, 2021		$ 761,524	$ 128,616	$ 230,637	$ 96,241	$ 318,093	($ 68,799)	($ 33,318)	$ 1,432,994
Year ended December 31, 2022									
Balance at January 1, 2022		$ 761,524	$ 128,616	$ 230,637	$ 96,241	$ 318,093	($ 68,799)	($ 33,318)	$ 1,432,994
Profit for the year		-	-	-	-	204,046	-	-	204,046
Other comprehensive income	6(17)	-	-	-	-	15,670	20,675	-	36,345
Total comprehensive income		-	-	-	-	219,716	20,675	-	240,391
Appropriation and distribution of 2021 retained earnings:									
Legal reserve appropriated		-	-	15,247	-	(15,247)	-	-	-
Reversal of special reserve		-	-	-	5,876	(5,876)	-	-	-
Cash dividends	6(16)	-	-	-	-	(137,074)	-	-	(137,074)
Balance at December 31, 2022		$ 761,524	$ 128,616	$ 245,884	$ 102,117	$ 379,612	($ 48,124)	($ 33,318)	$ 1,536,311

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 214,841	$ 158,974
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gain	12(2)	(1,977)	(2,443)
Depreciation expense (including amortisation of right-of-use assets)	6(6)(7)(21)	28,283	27,434
Amortisation charge	6(21)	2,577	3,012
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		(152,584)	(129,788)
Interest expense		3,000	1,637
Interest income		(186)	(149)
Dividend income	6(19)	(1,707)	(1,841)
Gains on disposals of property, plant and equipment	6(20)	(257)	(42)
Gains arising from lease modification	6(7)(20)	(3,094)	-
Unrealised profit (loss) from sales		1,566	88
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		40,774	(33,237)
Notes receivable		(886)	(1,348)
Notes receivable due from related parties		(11,748)	11,280
Accounts receivable (including long-term notes and accounts receivables)		(89,220)	34,229
Accounts receivable due from related parties		46,173	15,603
Other receivables due from related parties		(2,838)	(2,593)
Inventories		(99,059)	(116,948)
Prepayments		4,363	843
Other current assets, others		(1,267)	1,014
Changes in operating liabilities			
Current contract liabilities		28,045	(9)
Notes payable		2,882	(54,997)
Accounts payable		(5,558)	76,755
Other payables		23,797	(26,522)
Current provisions		(282)	(5,362)
Other current liabilities, others		13	105
Net defined benefit liability, non-current		(7,285)	(4,354)
Cash inflow (outflow) generated from operations		18,366	(48,659)
Interest received		186	149
Dividends received		123,721	129,109
Interest paid		(2,968)	(1,568)
Income taxes paid		(4,821)	(4,478)
Net cash flows from operating activities		134,484	74,553

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method		$ -	($ 8,541)
Purchase of property, plant and equipment	6(25)	(23,771)	(35,988)
Increase in prepayments for business facilities		(5,674)	(10,102)
Proceeds from disposal of property, plant and equipment	6(25)	257	42
Intangible assets		(421)	(399)
Decrease (increase) in guarantee deposits paid		411	(160)
Increase in other non-current assets		(1,418)	-
Net cash flows used in investing activities		(30,616)	(55,148)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(26)	686,741	315,853
Repayment of short-term borrowings	6(26)	(698,636)	(166,747)
Repayment of long-term borrowings	6(26)	(20,000)	(20,000)
Payments of lease liabilities	6(26)	(2,966)	(4,430)
Cash dividends paid	6(16)	(137,074)	(152,304)
Net cash flows used in financing activities		(171,935)	(27,628)
Net decrease in cash and cash equivalents		(68,067)	(8,223)
Cash and cash equivalents at beginning of year	6(1)	165,544	173,767
Cash and cash equivalents at end of year	6(1)	$ 97,477	$ 165,544

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

KUEN LING REFRIGERATING CO., LTD. (the "Company") was incorporated in April 1988 under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in the installation, maintenance, repair, manufacturing, processing, trading, domestic and foreign sales business and lease business of condensers, chillers, chiller units and condensing units.

The Company' shares have been traded in the Taipei Exchange starting from September 2000.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 22, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment : proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

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

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through other comprehensive income measured at fair value.

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and the Company's presentation currency.

A. Foreign currency transactions and balances

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

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities presented in each balance sheet are translated at spot exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component and lease receivables, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(8) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(9) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(10) Investments accounted for using equity method / subsidiaries and associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

H. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

I. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(11) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 55 years
Machinery and equipment	3 ~ 15 years
Transportation equipment	3 ~ 6 years
Office equipment	4 ~ 10 years
Leasehold improvements	5 ~ 10 years
Other equipment	3 ~ 11 years

(12) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(13) Intangible assets

Intangible assets mainly pertain to computer software which is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(15) Borrowings

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

(16) Accounts and notes payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(18) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(19) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees’ compensation and directors’ remuneration

Employees’ compensation and directors’ remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors of the Company; stock dividends are recorded as stock dividends to be distributed in the Company's financial statements in the period in which they are resolved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(23) Revenue recognition

A. Sales of goods

(a) The Company manufactures and sells condensers, chillers, chiller units and condensing units and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(d) Some contracts include multiple deliverables. In most cases, the installation is simple, does not include an integration service and could be performed by another party or supplier. It is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

B. Service revenue

Revenue from providing services is recognised in the accounting period in which the services are rendered.

C. Engineering service revenue

(a) Some contracts include sales, installation and integration services of equipment. The equipment, the installation and the integration services provided by the Company are not distinct and are identified to be one performance obligation satisfied over time since the installation and integration services involve significant customisation and modification. The Company recognises revenue on the basis of costs incurred relative to the total expected costs.

(b) The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(c) The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

D. Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

E. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

(24) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Impairment assessment of accounts receivable

When there is a significant increase in credit risk on the financial instrument since initial recognition, loss allowance of the financial instrument is measured by lifetime expected credit losses. After taking into consideration all reasonable and verifiable information, the Company recognise lifetime expected credit losses for all financial instruments for which there have significant increases in credit risk since initial recognition after considering all reasonable and supportable information. The measurement of expected credit losses considers the risk or probability that a credit loss occurs.

As of December 31, 2022, the Company recognised loss allowance amounting to $5,776.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	$ 717	$ 636
Checking accounts and demand deposits	96,760	164,908
	$ 97,477	$ 165,544

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021
Notes receivable	$ 9,418	$ 8,532
Less: Allowance for uncollectible accounts	(24)	(24)
	9,394	8,508
Notes receivable due from related parties	55,228	43,480
	$ 64,622	$ 51,988

	December 31, 2022	December 31, 2021
Accounts receivable	$ 170,295	$ 80,598
Less: Allowance for uncollectible accounts	(5,752)	(7,729)
	164,543	72,869
Accounts receivable due from related parties	174,148	220,321
	$ 338,691	$ 293,190

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

	December 31, 2022		December 31, 2021	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	$ 64,646	$ 339,650	$ 52,012	$ 290,829
Past due:				
Up to 30 days	-	8	-	353
31 to 90 days	-	-	-	554
91 to 180 days	-	-	-	1,491
181 days to 1 year	-	-	-	640
1 to 2 year(s)	-	-	-	-
Over 2 years	-	4,785	-	7,052
	$ 64,646	$ 344,443	$ 52,012	$ 300,919

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, notes receivable and accounts receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to $412,261.

C. As of December 31, 2022 and 2021, the Company does not hold any collateral as security for accounts receivable.

D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was $403,313 and $345,178, respectively.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

F. Please refer to Note 6(8) for the information of long-term receivables.

(3) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Notes Book value
Materials and supplies	$ 263,513	($ 14,053)	$ 249,460
Work in progress	89,045		89,045
Finished goods	116,797	(7,224)	109,573
Merchandise	3,160	(1,963)	1,197
Inventory in transit	6,975	-	6,975
	$ 479,490	($ 23,240)	$ 456,250

	December 31, 2021		
	Cost	Allowance for valuation loss	Notes Book value
Materials and supplies	$ 196,269	($ 12,749)	$ 183,520
Work in progress	84,628	(83)	84,545
Finished goods	91,286	(7,061)	84,225
Merchandise	3,043	(1,547)	1,496
Inventory in transit	3,405	-	3,405
	$ 378,631	($ 21,440)	$ 357,191

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2022	2021
Cost of goods sold	$ 1,073,542	$ 859,954
Loss on decline in market value	1,800	3,729
Others	135,550	123,190
	$ 1,210,892	$ 986,873

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Unlisted stocks		
Feng-Hou Corporation	$ 5,720	$ 5,720
KA LING INDUSTRIAL CORP.	4,039	4,039
FULL OCEAN TRADING LIMITED	-	-
	9,759	9,759
Valuation adjustment	-	-
	$ 9,759	$ 9,759

A. The Company has elected to classify unlisted stocks investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments all amounted to $9,759 as at December 31, 2022 and 2021.

