

Stock code: 4527



2023 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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One. Letter to Shareholders

Dear valued shareholders,

In 2023, the global economy faced challenges due to factors such as high interest rates, high inflation, and weaker-than-expected post-pandemic economic performance in China. This led to sluggish demand for consumer products worldwide, resulting in a slowdown in manufacturing activities in various countries. Additionally, the expansion of the US-China chip ban, the Russo-Ukraine conflict, and ongoing tensions in the Middle East have contributed to a trend of geopolitical confrontation globally, impacting global economic development and social stability. In Taiwan, the domestic service industry showed signs of expansion post-pandemic, with noticeable improvements compared to 2023. However, the slowing momentum of global trade expansion has affected Taiwan's export performance and external order intake, thereby impacting corporate investment. Consequently, next year's export performance is expected to be relatively poor, and private investment will also be affected.

Looking ahead to 2024, the global economy will continue to face numerous uncertainties, including the Red Sea crisis, green subsidy competition, extreme weather events, and geopolitical risks. These factors will influence Taiwan's trade and investment performance and warrant close attention. Therefore, it is predicted that the domestic economic growth rate for 2024 will be 3.15%.

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. In the context of poor global economic conditions due to the inflation, the operating income of the current period marked a historical high.

The summary report of the Group's business results for 2023 and business plan for 2024 is as follows:

I. 2023 Operating Results

(I) Business Plan Implementation Results

In the first half of 2023, benefiting from Taiwan's stable economy, revenue grew by 28%, while the China region experienced a 5% decline due to deferred production and shipment resulting from factory relocation and integration. Overall, combined revenue for the first half increased by 11% compared to the same period last year. Furthermore, optimization of product sales composition led to an increase in gross profit margin, resulting in a significant growth of 83% in operating net profit and a 72% increase in cumulative pre-tax net profit compared to the same period last year. In the Q3, orders and shipments decreased in both Taiwan and Vietnam, while the China region experienced a significant increase in orders and manufacturing due to the resumption of economic activities after the pandemic. As a result, combined revenue grew by 17% compared to the same period last year. In the fourth quarter, sales and shipments were smooth across all regions, leading to a 15% year-on-year growth in revenue for the whole year. Due to the growth in order revenue and the realization of integration benefits, costs were reduced, resulting in an increase in gross profit margin for the whole year. Although operating expenses increased and there was a rise in non-operating income and expenses compared to the previous year, pre-tax net profit showed significant growth compared to 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	3,476,588	3,050,723	425,865	114%
Operating costs	(2,636,014)	(2,335,865)	(300,149)	113%
Gross profit	840,574	714,858	125,716	118%
Operating expenses	(525,517)	(509,365)	(16,152)	103%
Operating profit	315,057	205,493	109,564	153%
Non-operating income and expenses	44,168	5,815	38,353	760%
Profit before tax	359,225	211,308	147,917	170%

EPS

NT\$3.39

NT\$2.15

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

Net operating income: Due to the post-pandemic economic recovery, there has been an increase in demand for factory equipment projects and refrigeration engineering projects, leading to revenue growth in both the Taiwan and China markets.

Gross profit: The main factor contributing to the increase in operating income is the improvement in production efficiency, resulting in a growth 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 other income and interest income.

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	2023		2022		Amount of increase (decrease); %	
	Amount	%	Amount	%	Amount	%
Operating revenue	3,476,588	100	3,032,863	100	443,725	15
Operating costs	(2,636,014)	(76)	(2,328,135)	(77)	(307,879)	13
Gross profit	840,574	24	704,728	23	135,846	19
Operating expenses	(525,517)	(15)	(480,230)	(16)	(45,287)	9
Operating profit	315,057	9	224,498	7	90,559	40
Non-operating income and expenses	44,168	1	27,326	1	16,842	62
Profit before tax	359,225	10	251,824	8	107,401	43
Net income attributable to the parent	258,404	7	204,046	7	54,358	27

2. Profitability analysis

Item	2023
Return on assets %	8%
Return on shareholders' equity%	16%
Ratio of operating profit to paid-in capital %	41%
Ratio of profit before tax to paid-in capital %	47%
Profit margin %	8%
Basic earnings per share (NT\$)	3.39

(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, in the form of MOEAEA Industrial Energy Technology Program, Fusheng and Rhymebus jointly developed 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.

The 1000RT domestically produced magnetic levitation centrifugal ice-water unit completed in 2023, with $COP \geq 7.1$ and energy efficiency level 1. The most important thing is that it passed the test of the Industrial Technology Research Institute under the condition of "zero tolerance"; making it the first domestically-made 1000RT magnetic levitation centrifuge that passed such a rigorous test. 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 increase in extreme weather events due to climate change, it is foreseeable that the global economic market will boost overall economic demand. Through sustainable practices and green innovation participation in response actions, while enhancing resilience to risks, promoting the economy towards environmental transformation, and achieving sustainable development.

Due to the trend of localized production drives the growth of capital equipment imports, 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. 2024 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 2024	Unit
Chiller Unit	2,208	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 2024 will decrease compared with that in 2023, 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 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. Actively promote environmentally friendly refrigerant products and enhance energy management service products
2. Ensuring quality, delivery time, cost and service advantages.
3. Parallel production and marketing for ODM and private brand, with a strengthened focus on individual case tracking.
4. 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.
5. Strengthen special industrial channels (petrochemical plants, industrial refrigeration and environmental control agricultural and fishery production systems) and technician channels.
6. Deeply cultivate the overseas markets in Southeast Asia, and plan and export the whole plant of refrigeration and refrigeration plant.

(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 face of market competition and a volatile business environment, the global economic environment is still full of uncertainties, which still pose challenges to the prospects. However, although major economies such as the United States and China are facing some unfavorable factors for consumption and investment, the recovery of global merchandise trade is still optimistic and will push the recovery of the global economy. The Group remains positive and bravely accepts challenges. Future business development will strive towards the following goals:

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

The global economy tends to be conservative. Affected by geopolitical conflicts, inflation and interest rate increases, the global economic growth rate is expected to drop to 2.3%. Although global inflation has slowed down, factors such as the effect of rising interest rates, competition between the United States and China, extreme climate and geopolitical issues continue to affect the demand for end products, the global economic outlook is unclear. However, supported by factors such as continued development of emerging technology applications such as artificial intelligence and high-performance computing, as well as holiday business opportunities, domestic exports and consumption have shown partial growth. There are still uncertainties in the future outlook, but the continued expansion of emerging technologies and holiday consumption may support export sales and consumer demand.

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

As the regulatory environment changes, the Group actively responds to the government's environmental protection policies and uses them as opportunities for innovation and market development. As the government actively promotes renewable and green energy, it also invests heavily in industrial and service industries to replace more efficient air-conditioning equipment to ensure economic development and overall industrial momentum. The Company has followed this trend and not only has high-efficiency ice and water machines, high value-added heat recovery machines and composite hot and cold water machines, but also provides customers with more advantages through system integration, including mutually supporting main systems, retaining scalability, and heat recovery applied to defrost systems. These measures meet the government's requirements for high-efficiency air conditioning equipment and also provide customers with more energy-saving and environmentally friendly solutions.

In terms of regulations, the Company actively cooperates with the implementation of relevant laws and regulations. For example, regarding the restrictions on CFC refrigerants, alternative refrigerant units have launched and promoted in the market. In accordance with the provisions of the Energy Administration Act, high-efficiency energy-saving units have been developed as well, and all products comply with energy label certification. The Company also actively follows the requirements of the Climate Change Response Act and develops/launches low-GWP refrigerant units such as the R-32 and R-513A series to meet the goal of net-zero emissions in 2050.

Except product development, the Company has also strengthened the construction of the R&D department and established a database for central air conditioning and refrigeration machinery engineering design. This not only improves product quality and efficiency, but also enables the Company able to respond to market demand more faster, in line with government support for technological innovation and industrial upgrading.

In general, the Company keeps up with the requirements of environmental protection laws with a positive attitude, using them as a motivation to promote innovation and market development and integrates environmental awareness in every aspect of product development and business operations to achieve the goal of environmental protection and sustainable development.

(III) Impact of Overall Business Environment

Private consumption have return back to normal levels in 2024, the investment and exports will improve due to the international boom and the rebound in global trade. However, the risk of uncertainty remains high, the international economic situation is changing rapidly. Uncertain factors affecting Taiwan's economic growth, including U.S.-China relations and situations, the results of the presidential election in many countries in 2024, China's attitude towards Taiwan's new government, and the impact of major countries' monetary policy shifts, etc., will all affect the subsequent performance of Taiwan's economy. It remains to follow up and observe, in the face of many issues and challenges at home and abroad, which cannot be underestimated and must be dealt with cautiously.

These uncertainties above are important uncertainties affecting the economic situation in 2024.