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

(5) Investments accounted for using equity method

	December 31, 2022		December 31, 2021	
Investee	Amount	Shareholding ratio	Amount	Shareholding ratio
Subsidiaries:				
CHING CHI INTERNATIONAL LIMITED	$ 461,238	83%	$ 447,352	83%
COZY AIR-CONDITIONING CO., LTD.	217,296	100%	200,024	100%
KLEAN AIR ENTERPRISE LTD.	134,118	100%	116,765	100%
I CHI INDUSTRIAL CO., LTD.	11,865	70%	11,684	70%
Associates:				
STAR ROYAL CO., LTD.	-	23.5%	-	23.5%
	$ 824,517		$ 775,825	

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company’s subsidiaries.

(6) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1, 2022									
Cost	$ 79,128	$ 246,546	$ 150,200	$ 35,069	$ 2,544	$ 2,376	$ 9,349	$ 71,528	$ 596,740
Accumulated depreciation and impairment	-	(118,811)	(117,778)	(29,300)	(1,635)	(1,973)	(7,049)	-	(276,546)
	$ 79,128	$ 127,735	$ 32,422	$ 5,769	$ 909	$ 403	$ 2,300	$ 71,528	$ 320,194
2022									
Opening net book amount as at January 1	$ 79,128	$ 127,735	$ 32,422	$ 5,769	$ 909	$ 403	$ 2,300	$ 71,528	$ 320,194
Additions	-	2,559	12,914	1,283	331	4,247	419	-	21,753
Prepayments for equipment transferred	27,081	42,469	176	-	10,645	-	2,373	(70,863)	11,881
Disposals-cost	-	(78)	(4,970)	(2,725)	(178)	-	(751)	-	(8,702)
Depreciation charge	-	(10,371)	(8,823)	(2,365)	(1,514)	(531)	(1,012)	-	(24,616)
Disposals-accumulated depreciation	-	78	931	2,725	178	-	751	-	4,663
Closing net book amount as at December 31	$ 106,209	$ 162,392	$ 32,650	$ 4,687	$ 10,371	$ 4,119	$ 4,080	$ 665	$ 325,173
At December 31, 2022									
Cost	$ 106,209	$ 291,496	$ 158,320	$ 33,627	$ 13,342	$ 6,623	$ 11,390	$ 665	$ 621,672
Accumulated depreciation and impairment	-	(129,104)	(125,670)	(28,940)	(2,971)	(2,504)	(7,310)	-	(296,499)
	$ 106,209	$ 162,392	$ 32,650	$ 4,687	$ 10,371	$ 4,119	$ 4,080	$ 665	$ 325,173

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1, 2021									
Cost	$ 79,128	$ 244,754	$ 141,336	$ 33,826	$ 1,911	$ 2,376	$ 7,214	$ 54,540	$ 565,085
Accumulated depreciation and impairment	-	(108,399)	(117,282)	(27,238)	(1,501)	(1,815)	(6,557)	-	(262,792)
	$ 79,128	$ 136,355	$ 24,054	$ 6,588	$ 410	$ 561	$ 657	$ 54,540	$ 302,293
2021									
Opening net book amount as at January 1	$ 79,128	$ 136,355	$ 24,054	$ 6,588	$ 410	$ 561	$ 657	$ 54,540	$ 302,293
Additions	-	2,167	15,690	1,919	633	-	2,135	18,173	40,717
Prepayments for equipment transferred	-	-	1,303	-	-	-	-	(1,185)	118
Disposals-cost	-	(375)	(8,129)	(676)	-	-	-	-	(9,180)
Depreciation charge	-	(10,787)	(8,625)	(2,738)	(134)	(158)	(492)	-	(22,934)
Disposals-accumulated depreciation	-	375	8,129	676	-	-	-	-	9,180
Closing net book amount as at December 31	$ 79,128	$ 127,735	$ 32,422	$ 5,769	$ 909	$ 403	$ 2,300	$ 71,528	$ 320,194
At December 31, 2021									
Cost	$ 79,128	$ 246,546	$ 150,200	$ 35,069	$ 2,544	$ 2,376	$ 9,349	$ 71,528	$ 596,740
Accumulated depreciation and impairment	-	(118,811)	(117,778)	(29,300)	(1,635)	(1,973)	(7,049)	-	(276,546)
	$ 79,128	$ 127,735	$ 32,422	$ 5,769	$ 909	$ 403	$ 2,300	$ 71,528	$ 320,194

A. For the years ended December 31, 2022 and 2021, no interest expense was capitalised as part of property, plant and equipment.

B. The significant components of buildings include main plants, elevators and decoration equipment, which are depreciated over 55, 15 and 3 years, respectively.

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(7) Leasing arrangements－lessee

A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 5 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be subleased, lent or used in any way that may affect the ownership of the lessor.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022		December 31, 2021	
	Carrying amount		Carrying amount	
Land	$	6,298	$	7,873
Buildings		6,683		11,828
	$	12,981	$	19,701

	Year ended December 31			
	Depreciation charge		Depreciation charge	
	2022		2021	
Land	$	1,575	$	1,575
Buildings		2,092		2,925
	$	3,667	$	4,500

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were $1,674 and $0, respectively.

D. The Company adjusted and decreased the scope of the lease from January 1, 2022. Due to the effect of aforementioned lease curtailment, the right-of-use assets and lease liabilities decreased in the amounts of $4,727 and $7,821, respectively, and gains arising from lease modifications amounting to $3,094 were recognised (shown as other gains and losses).[

E. Information on profit or loss in relation to lease contracts is as follows:

	Year ended December 31			
	2022		2021	
Items affecting profit or loss				
Interest expense on lease liabilities	$	142	$	256
Expense on leases of low-value assets		1,420		621
	$	1,562	$	877

F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were $4,528 and $5,307, respectively.

G. Extension and termination options

(a) Extension options are included the Company's lease contracts pertaining to land.

(b) In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Long-term receivables

	December 31, 2022	December 31, 2021
Total long-term accounts receivable	$ 1,308	$ 1,832
Less: Unrealised interest revenue	(52)	(99)
	$ 1,256	$ 1,733

As of December 31, 2022 and 2021, the circumstances of each year's expected recovery of the portion of the long-term accounts receivable collection period over one year due to installment payments sales are as follows:

Term	December 31, 2022	December 31, 2021
Within 1 year	$ 492	$ 477
Later than one year but not later than two years	507	492
Later than two years but not later than three years	257	507
Later than three years but not later than four years	-	257
More than 5 years	-	-
	$ 1,256	$ 1,733

A. As of December 31, 2022 and 2021, the Company does not hold any collateral as security for long-term accounts receivable.

B. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's long-term accounts receivable was $1,256 and $1,733, respectively.

C. Information relating to credit risk of long-term receivables is provided in Note 12(2).

(9) Short-term borrowings

Type of borrowings	December 31, 2022	December 31, 2021
Bank unsecured borrowings	$ 152,096	$ 163,991
Interest rate range	1.43% ~ 6.29%	0.78% ~ 1.33%

A. Interest expense recognised in profit or loss amounted to $2,358 and $534 for the years ended December 31, 2022 and 2021, respectively.

B. Please refer to Note 8 for the details of collateral for the credit line for short-term borrowings.

(10) Other payables

	December 31, 2022	December 31, 2021
Salaries and wages and year-end bonuses payable	$ 41,662	$ 35,071
Employees' compensation payable	18,478	15,712
Project payable	19,575	2,463
Commodity tax payable	8,902	12,030
Payable on technical service expense	3,843	6,090
Payable on machinery and equipment	3,618	5,636
Directors' remuneration payable	7,038	5,299
Others	13,914	12,920
	$ 117,030	$ 95,221

(11) Current provisions

Warranty	2022	2021
At January 1	$ 36,502	$ 41,864
Additional provisions	11,238	10,479
Used during the year	(11,115)	(10,210)
Unused amounts reversed	(406)	(5,631)
At December 31	$ 36,219	$ 36,502

The Company gives warranties on products sold and services rendered in accordance with the contract agreement. Provision for warranty is estimated based on historical warranty experience. It is expected that provision for warranty will occur within the next year.

(12) Long-term borrowings/long-term liabilities, current portion

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Secured borrowings	Borrowing period is from July 2019 to July 2024; principal is repayable in installments in accordance with the mutual agreement	1.83%	Land, buildings and structures	$ 35,000
Less: current portion				(20,000)
				$ 15,000

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Secured borrowings	Borrowing period is from July 2019 to July 2024; principal is repayable in installments in accordance with the mutual agreement	1.35%	Land, buildings and structures	$ 55,000
Less: current portion				(20,000)
				$ 35,000

A. Interest expense recognised in profit or loss amounted to $500 and $847 for the years ended December 31, 2022 and 2021, respectively.

B. Please refer to Note 8 for the details of collateral for long-term borrowing.

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2.3% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 97,008	$ 116,051
Fair value of plan assets	(27,279)	(19,449)
	$ 69,729	$ 96,602

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2022			
At January 1	$ 116,051	($ 19,449)	$ 96,602
Current service cost	1,263	-	1,263
Interest expense (income)	812	(136)	676
	118,126	(19,585)	98,541
Remeasurements:			
Actuarial gains	-	(1,331)	(1,331)
Change in financial assumptions	(7,307)	-	(7,307)
Experience adjustments	(10,950)	-	(10,950)
Benefits paid	(2,861)	2,861	-
	(21,118)	1,530	(19,588)
Pension fund contribution	-	(9,224)	(9,224)
At December 31	$ 97,008	($ 27,279)	$ 69,729

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
At January 1	$ 117,496	($ 14,445)	$ 103,051
Current service cost	1,101	-	1,101
Interest expense (income)	470	(58)	412
	119,067	(14,503)	104,564
Remeasurements:			
Actuarial gains	-	(94)	(94)
Changes in population assumption	133	-	133
Change in financial assumptions	(3,866)	-	(3,866)
Experience adjustments	1,732	-	1,732
Benefits paid	(1,015)	1,015	-
	(3,016)	921	(2,095)
Pension fund contribution	-	(5,867)	(5,867)
At December 31	$ 116,051	($ 19,449)	$ 96,602

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2022	2021
Discount rate	1.40%	0.70%
Future salary increases	2.50%	2.50%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effect on present value of defined benefit obligation				
December 31, 2022	($ 2,440)	$ 2,527	$ 2,251	($ 2,189)
December 31, 2021	($ 2,986)	($ 3,100)	$ 2,769	($ 2,687)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to $4,100.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 11 years.

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

(b)The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021, were $4,892 and $4,670, respectively.

(14) Share capital

A. As of December 31, 2022, the Company's authorised capital was $1,000,000, consisting of 100,000 thousand shares of ordinary stock (including 20,000 thousand shares of convertible bonds), and the paid-in capital was $761,524 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. For the years ended December 31, 2022 and 2021, the number of the Company's ordinary shares outstanding at the beginning and end of the year was both 76,152 thousand shares.

(15) Capital surplus

A. Movements on the capital surplus for the years ended December 31, 2022 and 2021 are as follows:

	Share premium	Treasury share transactions	Total
Balance at January 1 (at December 31)	$ 128,615	$ 1	$ 128,616

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

(16) Retained earnings

A. The Company operates in a volatile industry environment and is in the stable growth stage. Considering the Company's future capital needs, long-term financial plans and to maximise shareholders' interests, and in accordance with the Company's dividend policy, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital.

In accordance with laws, if the balance of the special reserve is insufficient compared to the total of the cumulative amount of net increase in fair value of investment property in a preceding period and the cumulative net amount of other deductions from equity in a preceding period, the Company shall first set aside an equivalent amount of special reserve from the undistributed earnings of the prior period before the appropriation of earnings. If there remains any insufficiency, it shall be set aside from the after-tax profit of the period plus items other than after-tax net profit of the period, that are included in the undistributed earnings of the period. After the provision or reversal of special reserve in accordance with the laws and regulations, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the shareholders if dividends would be distributed by issuing new shares.

The Board of Directors of the Company can distribute all or part of the distributable dividends and bonus, capital surplus and legal reserve in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and report to the shareholders.

The amount of distributable dividends and shareholders' bonuses shall not be less than 50% of the distributable earnings of the current year, and cash dividends shall not be less than 10% of the total distribution of the current year.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

In accordance with the abovementioned rules, the special reserve appropriated as a result of the Company's choice of reclassifying cumulative translation adjustment to retained earnings as of December 31, 2022 and 2021 were both $4,607.

D. (a) On May 26, 2022 and July 20, 2021, the shareholders resolved that total dividends for the distributions of earnings for the year of 2021 and 2020 were $137,074 and $152,304 at $1.80 and $2.00 (in dollars) per ordinary share, respectively.

(b) On March 22, 2023, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2022 was $152,304 at $2.00 (in dollars) per ordinary share.

(17) Other equity items

	2022		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 68,799)	($ 33,318)	($ 102,117)
Currency translation differences:			
– Group	20,675	-	20,675
At December 31	($ 48,124)	($ 33,318)	($ 81,442)

	2021		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 62,923)	($ 33,318)	($ 96,241)
Currency translation differences:			
– Group	(5,876)	-	(5,876)
At December 31	($ 68,799)	($ 33,318)	($ 102,117)

(18) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives operating revenue from contracts with customers and mainly from the transfer of goods and services over time and at a point in time in the following major product categories:

	Year ended December 31	
	2022	2021
Equipment unit	$ 1,201,886	$ 949,446
System integration construction	94,701	85,087
Repairs and maintenance revenue	131,114	127,648
	$ 1,427,701	$ 1,162,181

	Year ended December 31	
	2022	2021
Timing of revenue recognition:		
At a point in time	$ 1,201,886	$ 949,446
Over time	225,815	212,735
	$ 1,427,701	$ 1,162,181

B. Contract assets and liabilities

(a) The Company has recognised the following revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets:			
System integration construction contract	$ 7,589	$ 48,363	$ 15,126
Contract liabilities:			
Equipment unit contract	$ 29,074	$ 13,064	$ 12,995
System integration construction contract	12,035	-	78
	$ 41,109	$ 13,064	$ 13,073

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year

	Year ended December 31	
	2022	2021
Equipment unit contract	$ 6,378	$ 6,669
System integration construction contract	-	78
	$ 6,378	$ 6,747

(c) As of December 31, 2022, the total transaction price allocated to unfulfilled performance obligations amounted to $330,189. The Company recognised the revenue based on the stage of completion of the system integration construction contract over time. The construction was expected to be completed in 2023~2024.

(19) Other income

	Year ended December 31	
	2022	2021
Dividend income	$ 1,707	$ 1,841
Income from managerial services (Note)	24,773	22,362
Other income	6,914	8,129
	$ 33,394	$ 32,332

Note: Details are provided in Note 7, Related party transactions.

(20) Other gains and losses

	Year ended December 31	
	2022	2021
Gains arising from lease modifications	$ 3,094	$ -
Foreign exchange losses	2,127	(789)
Gains on disposals of property, plant and equipment	257	42
Others	(104)	(33)
	$ 5,374	($ 780)

Note: Details are provided in Note 7, Related party transactions.

(21) Expenses by nature

	Year ended December 31	
	2022	2021
Change in inventory of finished goods and work in progress	$ 29,928	$ 53,174
Raw materials used	865,968	719,647
Employee benefit expense	186,369	170,744
Depreciation charge	28,283	27,434
Amortisation charge	2,577	3,012
Operating lease expenses	1,420	621
Other expenses	285,287	188,339
	$ 1,399,832	$ 1,162,971

(22) Employee benefit expense

	Year ended December 31	
	2022	2021
Wages and salaries	$ 148,719	$ 136,184
Labour and health insurance fees	12,831	12,827
Pension costs	6,831	6,183
Directors' emoluments	9,851	7,612
Other personnel expenses	8,137	7,938
Operating lease expenses	$ 186,369	$ 170,744

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3% ~ 7% for employees' compensation and shall not be higher than 3% for directors' remuneration. If the Company has accumulated deficit, earnings should be channeled to cover losses. The employees' compensation may be distributed in the form of shares or cash and the employees include the employees of subsidiaries of the Company meeting certain specific requirements. The aforementioned current year's earnings represent current year's profit before deducting tax and distributing employees' compensation and directors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at $16,423 and $12,365, respectively; while directors' remuneration was accrued at $7,038 and $5,299, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 7% and 3% of distributable profit of current year for the year ended December 31, 2022. The employees' compensation and directors' remuneration resolved by the Board of Directors were $16,423 and $7,038, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the year	$ 11,589	$ 5,737
Tax on undistributed earnings	-	1,572
Prior year income tax (over) underestimation	(1,426)	1,264
Total current tax	10,163	8,573
Deferred tax:		
Origination and reversal of temporary differences	632	(392)
Income tax expense	$ 10,795	$ 8,181

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

	Year ended December 31	
	2022	2021
Remeasurement of defined benefit obligations	$ 3,918	$ 419

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	$ 42,968	$ 31,795
Effects from tax exempt income by tax regulation	(30,747)	(26,450)
Additional tax on undistributed earnings	-	1,572
Prior year income tax (over) underestimation	(1,426)	1,264
Income tax expense	$ 10,795	$ 8,181

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

	2022			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
Temporary differences:				
–Deferred tax assets:				
Pension costs	$ 13,977	$ 1,887	($ 3,918)	$ 11,946
Product service guarantee	7,300	(56)	-	7,244
Allowance for inventory valuation losses	4,288	360	-	4,648
Allowance for bad debts	841	(453)	-	388
Unused compensated absence	488	-	-	488
Others	1,171	(454)	-	717
	28,065	1,284	(3,918)	25,431
–Deferred tax liabilities:				
Gain on investment	(52,118)	(1,916)	-	(54,034)
	($ 24,053)	($ 632)	($ 3,918)	($ 28,603)

	2021			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
Temporary differences:				
–Deferred tax assets:				
Pension costs	$ 14,848	($ 452)	($ 419)	$ 13,977
Product service guarantee	8,373	(1,073)	-	7,300
Allowance for inventory valuation losses	3,542	746	-	4,288
Allowance for bad debts	1,398	(557)	-	841
Unused compensated absence	488	-	-	488
Others	-	1,171	-	1,171
	28,649	(165)	(419)	28,065
–Deferred tax liabilities:				
Gain on investment	(52,635)	517	-	(52,118)
Unrealised exchange gain	(40)	40	-	-
	(52,675)	557	-	(52,118)
	($ 24,026)	$ 392	($ 419)	($ 24,053)

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. As of the report date, the Company has no significant administrative remedies for pending tax.