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. <u>Tsung-Kuo Tseng</u> served as the Chairman of the Board, and Mr. <u>Chung-Kuo Tseng</u> was employed as the General Manager and Mr. <u>Rung-Pin Yeh</u> 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. <u>Chung-Kuo Tseng</u> served as the Chairman and General Manager, and Mr. <u>Rung-Pin Yeh</u> 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. <u>Rung-Pin Yeh</u> 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,

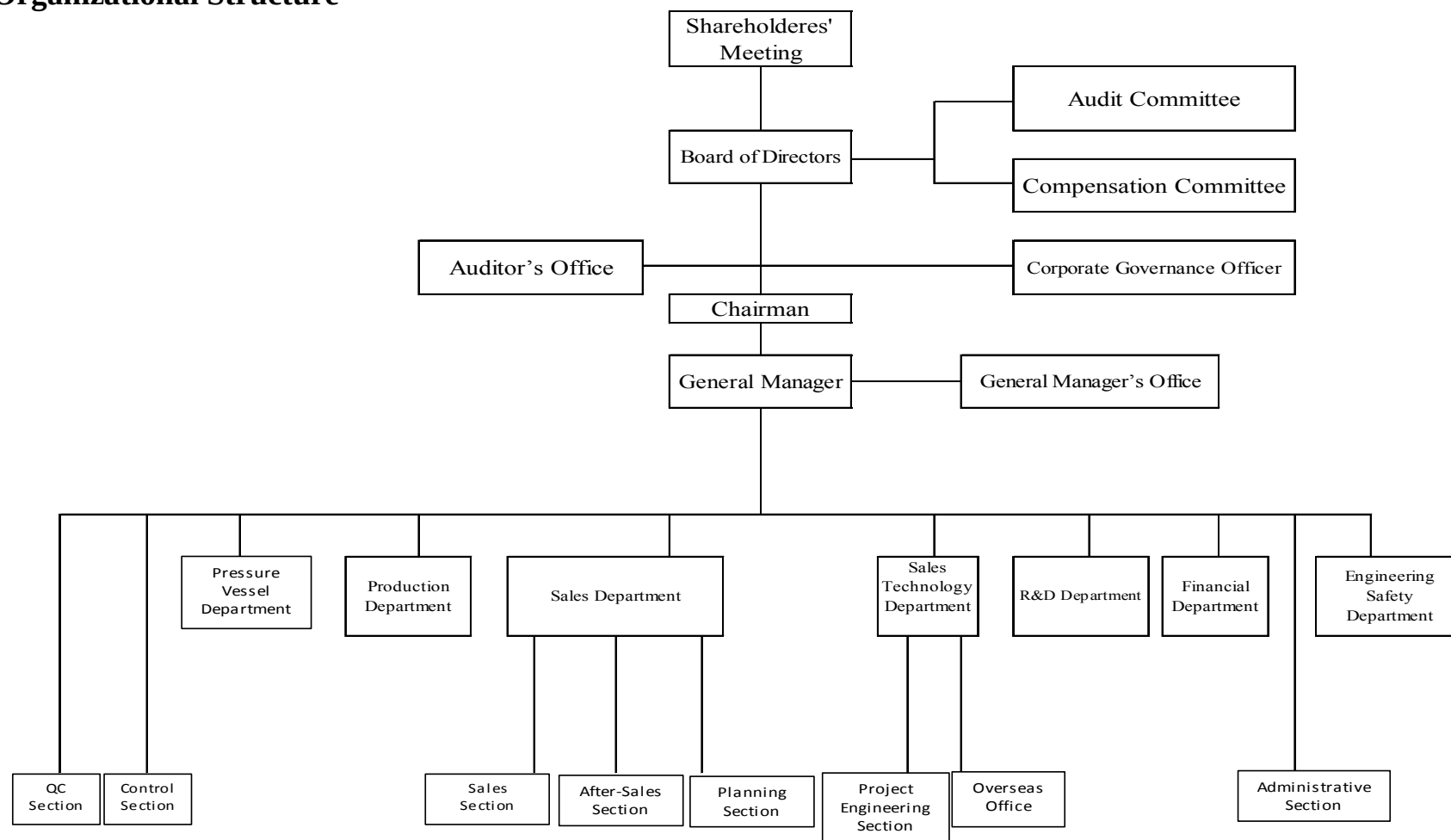
and the information of earlier years which has a significant impact on the development of the company: No such situation.

Three. Corporate Governance Report

I. Organizational System

(I) Organizational Structure

Organization chart as of March 31, 2024



(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. ◆ Responsible for the relevant operations of the board of directors and various committees.
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.

Department	Major Responsibilities
Sales Department	◆ Collect market data and expand markets. ◆ Responsible for energy performance assurance service and air-conditioning system energy-saving improvement projects. ◆ 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

March 31, 2024; 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	2021.07.20	3 years	1996.07.12	2,423	3%	2,423	3%	281	0.37%	3,857	5.06%	Advanced Master of Management Program of National Cheng Kung University (non-completion) Da-Yeh University Credit Class	Chairman and General Manager of the Company Chairman, Cozy Air-Conditioning Co., Ltd Chairman, Kuenling Machinery Refrigerating (Shanghai) Co., Ltd. Chairman, Kuenling 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. (Please refer to Page 19)
			61-70																	
Director	Taiwan	Rung-Pin Yeh	Male	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, Kuenling Machinery Refrigerating (Suzhou) Co., Ltd. Director, Cozy Air-Conditioning Co., Ltd.	None	None	None	
			71-80																	
Director	Taiwan	Wen-Chi Ko	Male	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. Supervisor, Kuenling Machinery Refrigerating (Shanghai) Co., Ltd.; Supervisor, Kuenling Machinery Refrigerating (Suzhou) Co., Ltd.; Representative, Wenji Investment Co., Ltd.	None	None	None	
			81-90																	
Director	Taiwan	Ming-Cheng Wu	Male	2021.07.20	3 years	2018.05.23	2,360	3%	3,064 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	
			71-80																	
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, Indonesia TEKI; Chairman, Tesen Electronic Co., Ltd.; Chairman, Jiangxi Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman, Dongguan Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman, Nanchang Dongyuan Electric Co., Ltd.; General Manager, Antai Innovation Technology (Xiamen) Co., Ltd.; General Manager, 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, Director, Information Technology Total Services, ITTS; Director, TECO Smart Technologies Co., Ltd.; Director, Australia TAC; Director, TECO 3C; Director, Teco Technology (Vietnam) Co., Ltd.; Chairman, E-Joy Australia; Director, TECO Elektrik Turkey A.Ş (TET); Director, Asia Electric & Machinery Pte.Ltd. (AEM), Director, Asia Air Tech Industrial (PTE) LTD (AAT); General Manager, Home Appliance Business Group of TECO Electric & Machinery Co., Ltd.	None	None	None	
			Male																	
		Representative: Chi-Tseng Peng					-	0%	-	0%	-	0%	-	0%			None	None	None	
			51-60																	

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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 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 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 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 Independent director	Taiwan	Ming-Bing Chen	Male 61-70	2021.07.20	3 years	2021.07.20	-	0%	7	0.01%	-	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 of the Company concurrently serves as the general manager. In order to improve operating efficiency and decision-making execution capabilities, and in response to the Group's organizational development and operational plans, the Company not only recruits outstanding talents, but also actively cultivates senior officers who have potential, training them with various management skills, to select successors; in addition, the chairman of the board of directors also closely communicates with all directors on the current operating status and planning policies of the Company to implement corporate governance.

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, Kuenling Machinery Refrigerating (Shanghai) Co., Ltd. Chairman, Kuenling 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: Director, Cozy Air-Conditioning Co., Ltd. Vice-Chairman, Kuenling 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. Supervisor, Kuenling Machinery Refrigerating (Shanghai) Co., Ltd., Supervisor., Kuenling Machinery Refrigerating (Suzhou) CO., LTD. Representative, Wenji 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

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Title	Name Criteria	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, Indonesia TEKI; Chairman, Tesen Electronic Co., Ltd.; Chairman, Jiangxi Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman, Dongguan Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman, Nanchang Dongyuan Electric Co., Ltd.; General Manager, Antai Innovation Technology (Xiamen) Co., Ltd.; General Manager, 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, Director; Information Technology Total Services, ITTS; Director, TECO Smart Technologies Co., Ltd.; Director, Australia TAC; Director, TECO 3C; Director, Teco Technology (Vietnam) Co., Ltd.; Chairman, E-Joy Australia; Director, TECO Elektrik Turkey A.Ş (TET); Director.; Asia Electric & Machinery Pte.Ltd. (AEM), Director.; Asia Air Tech Industrial (PTE) LTD (AAT); General Manager, Home Appliance Business Group of TECO Electric & Machinery Co., Ltd. Rich experience in operation judgment, business management, crisis 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

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Title	Name Criteria	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, leadership, 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.18-19) for information on directors.

Note 2: Please refer to Appendix 1 (P. 18-19) 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.

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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	81 to 90	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
The board of directors focuses on operational judgment, business management and crisis management capabilities. More than 2/3 of the board members should have the ability to related core projects.	Achieved
Female directors account for one-third of director seats	Not 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

March 31, 2024; Unit: thousand shares; %

Title	Nationality	Name	Name	Election / Appointment 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	Relation	
Chairman and General Manager	Taiwan	Male	Chung-Kuo Tseng	1992.05.30	2,423	3.18%	281	0.37%	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, Kuenling Machinery Refrigerating (Shanghai) Co., Ltd.; Chairman, Kuenling 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.(Please refers to Page19)
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	52	0.07%	3	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)	-	-	-	-	4,873	4,973	60	60	1.91%	1.78%	4,880	8,240	56	56	1,089	-	1,710	-	4.24%	5.38%	None
2	Director	Rung-Pin Yeh (re-elected on July 20, 2021)	-	-	-	-	1,218	1,218	60	60	0.49%	0.82%	-	1,768	-	-	-	-	-	-	0.49%	1.46%	None
3	Director	Wen-Chi Ko (newly elected on July 20, 2021)	-	1,008	-	-	1,218	1,218	60	60	0.49%	0.59%	-	-	-	-	-	-	-	-	0.49%	0.59%	None
4	Director	Ming-Cheng Wu (newly elected on July 20, 2021)	-	360	-	-	1,218	1,218	60	60	0.49%	0.46%	-	-	-	-	-	-	-	-	0.49%	0.46%	None
5	Director	Chi-Tseng Peng, Representative of TECO Electric & Machinery Co., Ltd. (re-elected on July 20, 2021)	-	-	-	-	1,218	1,218	50	50	0.49%	0.46%	-	-	-	-	-	-	-	-	0.49%	0.46%	None
6	Independent director	Li-Rong Hong (newly elected on July 20, 2021)	600	600	-	-	-	-	60	60	0.26%	0.24%	-	-	-	-	-	-	-	-	0.26%	0.24%	None
7	Independent director	Yean-Der Kuan (re-elected on July 20, 2021)	483	483	-	-	-	-	60	60	0.21%	0.20%	-	-	-	-	-	-	-	-	0.21%	0.20%	None
8	Independent director	Ming-Bing Chen (newly elected on July 20, 2021)	600	600	-	-	-	-	50	50	0.25%	0.23%	-	-	-	-	-	-	-	-	0.25%	0.23%	None
9	Independent director	Wen-An Yang (newly elected on July 20, 2021)	600	600	-	-	-	-	50	50	0.25%	0.23%	-	-	-	-	-	-	-	-	0.25%	0.23%	None