(24) Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 204,046	76,152	$ 2.68
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 204,046	76,152	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	876	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 204,046	77,028	$ 2.65

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 150,793	76,152	$ 1.98
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 150,793	76,152	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	826	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 150,793	76,978	$ 1.96

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31	
	2022	2021
Purchase of property, plant and equipment	$ 21,753	$ 40,717
Add: Opening balance of payable on equipment	5,636	907
Less: Ending balance of payable on equipment	(3,618)	(5,636)
Cash paid	$ 23,771	$ 35,988
Disposal of property, plant and equipment	$ 5,282	$ -
Add: Opening balance of other receivables	-	-
Less: Ending balance of other receivables	(5,025)	-
Cash received during the year	$ 257	$ -

B. Investing and financing activities with no cash flow effects:

	Year ended December 31 2022	Year ended December 31 2021
Prepayments for equipment transferred to property, plant and equipment	$ 11,881	$ 118
Long-term borrowings, current portion	$ 20,000	$ 20,000
Increase in right-of-use assets	$ 1,674	$ -
Less: Increase in lease liabilities	(1,674)	-
	$ -	$ -
Decrease in right-of-use assets	$ 4,727	$ -
Less: Decrease in lease liabilities	(7,821)	-
Gains arising from lease modifications	($ 3,094)	$ -

(26) Changes in liabilities from financing activities

	January 1, 2022	Changes in cash flow from financing activities	Changes in other non-cash items	December 31, 2022
Short-term borrowings	$ 163,991	($ 11,895)	$ -	$ 152,096
Long-term borrowings (Note 1)	55,000	(20,000)	-	35,000
Lease liability (Note 2)	20,010	(2,966)	(6,147)	10,897
Liabilities from financing activities-gross	$ 239,001	($ 34,861)	($ 6,147)	$ 197,993

	January 1, 2021	Changes in cash flow from financing activities	Changes in other non-cash items	December 31, 2021
Short-term borrowings	$ 14,885	$ 149,106	$ -	$ 163,991
Long-term borrowings (Note 1)	75,000	(20,000)	-	55,000
Lease liability (Note 2)	24,440	(4,430)	-	20,010
Liabilities from financing activities-gross	$ 114,325	$ 124,676	$ -	$ 239,001

Note 1: Including current portion.

Note 2: In addition, refer to Note 6(25) for supplemental cash flow information.

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
CHING CHI INTERNATIONAL LIMITED	The subsidiary of the Company
KUEN LING MACHINERY REFRIGERRATING (SHANGHAI) CO., LTD. (SHANGHAI KUEN LING)	The subsidiary of the Company
KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. (SUZHOU KUEN LING)	The subsidiary of the Company
KLEAN AIR ENTERPRISE LTD.	The subsidiary of the Company
KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD. (VIETNAM KUEN LING)	The subsidiary of the Company
PT KUEN LING INDONESIA	The subsidiary of the Company
COZY AIR-CONDITIONING CO., LTD. (COZY AIR-CONDITIONING)	The subsidiary of the Company
I CHI INDUSTRIAL CO., LTD.	The subsidiary of the Company
TECO Electric & Machinery Co., Ltd. (TECO Electric & Machinery)	Entity with significant influence over the Company
AOK TECHNICAL SERVICE CO., LTD.	Entity with significant influence over the Company
TESEN ELECTRONIC CO., LTD.	Entity with significant influence over the Company
Top-Tower Enterprises Co., Ltd.	Entity with significant influence over the Company
JIANGXI TECO AIR CONDITIONING EQUIPMENT CO., LTD. (JIANGXI TECO)	Entity with significant influence over the Company
TECO (Philippines) 3C & Appliance Inc.	Entity with significant influence over the Company

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2022	2021
Sales of goods:		
Subsidiaries		
COZY AIR-CONDITIONING	$ 861,303	$ 699,504
VIETNAM KUEN LING	30,861	28,508
Others	1,262	1,334
	893,426	729,346

	Year ended December 31	
	2022	2021
Entities with significant influence over the Company		
TECO Electric & Machinery	95,803	74,184
Others	4,076	2,812
	99,879	76,996
	$ 993,305	$ 806,342

Because there is no similar counterparty or transaction, the price of goods sold to related parties is conducted by mutual agreement. The collection term is 60 to 197 days after monthly billings for related parties, which is not materially different from the general transaction terms.

B. Purchases

	Year ended December 31	
	2022	2021
Purchases of goods:		
Subsidiaries		
SUZHOU KUEN LING	$ 24,186	$ 7,370
SHANGHAI KUEN LING	-	1,121
	24,186	8,491
Entities with significant influence over the Company		
JIANGXI TECO	-	2,239
TECO Electric & Machinery	190	732
	190	2,971
	$ 24,376	$ 11,462

Because there is no similar counterparty or transaction, the purchase prices with related parties are conducted by mutual agreement. The payment term is 30 to 90 days after the receipt of goods, which is not materially different from the general transaction terms.

C. Other income

	Year ended December 31	
	2022	2021
Sales of services		
Subsidiaries		
COZY AIR-CONDITIONING(Management services)	$ 24,773	$ 22,362

The transaction prices for labor services provided by the Company to related parties are determined in accordance with mutual agreement, and the collection term is 90 days after monthly billings.

D. Receivables

	December 31, 2022	December 31, 2021
Notes receivable:		
Entities with significant influence over the Company		
TECO Electric & Machinery	$ 55,228	$ 43,480
Accounts receivable:		
Subsidiaries		
COZY AIR-CONDITIONING	164,399	200,081
Others	3,019	3,849
	167,418	203,930
Entities with significant influence over the Company		
TECO Electric & Machinery	6,240	16,326
Others	490	65
	6,730	16,391
	174,148	220,321
Other receivables:		
Subsidiaries		
COZY AIR-CONDITIONING	11,846	3,983
	$ 241,222	$ 267,784

Other receivables mainly arise from payments receivable by the Company for providing management services.

E. Payables

	December 31, 2022	December 31, 2021
Notes payable:		
Entities with significant influence over the Company		
TECO Electric & Machinery	$ 8	$ 131
Other	6	-
	14	131

	December 31, 2022	December 31, 2021
Accounts payable:		
Subsidiaries		
SUZHOU KUEN LING	1,831	245
Entities with significant influence over the Company		
TECO Electric & Machinery	49	111
Other	35	-
	84	111
	1,915	356
Total	$ 1,929	$ 487

F. Lease transactions－lessee

(a) The Company leases land and buildings from Cozy Air-Conditioning. Rental contracts are typically made for the period from 2019 to 2027. Rents are paid monthly.

(b) Lease liability

i. Outstanding balance:

	December 31, 2022	December 31, 2021
Subsidiaries		
COZY AIR-CONDITIONING	$ 7,833	$ 17,559

ii. Interest expense:

	Year ended December 31	
	2022	2021
Subsidiaries		
COZY AIR-CONDITIONING	$ 99	$ 217

G. Loans to / from related parties

Loans to related parties:

Limit on and ending balance on loans to others

	December 31, 2022	December 31, 2021
Limit on loans to others		
Subsidiaries		
VIETNAM KUEN LING (Note)	$ 18,396	$ 27,630

Note: Foreign currency transactions are translated into New Taiwan dollars using the exchange rates as of the report date.

As of December 31, 2022 and 2021, the actual amount used were both $0.

H. Property transactions

Disposal of property, plant and equipment :

	Year ended December 31,2022		Year ended December 31,2021	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
COZY AIR-CONDITIONING	$ 5,025	$ 986	$ -	$ -

The above-mentioned unrealised gain on disposal of $986 has been fully written off.

(3) Key management compensation

	Year ended December 31	
	2022	2021
Salaries and other short-term employee benefits	$ 25,027	$ 22,262
Post-employment benefits	223	237
	$ 25,250	$ 22,499

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2022	December 31, 2021	Purpose
Pledged time deposits (Note)	$ 1,304	$ -	Advance payment bonds issued by banks
Land	79,128	79,128	Line of credit for long-term and short-term borrowings
Buildings and structures, net	111,826	127,735	Line of credit for long-term and short-term borrowings
Guarantee deposits paid	17,812	18,223	Construction performance bond or maintenance bond
	$ 210,070	$ 225,086	

Note: It was the financial assets at amortised cost, which was listed under 'other current assets, others'.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) The amount of the performance promissory note issued by the Company for the sale of equipment units and undertaking projects is as follows:

	December 31, 2022	December 31, 2021
Performance guarantee	$ 48,079	$ 44,960

(2) Refer to Note 6 (18), operating revenue, for the amount of unfulfilled performance obligations for the system integration construction contract undertaken by the Company.