- 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: 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.
- In addition to the disclosure in the table above, the remuneration received by the directors of the Company for their services (such as serving

Three. Corporate Governance Report

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	6, 7, 8, 9	6, 7, 8, 9	6, 7, 8, 9	6, 7, 8, 9
NT\$1,000,000 (inclusive)~NT\$2,000,000	2, 3, 4, 5	3, 4, 5	2, 3, 4, 5	3, 4, 5
NT\$2,000,000 (inclusive)~NT\$3,500,000		2		
NT\$3,500,000 (inclusive)~NT\$5,000,000	1	1		2
NT\$5,000,000 (inclusive)~NT\$10,000,000				
NT\$10,000,000 (inclusive)~NT\$15,000,000			1	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 director

*** 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	4,880	8,240	56	56	60	60	1,089		1,710	-	2.36%	3.63%	None
Deputy General Manager, Sales Technology Department	Hsien-Jung Kuo	3,208	3,208	44	44	-	-	125		125	-	1.31%	1.22%	None
Deputy General Manager, Sales Department	Chin-Chung Wu	2,546	3,723	41	41	-	-	402		402	-	1.16	1.50%	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	
NT\$10,000,000 (inclusive) to NT\$15,000,000		Chung-Kuo Tseng
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:

March 31, 2024 Unit: NT\$ thousand

Managers	Title	Name	Stock	Cash (Note 1)	Total	Total as a percentage of profit after tax (%) (Note 2)
	General Manager	Chung-Kuo Tseng	0	2,060	2,060	0.80%
	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 2023, which was approved by the Board of Directors on March 12, 2024 and the proposed employees' remuneration is NT\$22,739 thousand.

Note 2: It is calculated based on the amount of profit after tax of NT\$258,404 thousand in 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	The Company				All companies included in the consolidated statements			
	2023		2022		2023		2022	
	Total	Proportion of net profit after tax	Total	Proportion of net profit after tax	Total	Proportion of net profit after tax	Total	Proportion of net profit after tax
Remuneration of all directors for the year	18,564	7.18%	15,901	7.79%	25,681	9.25%	22,397	10.86%
Remuneration of all supervisors for the year	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Remuneration of the President and Vice Presidents for the year	12,453	4.82%	11,797	5.78%	17,609	6.34%	16,999	8.25%
Net income after tax	258,404	-	204,046	-	277,536	-	206,165	-

Note 1: The total amount of directors' remuneration in 2023 increased compared with 2022, due to the increase in net income after tax in 2023. In addition, the total remuneration of the general manager and deputy general manager has increased compared with 2022, which is also due to the increase in net income after tax in 2023 and the results of the manager's performance evaluation in 2023, which are better than the target standard requirements..

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. Managers' remuneration is divided into salaries, bonuses, employee remuneration and company public funds from employee stock ownership trusts; salaries and bonuses are discussed and decided by the Board of Directors based on recommendations made by the Salary and Remuneration Committee. Employee remuneration is based on the employee remuneration payment method, the board of directors distributes employee remuneration between 3% and 7% as stipulated in the company's articles of association based on the profit status of the current year. The profit status of the current year shall not exceed 3%. Distribute directors' remuneration. 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, the purchased stock can be retrieved 5 years later. 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, employee remuneration and stock-holding trust, which are based on the positions held, the degree of participation and contribution to the Company's operations and the prevailing industry standards. Performance evaluation will be performed at the end of each month, based on the evaluation items.

Evaluation items:

- 1. Financial indicators: operating income, target gross profit, days sales outstanding, loan interest attainment rate, debt ratio, etc.
- 2. Non-financial indicators: short, medium and long-term planning and execution status, and operational management capabilities.

(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 5 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
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.	4	2	67%	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	3 rd session	4th session	5 th 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
2023.08.08 (The 13th meeting of the 14th session)	1. Approved the amendment of the "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" of the Company. 2. Approved the fund loan for sub-subsidiary Kuen Ling Machinery Refrigerating(Vietnam) Co.,Ltd. 3. Approved the cash capital increase for Kuenling Machinery Refrigerating (Suzhou) Co.,Ltd.	The independent directors have no objection or reservation.
2023.12.19 (The 15th meeting of the 14th session)	1. Approved the 2024 annual internal audit plan 2. Approved the principle and estimated payment of year-end bonus to managers for 2023 3. Approved the policies, systems, standards and structures for the evaluation of directors' and managers' performance and compensation for 2024	The independent directors have no objection or reservation.
2024.03.12 (The 16th meeting of the 14th session)	1. Approved the appointment of the Company's attesting CPA for 2024. 2. Revised the Company's "Audit Committee Charter" and internal control system "Audit Committee Operations and Management Method".	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 15th meeting of the 14th Board of Directors' Meeting (December 19, 2023)

Director's name: Chairman Chung-Kuo Tseng

Motion: The Company's 2023 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 2024.

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 16th meeting of the 14th Board of Directors' Meeting (March 12, 2024)

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 2023 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, 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.

Three. Corporate Governance Report

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. The internal performance evaluation results of the Board of Directors and functional committees for the year 2023 have been reported to the Board meeting held on March 12th, 2024. The evaluation result is satisfactory.

Evaluation Cycle	Evaluation duration	Evaluation scope	Evaluation method	Evaluation content	Evaluation result
Annually	2023/1/1~2023/12/31	Board of Directors	Self-assessment questionnaire	Including 5 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.	Positive
		Individual directors	Self-assessment questionnaire	Including 6 major aspects of the individual director's mastery of the Company's objectives and tasks, recognition 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.	Positive
		Audit committee	Self-assessment questionnaire	Including the 5 major aspects of participation in the Company's operation, recognition of the responsibilities, improvement of the decision-making quality of the committee, composition and members selection of the committee, and internal control.	Positive
		Compensation committee	Self-assessment questionnaire	Including the 5 major aspects of participation in the Company's operation, recognition of the responsibilities, improvement of the decision-making quality of the committee, composition and members selection of the committee, and internal control, for a total of 23 evaluating indicators.	Positive

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.
6. In order to properly respond to the relevant issues of concern to stakeholders and understand their reasonable expectations and needs, the Company has assigned various departments to be responsible for communication with stakeholders. The communication status with various stakeholders in 2023 has been reported to the board of directors on March 12, 2024.
7. Provide education and publicity to current directors on preventing insider trading and insider equity transactions and related laws on March 22, 2023. The aforementioned education content includes regulated subjects for insider trading, prior reporting of shareholding transfers, post-reporting of shareholding changes, prohibitions on short-term trading and insider trading, and common violations. There were no insider trading or equity trading violations in 2023.

(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. Other material matter required by the Company or the competent authorities.

Three. Corporate Governance Report

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	0	100%	
Independent director	Yean-Der Kuan	5	0	100%	
Independent director	Wen-An Yang	5	0	100%	
Independent director	Ming-Bing Chen	5	0	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.
2023.05.09 The 12th Board of Directors' Meeting of the 14th Session	The Company's consolidated financial statements for the Q1 of 2023.	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.		

Three. Corporate Governance Report

2023.08.08 The 13th Board of Directors’ Meeting of the 14th Session	The Company's consolidated financial statements for the Q2 of 2023.	V	No such situation
	The Company plans to loan a total amount of US\$600,000 to its sub-subsidiary Kuen Ling Machinery Refrigerating(Vietnam) CO.,LTD.	V	No such situation
	Add the Company’s “Rules Governing Financial and Business Matters Between this Corporation and its Related Parties.”	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.		
2023.11.06 The 14th Board of Directors’ Meeting of the 14th Session	The Company's consolidated financial statements for the Q3 of 2023.	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.		
2023.12.19 The 15th Board of Directors’ Meeting of the 14th Session	The Company's internal audit plan for 2024.	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.		
2024.03.12 The 16th Board of Directors’ Meeting of the 14th Session	The Company’s 2023 business report and financial report.	V	No such situation
	The Company’s 2023 earnings distribution.	V	No such situation
	The effectiveness assessment of the Company’s 2023 internal control system and issuance of	V	No such situation

	the internal control system declaration.		
	Passed the evaluation of the 2024 attesting CPA’s independence and suitability.	V	No such situation
	Appointment of the Company’s attesting CPA.	V	No such situation
	Revision of some provisions of the Company’s “Rules of Procedure for Board of Directors Meetings”	V	No such situation
	Revision of some provisions of the Company’s “ Audit Committee Charter” and internal control system “Audit committee operation management method"	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 10th Meeting of the 1st Session (2023.05.09)	Report on the execution of auditing operations.	Known. No other suggestions.
The 11th Meeting of the 1st Session (2023.08.08)	Report on the execution of auditing operations.	Known. No other suggestions.
	Submitted and discussed proposed additions of the “Rules Governing	The proposal was approved by all the

Three. Corporate Governance Report

	Financial and Business Matters Between this Corporation and its Related Parties” of the Company.	members present and was submitted to the Board of Directors for resolution.
The 12th Meeting of the 1st Session (2023.11.06)	Report on the execution of auditing operations.	Known. No other suggestions.
The 13th Meeting of the 1st Session (2023.12.19)	Report on the execution of auditing operations.	Known. No other suggestions.
	Submit and explain the 2024 internal audit plan. The independent directors recommended that "greenhouse gas inventory execution status" be included in the annual audit plan.	The proposal was approved by all the members present and was submitted to the Board of Directors for resolution.
The 14th Meeting of the 1st Session (2024.03.12)	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 2023.	The proposal was approved by all the members present and was submitted to the Board of Directors for resolution.
	Revision of some provisions of the Company’s “Rules of Procedure for Board of Directors Meetings”	
	Revision of some provisions of the Company’s “Audit Committee Charter” and internal control system “Audit committee operation management method”	

(2) Communication between the independent directors and the CPA:		
	Matters communicated	Communication results
(2023.11.06)	Report to independent directors on the following items: (1) Communication plan. (2) The role and responsibilities of the lead CPA. (3) Review plan. (4) Independence of the CPA. (5) Quality management system of CPA firm	Known. No other suggestions.
(2024.03.12)	Report to independent directors on the following items: (1) Scope and significance of audit (2) Audit report and key audit matters (3) Other communication matters (4) Independence of the CPA	Known. No other suggestions.
	Reply to the Independent Director's question regarding the difference between the expenses for auditing, the hours invested by CPA, and the hours spent on education and training in the firm compared with the industry average.	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 11th Session (April 16, 2015), and was amended and approved by the Board of Directors for the fifth time on August 8, 2023. 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 has internal operating procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	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.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company have a list of the major shareholders who	v		(II) The Company regularly reviews the list of the major shareholders who actually control the Company and those	

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”, “Management of Transactions of Related Persons” and “Rules Governing Financial and Business Matters Between this Corporation and its Related Parties” 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 13th Board of Directors’ Meeting of the 14th Session (August 8, 2023) 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 9 members (including 4 independent directors), all of whom have diverse and complementary industry experience and financial and accounting expertise. The current board of directors has 3 people with accounting professionals, 5 people with practical experience in the refrigeration and air-conditioning industry, and 1 scholar with refrigeration/air-conditioning major, fully implementing the goal of diversifying board members. The Board of Directors	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

			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 14th Session reached 100% in 2023, 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).	
(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 expects to set up Sustainable Development Committee after comprehensive election of directors in 2024.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(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	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	

Directors and use it as a reference for individual director's remuneration and nomination for reappointment?			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 functional committee include the following five aspects: I. Participation in the Company's operations. II. Awareness of the duties of the functional committee. III. Improvement of quality of decisions by the functional committee. IV. Composition and election of the functional 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 functional committee. In 2023, the board of directors operates with good efficiency, each functional committee performs its functions effectively, and the evaluation results perform well. The above performance evaluation report of the	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

(IV) Does the Company regularly evaluate the CPAs' independence?	v	Board of Directors has been submitted to the 16th meeting of the 14th Board of Directors (2024.3.12) and is used as a reference for the salary, remuneration, nomination and renewal of each directors; the content was also posted on the Company's website. (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 12, 2024, which was approved by the Board of Directors. 1. Obtain the independent statement of the CPA, and according to the disclosure framework and template provided by the Financial Supervisory Commission (FSC), the information on audit quality indicators is provided. 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	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

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			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 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, including: 1. Handle matters related to board of directors and shareholders' meetings in accordance with the regulation. 2. Prepare minutes of board of directors and shareholders meetings. 3. Assist directors in their appointment and continuing education. 4. Provide directors with the information they need to carry out their business. 5. Assist directors to comply with laws and regulations. 6. Report to the board of directors the results of its review of whether independent directors comply with relevant laws and regulations at the time of nomination, election and during their term of office. 7. Handle matters related to director changes. 8. Other matters stipulated in the company's articles of association or contract, etc.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
V. Does the Company establish a	v		The Company has set up spokespersons and acting spokespersons	In compliance

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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?			to handle relevant matters, and has set up a stakeholder area on the company's website (Kunling Website\Corporate Social Responsibility\Stakeholder Area), and lists the names and names of the persons in charge of each business communication channel. Contact information to facilitate the connection of various businesses and smooth communication with stakeholders.	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. Stock Agent: Stock Agent Department of Yuanta Securities Co., Ltd. (Tel: 886-2-2586-5859, Address: B1., No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.))	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?	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."	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(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,	v		(II) The Company has dedicated personnel to report various public information to the "MOPS" regularly and irregularly in accordance with regulations, and has set up spokespersons and acting spokespersons. In addition, the Company website also has a special area for earning calls.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

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etc.)?		v	(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. The annual financial report for 2023 was uploaded on March 15, 2024. 2. After the end of the first quarter, the second quarter and the 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.	Minor difference with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, but still complies with the provisions of the Securities and Exchange Act.
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. Employee Benefits: In addition to providing labor insurance, health insurance, and retirement plans, the Company offers group insurance, regular health checks, various education and training programs, and maintains channels for employee grievances to safeguard employee rights. 2. Employee Care: Apart from offering year-end bonuses and employee dividends, the Company has established a workers' welfare committee to promote various welfare measures and activities. 3. Investor Relations: All relevant operational information of the Company is reported to the MOPS or posted on the Company's website. Additionally, a section dedicated to investor relations is set up on the Company's website, including contact information for spokespersons, stock agents, etc., to establish communication channels with investors. 4. Supplier Relations: Quarterly evaluations are conducted on suppliers to ensure that the quality, price, and delivery terms of	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

			the supplies meet the Company's requirements, thereby establishing a cooperative relationship. 5. Rights of Stakeholders: The Company has a dedicated investor service area on its website to disclose operational information and address investor queries. Contact information for spokespersons, stock agents, etc., is provided for direct communication. The company also has an audit reporting mailbox to encourage employees to report illegal or irregular activities. 6. Directors' Continuing Education: The Company periodically provides information on various training courses for directors, and information on director participation in courses is reported on the MOPS. 7. Implementation of Risk Management Policies and Risk Measurement Standards: The Company's risk management is divided into three levels: the first involves operational units and staff responsible for initial risk detection, evaluation, and control. The second level is led by the general manager or chairman of the board, responsible for feasibility assessments and various risk assessments. The third level involves review by the audit department and deliberation by the board of directors. Audit personnel have completed various audit tasks for the fiscal year 2023, and the audit results show effective internal control design and implementation, with all environmental indicators controlled at low risk levels. 8. Implementation of Customer Policies: Apart from proactively contacting customers through business departments, the company clearly introduces product specifications and related information on its website, and establishes contact phone numbers for various service outlets to maintain smooth communication channels with customers. 9. Purchase of Liability Insurance for Directors and Supervisors: Since the fiscal year 2016, the Company has purchased	

			liability insurance for directors and supervisors annually.	
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 (2023) is described as follows: The Company conducted a self-assessment of corporate governance in 2023, and the evaluation results were [21%-35%] 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, 2024

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 19 for the relevant content of Directors' Information (1)	Please refer to page 19 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 2 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	2	0	100%	Newly elected on July 20, 2021
Member	Yean-Der Kuan	2	0	100%	Re-elected on July 20, 2021
Member	Wen-An Yang	2	0	100%	Newly elected on July 20, 2021
Member	Ming-Bing Chen	2	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
6rd meeting of the 5th Session	2023.12.19	1. 2023 year-end bonus distribution principle and intended distribution plan for managerial officers. 2. Reviewed the Company's policies, systems, standards and structures for evaluating the performance and remuneration of directors and managers for 2024.	All members of the committee agreed to pass.	Submitted to the Board of Directors on December 19, 2023 and approved by resolution.
7th meeting of the 5th Session	2024.03.12	1. Approved the compensation to employees and remuneration to directors and supervisors for 2023. 2. 2023 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 12 2024 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 plans to establish a Sustainable Development Promotion Group, which will serve as a dedicated unit for promoting sustainability development. We intend to report this to the board of directors on May 7th, 2024.	The Company plans to establish a Sustainable Development Promotion Group in 2024
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		(1) Environmental protection The Company is a central system chiller unit manufacturer, and its products are mainly chiller units and condensing units. As global citizen, the Company deeply understands the importance of environmental sustainability. Through the introduction of environmental management systems, it minimizes the risk of environmental violations, promotes long-term resource recycling plans, implements personnel education and training, strengthens environmental awareness, and improves efficiency of use of various resources. Relevant production operations are operated according to the	No material difference.

			environmental management system, and internal meetings are held regularly to review the implementation effectiveness. The industrial safety promotion team implements and promotes environmental policies, establishes detailed documentation, actively practices environmental protection actions and conducts related monitoring and management operations. In addition, "Hazard Identification and Risk Assessment Management Procedure" is established to analyze, review, and improve environmental impact factors, fulfilling corporate social responsibilities. (2) Product Liability: The Company has obtained the following certifications to ensure that its products comply with regulatory standards: ISO 9001:2015 International Quality Management System Certification. ISO 14001:2015 International Environmental Management System Certification. AHRI Product Quality Certification Energy Label from the Ministry of Economic Affairs for chiller units. Mechanical Safety Certification from the China United Certification Center. CRAA Certification from China CRAA. Manufacture License of Special Equipment People's Republic of China- Pressure Vessels (3) Corporate Governance: Regulatory Compliance: The Company adheres to regulations such as product standards, fair trade act, international trade laws, import and export laws, environmental regulations, and labor laws. Internal education and training programs are conducted to promote awareness and compliance with these regulations. Strengthening Director Functions: The Company plans relevant training topics for directors and	

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			provides them with updates on the latest laws, system developments, and policies. Directors are also covered by director liability insurance to protect them in cases of litigation or claims. Stakeholder Communication: The Company analyzes important stakeholders and their concerns, establishing various communication channels to actively engage and reduce conflicts and misunderstandings. An investor mailbox is set up, managed by a spokesperson responsible for responding to inquiries. Communication with stakeholders in the fiscal year 2023 has been reported to the board of directors on March 12, 2024.	