(3) The Company undertakes contracts such as equipment unit and system integration constructions, and financial institutions provide the Company with contract guarantees and other guarantees. The amount of guarantee is as follows:

	December 31, 2022	December 31, 2021
Guaranteed amount provided by the bank	$ 41,940	$ 4,116

(4) The amount to be paid in the future for the capital expenditure contracts and outsourcing construction contracts signed by the Company is as follows:

	December 31, 2022	December 31, 2021
Outsourcing construction	$ 47,753	$ 26,765
Property, plant and equipment	5,101	-
	$ 52,854	$ 26,765

(5) As of December 31, 2022 and 2021, the Company's unused letters of credit for the import of raw materials were USD 27 thousand and USD 160 thousand, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The appropriation of earnings for the year ended December 31, 2022 as resolved by the Board of Directors on March 22, 2023 is provided in Note 6(16).

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continuously provide returns for shareholders and to maintain an optimal capital structure.

In order to maintain the capital needed for expanding and upgrading plants and equipment, the Company's management shall ensure that there are necessary financial resources and operating plans to support operations, capital expenditures, debt repayment and dividend payment in the next 12 months.

The Company controls its capital using the debt to assets ratio, which is calculated as total liabilities divided by assets. The Company's strategy in 2022 is to continuously adjust the ratio of liabilities to assets and strive to balance the overall capital structure.

The total debt-to-asset ratios at December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Debt to assets ratio	49	47

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 9,759	$ 9,759
Financial assets at amortised cost		
Cash and cash equivalents	$ 97,477	$ 165,544
Notes receivable (including related parties)	64,622	51,988
Accounts receivable (including related parties	338,691	293,190
Other receivables (including related parties)	11,846	3,983
Financial assets at amortised cost (Note)	1,304	-
Guarantee deposits paid	17,812	18,223
Long-term accounts receivables	1,256	1,733
	$ 533,008	$ 534,661
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 152,096	$ 163,991
Notes payable	14,824	11,942
Accounts payable	177,361	182,919
Other payables	117,030	95,221
Long-term borrowings (including current portion)	35,000	55,000
	$ 496,311	$ 509,073
Lease liability (including non-current)	$ 10,897	$ 20,010

Note : Listed under ‘other current assets, other’.

B. Financial risk management policies

In order to effectively control and decrease financial risks, the management of the Company focuses on identifying, evaluating and hedging market uncertainties to minimise potential adverse effects from markets on the Company’s financial performance. The risk includes market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk).

Risk management is carried out by related segments under approved policies.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii As the objective of the investments in certain foreign operations held by the Company is for strategic purposes, the Company does not hedge the investments.

iii The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and VND). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 696	30.71	$ 21,374
Non-monetary items (Note)			
USD:NTD	19,788	30.71	599,395
Financial liabilities			
Monetary items			
USD:NTD	901	30.71	27,670

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 472	27.68	$ 13,065
Non-monetary items (Note)			
USD:NTD	20,542	27.68	568,156
Financial liabilities			
Monetary items			
USD:NTD	1,366	27.68	37,811

Note: The items are financial assets at fair value through other comprehensive income and investments accounted for using the equity method.

iv The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to $2,127and $(789), respectively.

v Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 214	$ -
Non-monetary items			
USD:NTD	1%	-	5,994
Financial liabilities			
Monetary items			
USD:NTD	1%	277	-

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 131	$ -
Non-monetary items			
USD:NTD	1%	-	5,682
Financial liabilities			
Monetary items			
USD:NTD	1%	378	-

Price risk

Equity instruments that the Company is exposed to price risk are financial assets at fair value through other comprehensive income. The price of those equity instruments will be affected by the uncertainty of the future value of the investment.

Cash flow and fair value interest rate risk

i The Company's main interest rate risk arises from long-term borrowings (including current portion) with variable rates, which expose the Company to cash flow interest rate risk. During 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in US Dollars.

ii If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by $350 and $550, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost.

ii In order to maintain quality of accounts receivable, the Company has set a credit risk management process or its operations.

Risk assessment of individual customers takes into account factors that may influence customers' ability to pay, such as their financial position, historical record and current economic condition. When appropriate, the Company applies certain credit enhancement tools, such as collecting sales revenue in advance, to reduce credit risk of specific customers.

The Company's treasury measures and controls credit risk of deposits with banks and other financial instruments. Because the counterparties of the Company and performing parties are banks with good credit and financial institutions or company organisations with investment grade or above and thus there was no significant possibility of default nor significant credit risk.

iii The Company adopts the assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition, to assess whether there has been a significant increase in credit risk on that instrument since initial recognition.

iv In line with credit risk management procedure, when the counterparty fails to perform the agreement between the two parties and fails to negotiate, the default has occurred.

v The Company classifies customer's accounts receivable, contract assets and rents receivable in accordance with customer types. The Company applies the modified approach using a provision matrix to estimate the expected credit loss.

vi The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) Significant financial difficulty of the issuer;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(iv) The disappearance of an active market for that financial asset because of financial difficulties;

vii The expected credit loss rate established by the Company on the accounts receivable of customers on December 31, 2022 and 2021 is as follows:

		Past due					
	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	1 to 2 year(s)	Over 2 years
December 31, 2022	0.15% ~0.65%	0.35% ~ 1.30%	0.50% ~ 5.89%	2.78% ~ 11.78%	6.78% ~ 31.78%	11.78% ~ 51.78%	100%
December 31, 2021	0.23% ~ 0.73%	0.51% ~ 1.46%	0.75% ~ 6.39%	3.79% ~ 12.79%	7.80% ~ 32.80%	12.8% ~ 52.80%	100%

viii Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable, notes receivable and contract assets are as follows:

	2022		
	Accounts receivable	Effect on profit Notes receivable	Contract assets
At January 1	$ 7,729	$ 24	$ -
Reversal of impairment loss	(1,977)	-	-
At December 31	$ 5,752	$ 24	$ -

	2021		
	Accounts receivable	Effect on profit Notes receivable	Contract assets
At January 1	$ 11,120	$ 24	$ -
Reversal of impairment loss	(2,443)	-	-
Write-offs	(948)	-	-
At December 31	$ 7,729	$ 24	$ -

For provisioned loss in 2022 and 2021, the impairment losses arising from customers' contract are $1,977 and $2,443, respectively.

(c) Liquidity risk

The Company's objectives for managing liquidity risk are to maintain cash and deposits needed for operations and adequate borrowing credits to ensure the Company is financially flexible.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings and summarises the maturity of the Company's financial liabilities based on contractual undiscounted repayments:

	December 31, 2022				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Short-term borrowings	$ 130,668	$ 22,288	$ -	$ -	$ -
Notes payable (including related parties)	14,506	318	-	-	-
Accounts payable (including related parties)	177,361	-	-	-	-
Other payables	27,794	89,236	-	-	-
Lease liability	814	2,442	2,529	4,570	867
Long-term borrowings (including current portion)	5,107	15,219	15,068	-	-
	$ 356,250	$ 129,503	$ 17,597	$ 4,570	$ 867

Derivative financial liabilities: None.

	December 31, 2021				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:					
Short-term borrowings	$ 134,805	$ 29,450	$ -	$ -	$ -
Notes payable (including related parties)	11,711	231	-	-	-
Accounts payable (including related parties)	182,469	450	-	-	-
Other payables	61,252	33,969	-	-	-
Lease liability	1,171	3,514	8,644	7,225	-
Long-term borrowings (including current portion)	5,174	15,422	20,326	15,068	-
	$ 396,582	$ 83,036	$ 28,970	$ 22,293	$ -

Derivative financial liabilities: None.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. The carrying amounts of the Company's cash and cash equivalents, financial assets at amortised cost, note receivables (including receivables from related parties), accounts receivable (including receivables from related parties), other receivables (including receivables from related parties), guarantee deposits paid, long-term notes and accounts receivables, short-term borrowings, notes payable, accounts payable, other payables, current portion of long-term liabilities, long-term borrowings and lease liabilities approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 9,759	$ 9,759
Liabilities: None.				

D. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

E. For the equity securities whose fair value is classified as Level 3, which are mainly investments in foreign listed companies, the Company adopts the comparable company approach to calculate the fair value of the investment target. The comparable company approach refers to the transaction price of the shares of companies engaged in the same or similar business in the active market and the value multipliers implied by these prices, and considers the liquidity discount to determine the value of the target company.

(4) Other matter

The impact of the COVID-19 pandemic has gradually eased. The COVID-19 pandemic has no material impact on the Company's overall operations and financial conditions.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: Please refer to table 9.

14. Segment Information

Not applicable.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD,	Other receivables due from related parties	Y	$ 27,975	$ 18,396	$ -	-	Note 1(2)	$ -	Working capital	$ -	None	$ -	$ 153,631	$ 614,524	

Note 1: The code represents the nature of loans as follows:

(1) Business relationship.

(2) Short-term financing.

Note 2: The Company’s policy for granting loans is described as follows:

(1) For business relationship or short-term financing, the total amount shall not exceed 40% of the Company’s net asset based on the latest financial statements.

(2) For short-term financing, limit on loans granted for a single party shall not exceed 10% of the Company’s net asset based on the latest financial statements.

Note 3: The abovementioned foreign currencies transaction is translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

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

December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022 Number of shares	Book value	Ownership (%)	Fair value	Footnote
KUEN LING MACHINERY REFRIGERATING CO., LTD.	Capital contribution-Feng-Hou Corporation	-	Financial assets at fair value through other comprehensive income	Note	$ 5,720	18	$ 5,720	
	Stock-KA LING INDUSTRIAL CORP.	-	Financial assets at fair value through other comprehensive income	157,500	4,039	15	4,039	
	Stock-FULL OCEAN TRADING LIMITED	-	Financial assets at fair value through other comprehensive income	1,000,000	-	9	-	

Note: Not applicable since it is a limited company.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Subsidiary	Sale	$ 861,303	60%	In accordance with mutual agreements	Note	Note	$ 164,399	39%	
KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD,	KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD,	Fellow subsidiary	Sale	316,531	79%	In accordance with mutual agreements	Note	Note	89,649	78%	

Note: Credit term is in accordance with mutual agreements, so there is no significant difference comparing with general transaction.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	Footnote
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Subsidiary	$ 164,399	4.66	$ -	-	$ 164,399	$ -	None

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Significant inter-company transactions during the reporting periods

Year ended December 31, 2022

Table 5 — Expressed in thousands of NTD

Transactions amount between the parent company and subsidiaries or between subsidiaries reaching $10 million are as follows: — (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Sales	$ 861,303	In accordance with mutual agreements	28%
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Accounts receivable due from related parties	164,399	In accordance with mutual agreements	5%
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Income from managerial services	24,773	In accordance with mutual agreements	1%
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Other receivable due from related parties	11,846	In accordance with mutual agreements	-
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD,	1	Sales	30,861	In accordance with mutual agreements	1%
1	KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD,	KUEN LING MACHINERY REFRIGERATING CO., LTD.	2	Sales	24,186	In accordance with mutual agreements	1%
1	KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD,	KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD,	3	Sales	10,328	In accordance with mutual agreements	-
1	KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD,	KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD,	3	Sales	316,531	In accordance with mutual agreements	10%
1	KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD,	KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD,	3	Accounts receivable due from related parties	89,649	In accordance with mutual agreements	3%

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

(1) Parent company is ‘0’.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Information on investees

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2022	Initial investment amount: Balance as at December 31, 2021	Shares held as at December 31, 2022: Number of shares	Shares held as at December 31, 2022: Ownership (%)	Shares held as at December 31, 2022: Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
KUEN LING MACHINERY REFRIGERATING CO., LTD.	CHING CHI INTERNATIONAL LIMITED	British Virgin IS.	Investments in other areas	$ 201,467	$ 201,467	6,200,000	83	$ 461,238	$ 6,926	$ 5,709	Subsidiary, Note 4
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Taiwan	Sales of goods and trading business	30,000	30,000	3,000,000	100	217,296	138,258	138,258	Subsidiary
KUEN LING MACHINERY REFRIGERATING CO., LTD.	KLEAN AIR ENTERPRISE LTD.	Samoa	Investments in other areas	138,046	138,046	4,401,000	100	134,118	6,422	6,422	Subsidiary
KUEN LING MACHINERY REFRIGERATING CO., LTD.	I CHI INDUSTRIAL CO., LTD.	Taiwan	General manufacturing industry	7,073	7,073	-	70	11,865	3,136	2,195	Subsidiary, Note 1
KUEN LING MACHINERY REFRIGERATING CO., LTD.	STAR ROYAL CO., LTD.	Taiwan	General manufacturing industry	47,000	47,000	2,350,000	23.5	-	-	-	
KLEAN AIR ENTERPRISE LTD.	KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD,	Vietnam	General manufacturing industry	89,325	89,325	-	100	130,258	8,220	-	Subsidiary and second-tier subsidiary, Notes 1, 2 and 3
KLEAN AIR ENTERPRISE LTD.	PT KUEN LING INDONESIA	Indonesia	Sales of goods and trading business	17,279	17,279	-	99	3,902	(1,797)	-	Subsidiary and second-tier subsidiary, Notes 1, 2 and 3
KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD,	PT KUEN LING INDONESIA	Indonesia	Sales of goods and trading business	175	175	-	1	39	(1,797)	-	Subsidiary and second-tier subsidiary, Notes 1, 2 and 3

Note 1: It is a limited company.

Note 2: It was translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note3: Those amounts have been included in the investment income (loss) of the Company on the investees accounted for using the equity method.

Note 4: The difference of the investee company’s gain and loss in the current year and the Company’s investment gain and loss recognised was the unrealised gain and loss arising from intercompany transactions.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2022

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	Engaging in manufacturing and sales of chillers	$ 181,713	2	$ 116,068	$ -	$ -	$ 116,068	$ 12,111	83	$ 10,052	$ 242,662	$ 43,219	Notes 2 and 3
KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	General manufacturing industry	272,443	2	58,649	-	-	58,649	(4,191)	83	(3,479)	209,599	-	Notes 2 and 3
SUZHOU FIRM PRECISION INDUSTRIAL CO.,LTD	Engaging in manufacturing and sales business of precision molding	255,459	2	21,173	-	-	21,173	(30,321)	9	-	-	-	-
FIRM PRECISION INDUSTRIAL(SHANG HAI) CO.,LTD	Engaging in manufacturing and sales business of sheet metal outer box	-	2	11,157	-	-	11,157	-	-	-	-	-	Note 7

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	Footnote
KUEN LING MACHINERY REFRIGERATING CO., LTD.	$ 207,047	$ 392,435	$ 921,786	Notes 4, 5 and 6

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Investing in Mainland China through CHING CHI INTERNATIONAL LIMITED and FULL OCEAN TRADING LIMITED.

(3) Others

Note 2: The amount difference from the investee's paid in capital is because CHING CHI INTERNATIONAL LIMITED reinvested the dividends distributed by KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. as the capital contribution in the investee's capital increase, and the KUEN LING MACHINERY REFRIGERATING (SUXHOU) CO., LTD. increased its capital through capitalisation of earnings. The Company did not actually make the remittance.

Note 3: The financial statements are audited and attested by R.O.C. parent company's CPA.

Note 4: The investment amount included the amounts arising from capitalisation of earnings carried by the Company's investee in Mainland China and the reinvestment in another investee in Mainland China using the dividends distributed by the investee in Mainland China as approved by the Investment Commission of MOEA.

Note 5: Translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note 6: Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA is 60% of the Group's net assets.

Note 7: The investee company has completed the liquidation in 2018.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2022

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022	Others
KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	($ 24,186)	-	$ -	-	($ 1,831)	-	$ -	-	$ -	$ -	-	$ -	-

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Major shareholders information

December 31, 2022

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Teco Electric & Machinery Co., Ltd.	11,131,642	14.61%
Wen-Chi Ko	4,414,075	5.79%

Note: (1) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

(2) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.

(3) The preparation principle of this table uses the shareholders' register as of the book closure date for the shareholders' special meeting (no need buy-to-cover short sales) to calculate the distribution of the balance of each unsecured transaction.

(4) Ownership (%) = total shares held by the shareholder/total shares transferred in dematerialised form.

(5) Total shares transferred in dematerialised form (including treasury shares) amounted to 76,152,370 shares=76,152,370 common shares + 0 preference shares.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amounts
Cash on hand		$ 717
Cash in banks	Checking accounts	87,603
	USD demand deposits	
	USD 298 thousand; exchange rate 30.71	9,129
	RMB demand deposits	
	RMB 6 thousand; exchange rate 4.38	28
		96,760
		$ 97,477

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

Client Name	Description	Amount	Note
Client code K1000380	Operating revenue	$ 38,370	
Client code K1000147	Operating revenue	22,083	
Client code K1000269	Operating revenue	11,000	
Others	Operating revenue	98,842	Balance of each client has not exceeded 5% of total account balance.
		170,295	
Less: Allowance for uncollectible		(5,752)	
		$ 164,543	

In addition, refer to Note 7 for the details of accounts receivable due from related parties, net.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 3

Item	Cost	Market Price	Notes
Raw materials	$ 263,513	$ 253,774	The lower of cost and net realisable value
Work in progress	89,045	90,424	
Finished goods	116,797	141,603	
Merchandise	3,160	313	
Inventory in transit	6,975	6,975	
	479,490	$ 493,089	
Less: Allowance for inventory valuation and obsolete and slow-moving inventories	(23,240)		
	$ 456,250		

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 4

Name	Beginning Balance		Additions		Decrease (Note 2)		Ending Balance			Market Value or Net Assets Value		Collateral
	Shares In Thousands	Amount	Shares In Thousands	Amount	Shares In Thousands	Amount	Shares In Thousands	Percentage of Ownership	Amount	Unit Price (In Dollars)	Total Amount	
CHING CHI INTERNATIONAL LIMITED	6,200	$ 447,352	-	$ 13,886	-	$ -	6,200	83%	$ 461,238	$ 74.42	$ 461,431	None
KLEAN AIR ENTERPRISE LTD.	4,401	116,765	-	17,353	-	-	4,401	100%	134,118	31.05	136,661	None
COZY AIR-CONDITIONING CO., LTD.	3,000	200,024	-	137,272	-	120,000	3,000	100%	217,296	72.76	218,282	None
I-CHI INDUSTRIAL CO., LTD.	Note 1	11,684	-	2,195	-	2,014	Note 1	70%	11,865	Note 1	11,865	None
STAR ROYAL CO., LTD.	2,350	-	-	-	-	-	2,350	23.5%	-	-	-	None
		$ 775,825		$ 170,706		$ 122,014			$ 824,517		$ 828,239	