III. Environmental issues				
(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?	V		(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 129-133 of the report for more detail)	No material difference.
(II) Is the Company committed to achieving efficient use of resources and does it use recycled materials with less impact on the environment?	V		(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 sign-off processes to limit the amount of paper used, an intelligent warehousing system was introduced in 2023 and has reviewed existing equipment and formulated a replacement plan for energy-saving equipment in order to moving towards the goal of low-carbon green production and 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 129-133 of the report for more detail)	
(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?	V		(III) The Company pays close attention to the issue of climate change and keeps abreast of the trends in relevant domestic and foreign regulations. The goal of achieving net-zero emissions by 2050 has been set as the long-term development goal to ensure the sustainable development of the Company's operations and the environment. In order to identify the risks and opportunities brought about by climate change, the following climate change risk response plan is also formulated:	No material difference.

			<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 <i>per capita</i> water consumption by 12L/person, adjust water consumption and install water saving devices and strengthen management and timely inspection.</td></tr><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 to ensure that production is not affected by water shortages or outages. Emergency response training been exercise 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>Setting energy-saving electricity consumption, the target of reducing electricity consumption by 7KWH/year per NT\$10,000 of output value been placed. Encourage the lights go out when people leave; the equipment stays off when not used.</td></tr></table>	Climate Risk	Climate Opportunities	Countermeasures	Unstable supply of hydropower, impact on production and increase in operating costs	Improve water resource efficiency to reduce the impact of disasters on production	Reduce annual <i>per capita</i> water consumption by 12L/person, adjust water consumption and install water saving devices and strengthen management and timely inspection.	Typhoons, floods, and droughts affect production, resulting in financial losses and decreased revenue.	Enhance natural disaster response capabilities, strengthen climate resilience and reduce the chance of operating disruption and possible losses.	Establish a comprehensive water monitoring mechanism to ensure that production is not affected by water shortages or outages. Emergency response training been exercise to reduce disaster losses	Rising temperature increases electricity consumption and increases costs and carbon emissions.	Promote low-carbon green production, save electricity and costs.	Setting energy-saving electricity consumption, the target of reducing electricity consumption by 7KWH/year per NT\$10,000 of output value been placed. Encourage the lights go out when people leave; the equipment stays off when not used.	
Climate Risk	Climate Opportunities	Countermeasures														
Unstable supply of hydropower, impact on production and increase in operating costs	Improve water resource efficiency to reduce the impact of disasters on production	Reduce annual <i>per capita</i> water consumption by 12L/person, adjust water consumption and install water saving devices and strengthen management and timely inspection.														
Typhoons, floods, and droughts affect production, resulting in financial losses and decreased revenue.	Enhance natural disaster response capabilities, strengthen climate resilience and reduce the chance of operating disruption and possible losses.	Establish a comprehensive water monitoring mechanism to ensure that production is not affected by water shortages or outages. Emergency response training been exercise to reduce disaster losses														
Rising temperature increases electricity consumption and increases costs and carbon emissions.	Promote low-carbon green production, save electricity and costs.	Setting energy-saving electricity consumption, the target of reducing electricity consumption by 7KWH/year per NT\$10,000 of output value been placed. Encourage the lights go out when people leave; the equipment stays off when not used.														

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(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 policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?			Greenhouse gas emissions, carbon reduction equipment settings.	Promote energy saving efficiency, recycle and re-use, save cost.	Maximize paperless processes; print unimportant documents with recycled paper if necessary.	There are some differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, but it does comply with the Taipei Exchange Rules Governing Information Reporting by Companies with TPEX Listed Securities.
		V	(IV) Although the Company has not yet formulated a greenhouse gas reduction strategy, it has regularly reported corporate environmental, social and corporate governance (ESG) information disclosure requirements in accordance with the information reporting regulations of the Taipei Exchange, and has implemented a series of measures to reduce the impact on the environment and move towards the goal of sustainable development. In terms of energy utilization, the Company focuses on monitoring electricity and water usage, with a special focus on electricity usage. Although a series of water and energy conservation measures have been implemented, water consumption has not decreased significantly in the past two years. However, efforts continue to be made to keep water consumption stable and avoid increasing it. In addition, the Company's waste management policy only involves the discharge of general waste and does not involve the discharge of hazardous waste. It represents the Company's high concern and sense of responsibility for the environment and ensures that the negative impact on the environment is minimized during the production process. In terms of indirect energy emissions, the Company's Taiwan plant's electricity consumption emissions in 2022 were 1,736 tons, which is converted into 855 kilograms of CO2 emissions. But in 2023, the emissions have successfully reduced to 1,597 tons, which is converted into 798 kilograms of CO2 emissions. The Company has made progress in reducing indirect emissions, but			

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			continues to work toward better environmental performance. In the future, greenhouse gas reduction strategies will be formulated based on existing data to further strengthen the response to climate change and continue to be committed to promoting environmentally sustainable development. The Company's process water demand is relatively low, and its main use is domestic water. Although there has been no significant reduction in water consumption over the past two years, the Company has worked hard to keep water consumption stable and avoid increasing it.	
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 rights?	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 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.	No material difference.
(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	No material difference.

(III) Has the Company provided a safe and healthy working environment for employees, and regularly implemented safety and health training for employees?	V	employees. Please refer to page 135-139 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' remuneration may be paid in stock or cash, and may be paid to employees of affiliated companies who meet certain conditions. (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. In 2023, there were 0 fire incidents, with no casualties or injuries, resulting in a mortality and injury rate of zero. To address fire-related measures, in addition to conducting biannual self-defense fire brigade training and providing fire safety education for new personnel, an automatic fire alarm system has been installed to achieve disaster prevention objectives. (Please refer to Page

(IV) Has the Company established effective career development training plans for employees?	V		133-134 of the report) (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		V	The Company has not yet completed an "ESG Report".	The Company expects to prepare a ESG report in 2024

guidelines? Are the abovementioned reports supported by the assurance or opinion of a third-party certifier?				
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 plans to formulate Sustainable Development Best Practice Principles in the year of 2024, aiming to more comprehensively respond to and implement social responsibility. Actually, as a part of global citizen, we also commit 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 as 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 including 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. 2.7 Participate in the 2nd "DREAM DISCOVERY" activity to help children in rural areas of Pingtung find their career interests. 2.8 Co-organized the "Run for Future Shunfa × Kaohsiung Charity Road Run" event to care for the education and future of disadvantaged children. A total of 29 employees participated in the road run. 3. In case of major social events, both the Company and its employees will try their best to make a contribution.				

Climate-Related Information of TWSE/TPEX Listed Company

1. Implementation of Climate-Related Information

Item	Implementation status								
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	1. The implementation status of the Company's greenhouse gas inventory and verification schedule will be reported to the every meeting of the board of directors. The board of directors and management will pay attention to whether new energy-saving optimization solutions can be proposed for existing products and discuss them with relevant departments.								
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	2. How climate risks and opportunities affect business, strategy and finance (short-term, medium-term and long-term) are explained as follows: <table><tr><th>Phase</th><th>Climate risks</th><th>Climate opportunities</th><th>Counter measure</th></tr><tr><td>short-term</td><td>The supply of water and electricity is unstable, production is affected, and operating costs increase. Typhoons, floods, and droughts affect production, leading to financial losses and revenue declines.</td><td>Improve water resource efficiency and reduce the impact of disasters on production; improve natural disaster resistance and climate resilience, and reduce the probability of operational interruptions</td><td>Set an annual per capita water consumption reduce target by 12L/person, adjust water consumption and install water-saving devices, strengthen management and regular inspections; establish a complete water monitoring mechanism to ensure that</td></tr></table>	Phase	Climate risks	Climate opportunities	Counter measure	short-term	The supply of water and electricity is unstable, production is affected, and operating costs increase. Typhoons, floods, and droughts affect production, leading to financial losses and revenue declines.	Improve water resource efficiency and reduce the impact of disasters on production; improve natural disaster resistance and climate resilience, and reduce the probability of operational interruptions	Set an annual per capita water consumption reduce target by 12L/person, adjust water consumption and install water-saving devices, strengthen management and regular inspections; establish a complete water monitoring mechanism to ensure that
Phase	Climate risks	Climate opportunities	Counter measure						
short-term	The supply of water and electricity is unstable, production is affected, and operating costs increase. Typhoons, floods, and droughts affect production, leading to financial losses and revenue declines.	Improve water resource efficiency and reduce the impact of disasters on production; improve natural disaster resistance and climate resilience, and reduce the probability of operational interruptions	Set an annual per capita water consumption reduce target by 12L/person, adjust water consumption and install water-saving devices, strengthen management and regular inspections; establish a complete water monitoring mechanism to ensure that						

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			and possible losses	production will not be affected by water shortage or water outage; implement emergency response training, reduce disaster losses.
	medium-term	As temperatures rise, electricity consumption increases, also increase in costs and carbon emissions.	Promote low-carbon production, save electricity and reduce costs	Formulate energy-saving and electricity consumption plan and set a goal of reducing electricity consumption per \$10,000 of output value by 7KWH/year; encourage lights to be turned off when people leave and equipment to be turned off when not working normally.
	long-term	Greenhouse gas emissions, carbon reduction equipment	Promote energy efficiency, recycle & reuse, and	Maximize paperless and only use recycled paper to print unimportant

		setting	cost saving	documents when necessary
3. Describe the financial impact of extreme weather events and transformative actions.	3. Financial impact of extreme weather events and transformative actions:			
	Impact factor	Direct impact	Indirect impact	
	Extreme weather events	Business interruptions and production losses may result in production stagnation and losses.	Increased risk may result in increased insurance costs.	
		Financial losses may include facility damage, equipment loss, casualties, etc., which may require repair costs, insurance claims, and litigation expenses.	Company's failure to respond effectively to extreme climate events may lead to reputation damage, which in turn affects customer loyalty and market share.	
	Transformative actions:	Increased costs, such as the additional investment and costs that may be required to implement environmentally friendly production and operating methods.		
		Complying with regulatory requirements may increase costs.		
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	4. The Company has not yet formulated a process for the identification, assessment and management of climate risks, but the process for the identification, assessment and management of climate risks is part of the overall risk management. Therefore, this procedure will be use to address climate risks: Identification: Regular environmental reviews and risk assessments to identify climate-related risks that may pose, including extreme climate			

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5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described. 6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks. 7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated. 8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	events, the impact of climate change on resource supply, etc. Assessment: Evaluate the identified risks, including their potential impact, probability of occurrence, and impact on the Company's business, strategy, and finances. Management: Based on the assessment results, formulate corresponding management measures and response strategies to reduce or mitigate the impact of risks and also explore possible opportunities. To ensure that the Company can respond more flexibly and effectively in the face of climate change and extreme weather events. 5. Not applicable (the Company has no usage scenario analysis and evaluation). 6. Not applicable (the Company has no transformation plan). 7. Not applicable (the Company has no internal carbon pricing) 8. The Company has set climate-related goals, including the following information: Covered Activities: Covers all business-related activities, including production, transportation, supply chain management, etc. Greenhouse gas emission: Covers all major greenhouse gas emission categories, including direct emissions and indirect emissions. Planning schedule: The planning schedule has been developed and the timetable and milestones for achieving the goals have been determined. Annual achievement progress: Regularly track and report annual achievement progress to ensure the achievement of goals.

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9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below):	The Company has not yet determined the source and quantity of carbon offset credits and the number of renewable energy certificates (RECs).

1-1. Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO₂e), intensity (metric tons CO₂e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.

The Parent company of the Group (KUEN LING MACHINERY REFRIGERATING CO., LTD.) has produced CO₂ emissions from electricity consumption in the past two years of 1.653 metric tons, with an intensity of 0.00054/million of turnover.

Note 1: Direct emissions (scope 1, i.e., emissions directly from sources owned or controlled by the Company), indirect energy emissions (scope 2, i.e., indirect greenhouse gas emissions from electricity, heat, or steam) and other indirect emissions (scope 3, i.e., emissions from company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage scope for direct emissions and indirect energy emissions shall comply with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT\$ 1 million) shall be disclosed.

1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.

In accordance with the Financial Supervisory Commission plan, the Company is promoting the information disclosure schedule for listed companies that should conduct greenhouse gas inventory in stages, which belongs to the third stage. The completion time for individual and consolidated financial report will fall in 2028 and 2029 respectively. Relevant operations are being carried out in accordance with regulations, but have not yet entered the confirmation stage.

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. If the Company has not obtained a complete greenhouse gas assurance opinion by the date of printing of the annual report, it shall note that "Complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it shall note that "Complete assurance information will be disclosed on the Market Observation Post System (MOPS)," and shall disclose the complete assurance information in the annual report of the following fiscal year.

Note 2: The assurance institutions shall meet the directions regarding assurance of sustainability reports prescribed by the TWSE and the TPEX.

Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website.

1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

Although the Company is a company with a capital of less than 5 billion which is required to complete the annual consolidated financial report review in 2027 in accordance with regulations; the Company is still committed to paying attention to various environmental issues. In addition to conducting a comprehensive review of existing processes and equipment to improve In addition to reducing carbon emissions, an annual target of reducing per capita water consumption by 12L/person have set, formulate an energy-saving electricity plan, and reducing electricity consumption per \$10,000 of output value by 7KWH/year.

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations.

Note 2: The base year shall be the fiscal year in which the greenhouse gas inventory is completed based on the consolidated financial reporting boundary. For example, under the order issued under Article 10, paragraph 2 of the Regulations, a company with capital of NT\$10 billion shall complete the inventory for its fiscal 2024 annual consolidated financial report in 2025, so the base year will be 2024. If a company has disclosed its inventory in its consolidated financial report in an earlier year, it may take the earlier fiscal year as its base year. Also, the data for the base year may be calculated based on a single fiscal year or the average of multiple fiscal years.

Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website.

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	

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Note: 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)	16.0	20.0	24.0	17.0	22.0	21.0	21.0	23.0	21.0	20.0	22.0	21.0	20.7
Total working hours (hours)	24192.0	30880.0	36672.0	25840.0	33440.0	31752.0	31584.0	34408.0	31584.0	30080.0	33792.0	31752.0	31331.3
Total employees (male)	155.0	159.0	157.0	156.0	156.0	153.0	152.0	152.0	153.0	153.0	157.0	154.0	154.8
Total employees (female)	34.0	34.0	34.0	34.0	34.0	36.0	36.0	35.0	35.0	35.0	35.0	35.0	34.8
Overtime hours (hours)	1117.5	1075.0	1767.0	1832.0	1147.0	1227.5	1816.0	2071.0	1882.0	1499.5	2454.5	2641.0	1710.8
Leave hours (hours)	2340.0	3580.5	1672.0	3002.0	1732.0	3408.0	2718.5	4567.0	3248.5	4532.5	2871.5	1479.5	2929.3
Incident Unit (Unit)	None	None	None	None	None	None	None	None	None	None	None	None	None
Victims of accidents	None	None	None	None	None	None	None	None	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	0.0	0.0
Accumulated zero-disaster man-hours in the month	22969.5	28374.5	36767.0	24670.0	32855.0	29571.5	30681.5	31912.0	30217.5	27047.0	33375.0	32913.5	28198.7
Accumulated zero-disaster man-hours in the year	22969.5	51344.0	88111.0	112781.0	145636.0	175207.5	205889.0	237801.0	30217.5	57264.5	90639.5	123553.0	109870.3
Accumulated (zero-disaster) million man-hours	151926.0	51344.0	88111.0	112781.0	145636.0	175207.5	205889.0	237801.0	30217.5	57264.5	90639.5	123553.0	109870.3
Disabling Frequency Rate FR	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
Disabling Severity Rate SR	0	0	0	0	0	0	0	0	0	0	0	0	0
False-alarm traffic accidents	0	0	0	0	0	0	0	0	0	0	0	0	0
Traffic accident unit (unit)	None	None	None	None	None	None	None	None	None	None	None	None	

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Month	January	February	March	April	May	June	July	August	September	October	November	December	Average
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	0	0	0	0	0.00	0.0
Period	2023.01.01~2023.12.31												

(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 (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.	No material difference.
(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	

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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.

(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	V	which clearly stipulate the compliance with integrity commitment. If there is any unethical behavior, the contract may be immediately terminated or rescinded. (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. The implementation of integrity management in 2023 has been reported to the board of directors on December 19, 2023. Details of the operation can be found on the Company's official website Corporate Social Responsibility.	
(III) Does the Company have the policy to prevent conflict of interest, provide appropriate channels for an explanation, and implement it?	V	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 2023, 5 Board meetings were held, all of which were conducted in accordance with the "Regulations Governing the Meetings of the Board of Directors."	

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(IV) Does the Company implement ethical corporate management by establishing an effective accounting system and internal 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		(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 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) Does the Company regularly organize internal and external education and training on ethical corporate management?	V		(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?	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.	No material difference.
(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?	V		(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) Has the Company taken measures to protect whistleblowers from being	V		(III) In the "Complaint and Whistleblowing System for Ethical Corporate Management Procedures", the Company clearly	

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improperly treated due to whistleblowing?			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 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
 - (21) Rules Governing Financial and Business Matters Between this Corporation and its Related Parties
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 2023

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				
Director	Chung-Kuo Tseng	2021/07/20	2000/07/28	2023/08/09	2023/08/09	Accounting Research and Development Foundation	The latest "Revision of Internal Control Processing Standards" and "Information Security" Legal Compliance and Fraud Prevention Practices	6.0	6.0
Director	Rung-Pin Yeh	2021/07/20	2000/07/28	2023/10/24	2023/10/24	Corporate Operating and Sustainable Development Association	Analysis of legal norms and practical cases of insider trading	3.0	6.0
				2023/07/11	2023/07/11	Accounting Research and Development Foundation	Establish ESG sustainability strategy to enhance competitiveness	3.0	
Director	Wen-Chi Ko	2021/07/20	2021/07/20	2023/08/24	2023/08/24	Taipei Exchange	Publicity and briefing session on insider equity of companies listed on the stock market (Kaohsiung)	3.0	6.0
				2023/05/22	2023/05/22	Taipei Exchange	Publicity meeting on sustainable development action plans for listed companies	3.0	
Director	Ming-Cheng Wu	2021/07/20	2021/07/20	2023/09/19	2023/09/19	Corporate Operating and Sustainable Development Association	How can companies achieve carbon reduction goals with limited resources?	3.0	6.0
				2023/07/20	2023/07/20	Corporate Operating and Sustainable Development Association	Explanation and case introduction of directors and supervisors' responsibilities under corporate governance	3.0	
Representative of corporate director	Chi-Tseng Peng	2021/07/20	2018/05/23	2023/12/22	2023/12/22	Taiwan Corporate Governance Association	What practical measures should TECO take to face climate change?	3.0	6.0
				2023/08/11	2023/08/11	The Business Development Foundation of the Chinese Straits	Controlled Foreign Corporations (CFC) & Global Anti-Avoidance	3.0	