Note 1: Not applicable since it is a limited company.
Note 2: Cash dividends received from the investee.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CHANGES IN COSTS OF RIGHT-OF-USE ASSETS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 5

Item	Beginning Balance	Addition	Decrease	Ending Balance
Land	$ 12,597	$ -	$ -	$ 12,597
Buildings and structures	20,265	1,674	(4,727)	17,212
	$ 32,862	$ 1,674	($ 4,727)	$ 29,809

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 6

Items	Beginning Balance	Addition	Decrease	Ending Balance
Land	$ 4,724	$ 1,575	$ -	$ 6,299
Buildings and structures	8,437	2,092	-	10,529
	$ 13,161	$ 3,667	$ -	$ 16,828

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 7

Nature	Description	Ending Balance	Contract Period	Range of Interest Rate	Credit Line	Collateral	Note
Unsecured borrowings	Borrowings from financial institutions	$ 152,096	2022/10/12~ 2023/6/17	1.43% ~ 6.29%	$ 500,000	None	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 8

Vendor name	Description	Amount	Note
Vendor code K9150015	Purchase	$ 18,631	
Vendor code K9100002	Purchase	15,317	
Others	Purchase	143,413	Balance of each vendor has not exceeded 5% of total account balance.
		$ 177,361	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 9

Creditor	Description	Amount	Contract Period	Rate	Collateral	Note
Unsecured borrowings	Repayment term is based on the contract signed by both parties	$ 35,000	2019/7 ~ 2024/7	1.83%	Land, buildings and structures	
	Less : current portion	(20,000)				
		$ 15,000				

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 10

Item	Volume	Amount	Note
Chiller unit	1,892 sets	$ 1,076,858	
Engineering service revenue		94,701	
Repairs and maintenance revenue		131,114	
Condenser	246 sets	23,901	
Others		101,127	
		$ 1,427,701	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 11

Item	Subtotal	Total	Note
Beginning merchandise	$ 3,043		
Add: Net amount of goods purchased in the current year	9,202		
Less: Transferred to construction costs, etc	(6,128)		
Ending merchandise	(3,160)		
Cost of purchasing and selling		$ 2,957	
Beginning raw materials	196,269		
Add: Net raw materials purchased	985,034		
Less: Transferred to maintenance costs, etc	(51,822)		
Ending raw materials	(263,513)		
Used during the year		865,968	
Direct labor		46,072	
Manufacturing expense		72,867	
Manufacturing cost		984,907	
Beginning work in progress		84,628	
Less: Transferred to research and development expenses		(76)	
Ending work in progress		(89,045)	
Cost of finished goods		980,414	
Beginning finished goods		91,286	
Less: Transferred to construction costs, etc		(12,765)	
Ending finished goods		(116,797)	
Cost of goods manufactured and sold		942,138	
Commodity tax		114,372	
Cost of goods manufactured and sold		1,056,510	
Cost of materials sold		2,960	
Maintenance costs		55,781	
Cost of engineering sales		79,769	
Loss on slow-moving inventories and valuation loss		1,800	
Cost of after-sale service		11,115	
Operating costs		$ 1,210,892	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 12

General ledger account	Description	Amount	Note
Processing fees		$ 22,526	
Indirect labor		14,479	
Miscellaneous purchases		6,318	
Depreciation charge		6,168	
Insurance expense		5,353	
Sporadic materials		4,836	
Other manufacturing expense		13,187	Balance of individual accounts has not exceeded 5% of total account balance.
		$ 72,867	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 13

Item	Description	Amount	Note
Wages and salaries		$ 29,034	
Depreciation charge		3,926	
Insurance expense		3,781	
Commission expense		2,879	
Others		14,640	Balance of individual accounts has not exceeded 5% of total account
		$ 54,260	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 14

Item	Description	Amount	Note
Wages and salaries		$ 40,283	
Depreciation charge		16,828	
Directors' remuneration		9,851	
Service fees		5,732	
Repari expense		4,923	
Others		18,967	Balance of individual accounts has not exceeded 5% of total account
		$ 96,584	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 15

Item	Description	Amount	Note
Wages and salaries		$ 25,682	
Research and development expenses		6,562	
Insurance expense		2,536	
Others		5,293	Balance of individual accounts has not exceeded 5% of total account
		$ 40,073	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF FINANCE COST
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 16

Item	Description	Amount	Note
Bank borrowings		$ 2,858	
Lease liabilities		142	
		$ 3,000	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 17

Function / Nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense	$ 69,436	$ 116,933	$ 186,369	$ 59,593	$ 111,151	$ 170,744
Wages and salaries	58,149	90,570	148,719	48,991	87,193	136,184
Labour and health insurance fees	5,202	7,629	12,831	5,068	7,759	12,827
Pension costs	2,402	4,429	6,831	2,123	4,060	6,183
Directors' remuneration	-	9,851	9,851	-	7,612	7,612
Other employee benefit expense	3,683	4,454	8,137	3,411	4,527	7,938
Depreciation Expense	6,168	22,115	28,283	5,750	21,684	27,434
Amortisation Expense	563	2,014	2,577	481	2,531	3,012

Note：

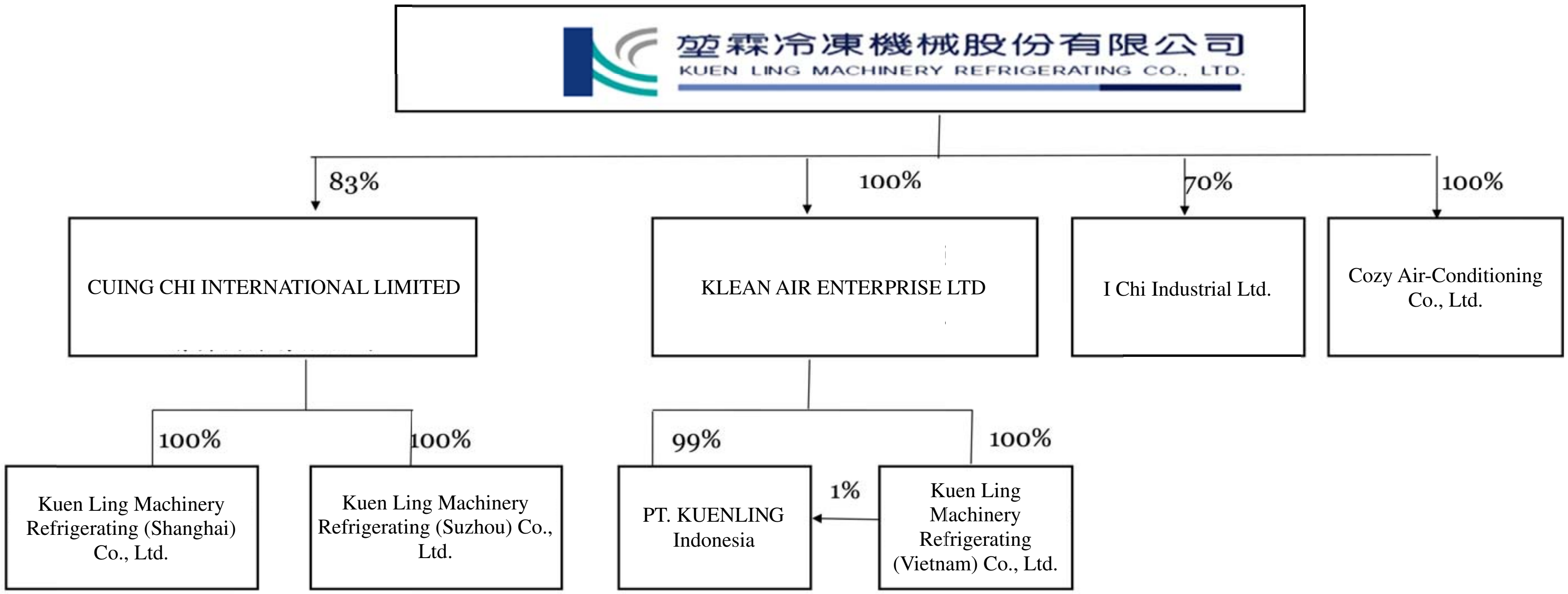
A. As at December 31, 2022 and 2021, the Company had 198 and 191 employees, respectively, including 8 and 7 non-employee directors.
B. Average employee benefit expense in current and previous year was $929 and $887, respectively.
C. Average employee wages and salaries in current and previous year was $783 and $740, respectively.
D. Adjustment of average employee wages and salaries was 5.81%.
E. Supervisors' remuneration in current and previous year was $0 and $210. (Note)
F. The Company's salary and compensation policy:
The directors' remuneration is determined in accordance with the Article 20-1 of Incorporation of theCompany whereby no higher than 3% of the distributable profit of the current year shall be distributed as the director's remuneration, and the Company's operating results and directors' contribution to the Company's performance are also considered to give reasonable remuneration to directors. Managers are remunerated based on the services provided, risk assumption and the extent of contribution by reference to the general pay level in the same industry. Employees are compensated based on their education and work background, professional expertise, professional seniority and personal performance. The Company also provides flexible compensation movement according to the operational situation to timely motivate morale and retain outstanding employees. Annual salary adjustments are based on the employees' position and performance assessment to determine the items and amounts for salary adjustments.

Note: The Company re-elected its directors and independent directors in July 2021 and set up an audit committee.

2022 Consolidated Business Report of Affiliated Enterprises

(I) Overview of Affiliated Enterprise Organization

1. Affiliated Enterprise Organizational Chart:



2. Basic information on affiliates

Unit: thousand

Company Name	Date of Incorporation	Address	Paid-in Capital		Main Business Items
Kuen Ling Machinery Refrigerating Co., Ltd.	1988.04.05	No. 300 Chikan North Road, Ziguan District, Kaohsiung	TWD	761,524	Note 1 Note 6 Note 7
Cozy Air-Conditioning Co., Ltd.	2004.11.15	1/F, No. 300 Chikan North Road, Ziguan District, Kaohsiung	TWD	30,000	Note 1 Note 5
I Chi Industrial Ltd.	2000.07.10	No. 170, Liuqiu Village Farm Road, Daliao District, Kaohsiung	TWD	11,000	Note 2
CHING CHI INTERNATIONAL LIMITED	2000.07.12	P.0.B0X957, Offshore Incorporations Centere, Road Town, Tortola, British Virgin Islands	USD	7,450	Note 3
KLEAN AIR ENTERPRISE LTD	2002.03.20	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD	4,101	Note 3
Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd.	2000.09.01	Building 17, Block B, 2nd Floor, Room 202, No. 470, Jiujing Road, Jiuting Town, Songjiang District, Shanghai	TWD	181,713	Note 1 Note 6 Note 7
Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd.	2006.04.18	No. 815 Jiangxing East Road, Wujiang Economic and Technological Development Zone, Jiangsu Province	TWD	272,443	Note 7
Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd.	2005.11.25	So 10-12, Duong so7, KCN TanDue, Xa Due Hoa Ha, Huyen Due Hoa,Tinh Long An, Vietnam	USD	3,000	Note 1 Note 7
PT. KUENLING Indonesia	2017.06.09	Ruko Galeri Niage Mediterania1 Blok B 8 A Jl.Pantai Indah Utara 2,Pantai Indan Kapuk,Kel. kapuk Muara, Kec. Penjaringan Jakarta Utara 14460, Indonesia.	USD	300	Note 3 Note 4

Note 1: Manufacturing, engineering, leasing and international trade of refrigeration and air conditioning machinery and equipment.

Note 2: Pain works, machinery installation and hardware wholesale.

Note 3: Import and export, wholesale and retail, rental, distribution, assembly, manufacturing, sales, certification, investment, management and development.

Note 4: Trading of all kinds of hardware parts, machinery manufacturing, refrigeration engineering contracting and import and export trade.

Note 5: Manufacturing of machinery, ship and parts, refrigeration ventilation and air conditioning engineering and international trade business.

Note 6: Production of various types of refrigeration and air conditioning units, heat exchangers and supporting products, and sell our own products.

Note 7: Manufacturing and sales of refrigeration and air conditioning equipment, forced draft fans, air conditioning boxes, etc.

3. Information on directors, supervisors and general manager of affiliated enterprises

Unit: NT$ thousand; thousand shares; %

Company Name	Position	Name or Legal Representative	Shareholding (Notes 1 and 2)	
			Shares	Shareholding Ratio
Kuen Ling Machinery Refrigerating Co., Ltd.	Chairman and General Manager	Chung-Kuo Tseng	2,423 shares	3.18%
	Director	Rung-Pin Yeh	2,658 shares	3.49%
	Director	TECO Electric & Machinery Co., Ltd. (Representative: Chi-Tseng Peng)	11,132 shares	14.62%
	Director	Wen-Chi Ko	4,414 shares	5.80%
	Director	Ming-Cheng Wu	3,063 shares (Notes 3)	4.02%
Cozy Air-Conditioning Co., Ltd.	Chairman	Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Chung-Kuo Tseng)	3,000 shares	100%
	Director	Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Rung-Pin Yeh)		
	Director	Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Yu-Fen Huang)		
	Supervisor	Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Wen-Chi Ko)		
I Chi Industrial Ltd.	Chairman	Hsian-Yu Wang	$ 1,500	13.6%
	Shareholder	Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Chung-Kuo Tseng)	$ 7,700	70%
CHING CHI INTERNATIONAL LIMITED	Chairman	Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Chung-Kuo Tseng)	$ 201,467	83%
	Shareholder	United View Global Investment Co., Ltd (Representative: Yung-Ho Chen)	$ 41,264	17%
KLEAN AIR ENTERPRISE LTD	Chairman	Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Chung-Kuo Tseng)	$ 138,046	100%
Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd.	Chairman	CHING CHI INTERNATIONAL LIMITED (Chung-Kuo Tseng)	$ 181,713	100%
Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd.	Chairman	CHING CHI INTERNATIONAL LIMITED (Representative: Chung-Kuo Tseng)	$ 272,443	100%
Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd.	Shareholder	KLEAN AIR ENTERPRISE LTD (Representative: Chung-Kuo Tseng)	$ 89,325	100%

Unit: NT$ thousand; thousand shares; %

Company Name	Position	Name or Legal Representative	Shareholding (Notes 1 and 2)	
			Shares	Shareholding Ratio
PT. KUENLING Indonesia	Shareholder	KLEAN AIR ENTERPRISE LTD (Representative: Chung-Kuo Tseng)	$ 17,279	99%
	Shareholder	Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. (Representative: Chung-Kuo Tseng)	$ 175	1%

Note 1: If the investee company is a company limited by shares, please fill in the number of shares and shareholding ratio; for “others”, fill in the amount and ratio of capital contribution.

Note 2: If the affiliated enterprise is a foreign company, list its capital contribution in New Taiwan Dollars at the historical exchange rate.

Note 3: Including 1,180 thousand shares in a trust with the reserved discretion of the right-of use.

II. Overview of all affiliated enterprises' operation:

Financial status and operating results of all affiliated enterprises:

Unit: NT$ thousand (earnings per share is in NT$)

Company Name	Amount of Capital (Note 1)	Total Assets (Note 2)	Total Liabilities (Note 2)	Net Value	Operating Revenue (Note 2)	Operating Profit (Note 2)	Current Profit (loss) (Note 2)	Earnings per Share
Kuen Ling Machinery Refrigerating Co., Ltd.	761,524	2,254,469	718,158	1,536,311	1,427,701	26,303	204,046	2.68
Cozy Air-Conditioning Co., Ltd.	30,000	538,153	319,871	218,282	1,189,000	170,120	138,258	46.09
I Chi Industrial Ltd.	11,000	22,626	5,678	16,948	24,916	3,781	3,136	2.85
CHING CHI INTERNATIONAL LIMITED	242,731	555,940	-	555,940	7,001	6,925	6,925	-
KLEAN AIR ENTERPRISE LTD	138,046	136,661	-	136,661	6,451	6,420	6,420	-
Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd.	181,713	922,663	629,822	292,811	1,140,240	736	12,113	-
Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd.	272,443	330,942	78,002	252,940	400,917	(6,698)	(4,192)	-
Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd.	89,325	208,418	78,160	130,258	123,029	15,296	8,220	-
PT. KUENLING Indonesia	17,279	10,946	7,004	3,942	5,750	(1,860)	(1,797)	-

Note 1: If the affiliated enterprise is a foreign company, list its capital contribution in New Taiwan Dollars at the historical exchange rate.

Note 2: If the affiliated enterprise is a foreign company, list its total assets and total liabilities in New Taiwan Dollars at the exchange rate on the reporting date; its operating income, operating profit and current profit and loss are listed in New Taiwan Dollars at the annual average exchange rate of the current year.

III. Declaration Concerning the Consolidated Financial Statements of Affiliated Enterprises:

崑霖冷凍機械股份有限公司
KUEN LING MACHINERY REFRIGERATING CO., LTD.

The business entities to be included in the Company's 2022 (from January 1, 2022 to December 31, 2022) "Affiliated Enterprise Consolidated Financial Statements" that are prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises" and the business entities to be included in the Company's parent-subsidiary consolidated financial statements in accordance with IFRS No. 10 are the same; also, the relevant information to be disclosed in the "Consolidated Financial Statements of Affiliated Enterprises" has already been disclosed in the aforementioned parent-subsidiary consolidated financial statements; therefore, the "Consolidated Financial Statements of Affiliated Enterprises" is not prepared separately.

Hereby declare

Company Name: Kuen Ling Machinery Refrigerating Co., Ltd.

Chairman: Chung-Kuo Tseng

March 22, 2023