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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				
Independent director	Li-Rong Hong	2021/07/20	2014/05/08	2023/08/24	2023/08/24	Taiwan Corporate Governance Association	Case analysis of insurance centers in recent years and civil liability of directors and supervisors	3.0	6.0
				2023/06/02	2023/06/02	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Company Directors and Supervisors Study-"2023 Taishin Net-Zero Power Summit Forum"	3.0	
Independent director	Yean-Der Kuan	2021/07/20	2019/05/23	2023/07/07	2023/07/07	Accounting Research and Development Foundation	Common internal control management deficiencies in enterprises and analysis of practical cases	6.0	6.0
Independent director	Ming-Bing Chen	2021/07/20	2021/07/20	2023/08/23	2023/08/23	Securities and Futures Institute, SFI	How directors and supervisors should supervise corporate risk management and crisis management	3.0	6.0
				2023/07/11	2023/07/11	Accounting Research and Development Foundation	Establish ESG sustainability strategy to enhance competitiveness	3.0	
Independent director	Wen-An Yang	2021/07/20	2008/06/12	2023/12/21	2023/12/21	National Federation of CPA Associations of the R.O.C.	Accountants' responsibilities and responses to company shareholder disputes	3.0	9.0
				2023/10/23	2023/10/23	National Federation of CPA Associations of the R.O.C.	Latest cleaning trends and business	3.0	
				2023/10/11	2023/10/11	National Federation of CPA Associations of the R.O.C.	Improve information security literacy and personal data protection	3.0	

3. Continuing Education of Managerial Officers in 2023

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	2023/08/09	2023/08/09	Accounting Research and Development Foundation	The latest "Revision of Internal Control Processing Standards" and "Information Security" Legal Compliance and Fraud Prevention Practices	6.0	6.0
Chief Financial Officer	Li-Ling Su	2003/10/24	2003/10/24	2023/11/13	2023/11/14	Accounting Research and Development Foundation	Continuing training courses for accounting supervisors of issuers, securities companies and stock exchanges	12.0	30
Corporate Governance Officer	Li-Ling Su	2023/01/01	2023/01/01	2023/05/29	2023/05/29	Accounting Research and Development Foundation	Competent authorities require the establishment of a "Corporate Governance Manager" to audit compliance practices	6.0	
				2023/06/05	2023/06/05	Accounting Research and Development Foundation	Common deficiencies in corporate financial report preparation and compliance with internal audit and control laws and regulations	6.0	

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				2023/07/12	2023/07/12	Accounting Research and Development Foundation	How to correctly understand corporate governance evaluation indicators	3.0	
				2023/07/21	2023/07/21	Accounting Research and Development Foundation	Legal Liability and Case Analysis of "Tax Crime"	3.0	

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 12, 2024

The Company hereby declares the following on its 2023 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, 2023 (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 12, 2024. 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 2023 and up to the publication date of the annual report:

1. Implementation of the resolutions of the 2023 general shareholders' meeting (June 14, 2023):

No.	Resolution	Results of Resolutions	Status of implementation
1	Recognition of the business report and financial report of 2022.	Number of affirmative voting rights (including electronic voting): 54,153,868, accounting for 99.94% of the total. The number of dissenting voting rights: 9,047, the number of invalid voting rights: 0 and the number of abstention and non-voting rights: 21,945. 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 2022.	After voting (including electronic voting), the number of affirmative voting rights was 54,154,183, accounting for 99.94% of the total, the number of dissenting voting rights 9,047, the number of invalid voting rights: 0. and the number of abstention/non-voting rights: 21,630. This proposal was passed according to the proposal submitted by the Board of Directors.	The ex-dividends date was June 21, 2023, and the cash dividend was fully paid on July 12, 2023. (Cash dividends of NT\$2.0 per share)
3	Pass the amendment to some articles of the "Rules of Procedure for Shareholders Meetings".	After voting (including electronic voting), the number of affirmative voting rights was 54,155,868, accounting for 99.94% of the total, the number of dissenting voting rights: 1,047, the number of invalid voting rights: 0 and the number of abstention/non-voting rights: 18,945. This proposal was passed according to the proposal submitted by the Board of Directors.	Relevant operations are handled according to resolution.

2. The Company held 6 Board of Directors in 2023 and up to the date of printing of the annual

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report and a summary of the important resolutions passed is as follows:

Date of meeting	Session number	Important resolution
2023.05.09	The 12th meeting of the 14th Session	1. Approval of the Company's consolidated financial statements for the Q1 of 2023
2023.08.08	The 13th meeting of the 14th Session	1. Approved the consolidated financial statements for the Q2 of 2023. 2. Approved the amendment of certain provisions of the Company's "Corporate Governance Best Practice Principles." 3. Approved the amendment of certain provisions of the Company's "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" 4. Approved Fund loan and quota case for Sub-subsidiary Kuen Ling Machinery Refrigerating (Vietnam) CO., LTD. 5. Approved cash capital increase application plan for Kuenling Machinery Refrigerating (Suzhou) Co., Ltd.
2023.11.06	The 14th meeting of the 14th Session	1. Approved the Company's consolidated financial statements for the Q3 of 2023. 2. Approved the Company's factory building reconstruction project.
2023.12.19	The 15th meeting of the 14th Session	1. Approved the internal audit plan for 2024. 2. Approved the Business Plan and Financial Budget for 2024. 3. Approved the loan amount from banks for 2024. 4. Approved the principle and estimated payment of year-end bonuses to managerial officers for 2023. 5. Approved the policy, system, standards and structure of performance evaluation and remuneration for directors and managerial officers for 2024.
2024.03.12	The 16th Meeting of the 14th Session	1. Approved the compensation to employees and remuneration to directors and supervisors for 2023. 2. Approved the 2023 Business Report and Financial Statements. 3. Approved the distribution of earnings for 2023. 4. Approved the evaluation of the effectiveness of the internal control system and the issuance of the statement of internal control system for 2023. 5. Approved the evaluation of the independence and suitability of attesting CPAs for 2024. 6. Approved the appointment of the attesting CPA for 2024. 7. Approved the amendment of certain provisions of the Company's Rules of Procedure of the Shareholders' Meetings. 8. Revise some articles of the company's "Audit Committee Charter" and internal control system "Audit Committee Operations and Management Method". 9. Case of re-election directors. 10. Case for Release the Prohibition on Newly Appointed Directors from Participation in Competitive Business. 11. Approved the proposal to convene the 2024 Annual General Meeting of

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Date of meeting	Session number	Important resolution
		Shareholders of the Company. 12. The case of shareholder proposals acceptance for 2024 General Shareholders' Meeting and matters related to the nomination of director candidates. 13. The list and review of candidates for the 15th session of directors (including independent directors) nominated by the Company's board of directors.
2024.04.16	The 17th Meeting of the 14th Session	1. The list of candidates for the 15th session of directors (including independent directors) nominated by shareholders will be reviewed in 2024 Annual General Shareholders' Meeting.

(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	2023	3,520	910	4,430	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: 2023 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	2023		As of March 29, 2024		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	(1,000,000)	0	0	0	
Director	TECO Electric & Machinery Co., Ltd.	0	0	0	0	
Director	Wen-Chi Ko	0	0	0	0	
Director	Ming-Cheng Wu	169,000	0	0	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	25,000	0	12,000	0	Deputy General Manager, Sales Department
Manager	Li-Ling Su	0	0	0	0	Assistant Manager, Financial Department

(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 March 29, 2024; 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. Representative: Chwen-Jy Chiu	11,132	14.62%	-	-	-	-			
	0	0	-	-	-	-			
Wen-Chi Ko	4,414	5.80%	-	-	-	-	Wenji Investment Co., Ltd.	Representative: Wen-Chi Ko	
En Hung Investment Co., Ltd. Representative: Shu-Ching Yeh	3,149	4.14%							
	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%	281	0.37%	3,857	5.06%			
Qie Lun Investment Co., Ltd. Representative: Chung-Kuo Tseng	2,390	3.14%	-	-	-	-	Jukun Investment Co., Ltd.	Representative: Chung-Kuo Tseng	
	2,423	3.18%	281	0.37%	3,857	5.06%			
Dian Jiang Jia Investment Co., Ltd. Representative: Jing-Sung Chen	2,326	3.05%	-	-	-	-			
	772	1.01%	-	-	-	-			
Wen-Chi Investment Co., Ltd. Representative: Wen-Chi Ko	2,229	2.93%	-	-	-	-			
	4,414	5.80%	-	-	-	-			
Ming-Cheng Wu(Note)	3,064	4.02%	-	-	-	-			
Jukun Investment Co., Ltd. Representative: Chung-Kuo Tseng	2,088	2.74%	-	-	-	-	Qie Lun Investment Co., Ltd.	Representative: Chung-Kuo Tseng	
	2,423	3.18%	281	0.37%	3,857	5.06%			

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

Major shareholders of the corporation shareholders among the top 10 shareholders

Name of corporation shareholder	Corporation shareholder's main shareholder
TECO ELECTRIC AND MACHINERY CO., LTD.	PJ asset management CO., LTD (17.45%) 、Walsin Lihwa Corporation (10.81%) 、Jaryuan Investment Co. Ltd (5.29%) 、Capital Tip Customized Taiwan Select High Dividend Exchange Traded Fund(2.69%) 、Ho Yuan International Investment Co.,Ltd.(2.36%) 、CREATIVE SENSOR INC. (2.20%) 、Tong Kuang Investment Co., Ltd. (1.50%) 、Kuan Yuan Industrial Co., Ltd (1.25%) 、Yingyi International Investment Co., Ltd. (1.05%) 、YUBAN INTERNATIONAL INVESTMENT CO., LTD. (0.98%)
En Hung Investment Co., Ltd.	Shu-Ching Yeh
Qie Lun Investment Co., Ltd.	Chung-Kuo Tseng (50%), YU-FEN HUANG (50%)
Dian Jiang Jia Investment Co., Ltd.	Jing-Sung Chen (89.5%), WEI-CHUNG CHEN, YU-HSIA CHOU, I-PU CHEN (5.8%)
Wenji Investment Co., Ltd.	Wen-Chi Ko (0.4%) 、MEI-CHIANG KO (99.7%)
Jukun Investment Co., Ltd.	Chung-Kuo Tseng (20%) 、TSUNG-CHING TSAI (40%) 、CHUN-CHUAN, HUANG (20%) 、YU-FEN HUANG (5%)

Note 1: All the top 10 shareholders should be listed. For corporation shareholder, the name of the corporation shareholder and the name of the representative should be listed separately.

Note 2: The calculation of shareholding ratio refers to the calculation of shareholding ratio in one's own name, spouse, minor children or in the name of others.

Note 3: The shareholders listed in the previous disclosure include corporation and natural persons, and the relationship between them should be disclosed in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers' standards.

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, 2024; 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 March 29, 2024 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

Four. Capital Overview

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

March 29, 2024/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: None.

(II) Shareholder Structure:

Base date: March 29, 2024

Shareholder structure Quantity	Government agency	Financial institution	Other legal persons	Individual	Foreign institution and foreigner	Total
Number	1	-	30	4,220	11	4,262
No. of shares held	51	-	29,667,424	45,175,673	1,309,222	76,152,370
Shareholding ratio	0.0001%	-	38.9580%	59.3227%	1.7192%	100%

(III) Equity Dispersion

1. Common shares

Base date: March 29, 2024

Shareholding range	Number of Shareholder	No. of shares held	Shareholding ratio
1 to 999	1,160	171,475	0.23%
1,000 to 5,000	2,329	4,726,802	6.21%
5,001 to 10,000	373	2,929,577	3.85%
10,001 to 15,000	110	1,431,538	1.88%
15,001 to 20,000	64	1,169,225	1.54%
20,001 to 30,000	52	1,309,289	1.72%
30,001 to 40,000	33	1,203,833	1.58%
40,001 to 50,000	19	860,296	1.13%
50,001 to 100,000	50	3,534,193	4.64%
100,001 to 200,000	27	3,806,937	5.00%
200,001 to 400,000	20	5,582,146	7.33%
400,001 to 600,000	5	2,395,855	3.15%
600,001 to 800,000	1	772,000	1.01%
800,001 to 1,000,000	2	1,788,124	2.35%
For more than 1,000,001, to be graded according to the actual situation.	17	44,471,080	58.38%
Total	4,262	76,152,370	100.00%

2. Special shares: The Company has not issued special shares.

(IV) List of Major Shareholders:

Base date: March 29, 2024

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)		3,064,089	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		2,326,000	3.05%
Wen-Chi Investment Co., Ltd.		2,229,303	2.93%
Jiun Sheng Investment Co., Ltd.		2,088,000	2.74%

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			2022	2023
Market price per share	High		29.60	43.30
	Minimum		25.55	27.90
	Average		27.45	35.76
Net worth per share	Before Distribution		20.17	21.35
	After Distribution		18.17	19.35
Earnings per share	Weighted average number of shares (thousand shares)		76,152	76,152
	Earnings per share	Before Adjustment	2.68	3.39
		After Adjustment	2.68	3.39
Dividends per share	Cash Dividends		2	2.4(Note 4)
	Free-Gratis Dividends	Retained Shares Distribution	-	-
		Capital Reserve Shares Distribution	-	-
	Accumulated Unpaid Dividend		-	-
ROI Analysis	Price/Earnings Ratio (Note 1)		10.24	10.55
	Price/Dividend Ratio (Note 2)		13.73	14.90
	Cash Dividend Yield (Note 3)		7.29%	6.71%

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 2023 has been approved by the Board of Directors on March 12, 2024, and will submit to the shareholders' meeting for ratification on May 28, 2024.

(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 from 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 2022, a cash dividend of NT\$2.0 was distributed, with a dividend payout rate of 75%. For 2023, the dividend policy will be a distribution of cash dividend of NT\$2.4, and the cash yield is 6.71%.)

2. Proposed dividend distribution at the shareholders' meeting:

The Company's profit distribution plan for 2023 was approved at the Board of Directors on March 12, 2024 and report to the general shareholders' meeting for recognition.

Unit: NT\$

Cash Dividends		Stock dividend	
dividend per share	Amount	dividend per share	Amount
2.4	182,765,688	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.

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

- 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	9,745,244	9,745,244	-	No difference	None
Employees' remuneration	22,738,902	22,738,902	-		

(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	7,038,000	7,038,000	-	No difference	None
Employees' remuneration	16,423,000	16,423,000	-		

(IX) Other Matters:

- I. The Company's repurchase of its own shares: The Company had no such situation as of April 30, 2024.
- 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: The Company had no such situation as of April 30, 2024.
- V-1. All new restricted employee shares for which the vesting conditions have not yet been met for the full number of shares, the annual report shall disclose the status up to the date of publication of the annual report and the effect on shareholders' equity: The Company had no such situation as of April 30, 2024.
- V-2. Managers who have acquired restricted stock rights for employees and the names of the top ten employees who have acquired the highest number of shares and their acquisition status: The Company had no such situation as of April 30, 2024.
- VI. Handling of new shares issued for merger or acquisition or assignment of shares of other companies: The Company had no such situation as of April 30, 2024.
- 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 2023	% of annual sales
Chiller Unit	1,860,798	53.52%
Condenser Unit	12,380	0.36%
Maintenance Income	235,202	6.77%
Engineering	301,369	8.67%
Fan Coil Units and Terminal	551,868	15.87%
Others	514,971	14.81%
Total	3,476,588	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 2024, the world is facing many risk variables that deserve continued attention, including the new situation in U.S.-China relations, the results of the

general elections in many countries in 2024, mainland China's attitude towards Taiwan's new government, the impact of major countries' monetary policy shifts, etc., and also geopolitics and climate change, 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\$2,876.48 million in 2023, showing a growth of 8.51% compared to the same period in 2022 when it was NT\$2,650.98 million. Therefore, the output value of Taiwan's central air-conditioning system is expected to slow down in 2024.

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
2023	7,707	3.32	287,648	8.51

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.

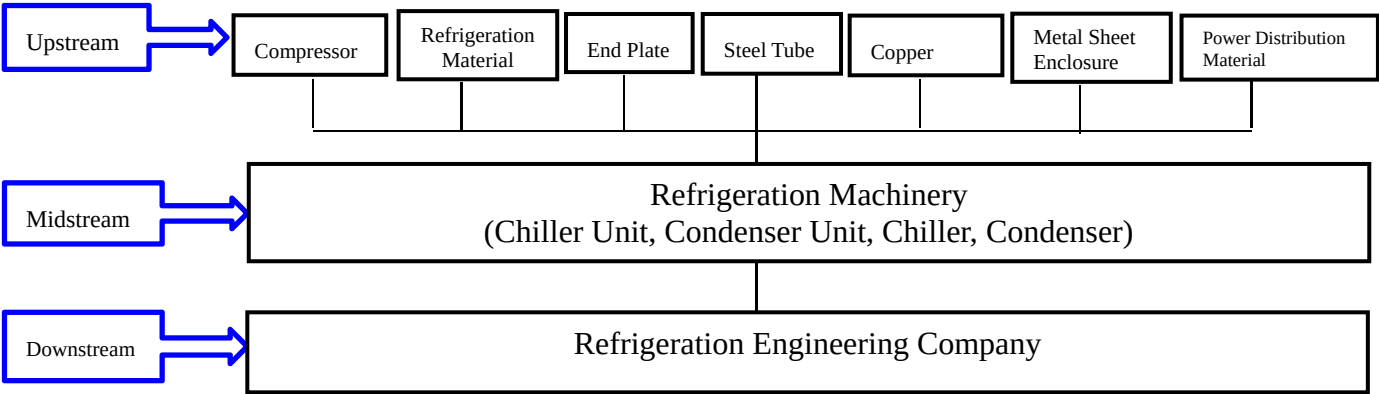
In terms of chiller units for central air conditioning, due to the lack of water or poor water quality in some parts of Taiwan, the condenser and cooling water tower of water-cooled ice water units have serious scaling, which has led to the development trend of air-cooled chiller units, and the refrigeration 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 has decided to actively participate in the supply chain of maglev centrifugal machines and has initiated an industry energy project research and development plan. Commercial models have been finalized as of 2022. Magnetic levitation centrifugal chillers are regarded as the next generation of main units for large-scale chiller plants worldwide due to their high partial load efficiency, low vibration and noise levels, environmentally friendly oil-free operation, low maintenance requirements, and intelligent operation. Currently, they are experiencing rapid growth.

It is imperative to comprehensively change the environmental protection refrigerant, 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. Despite this, the market for replacing the existing traditional old models with new environment-friendly refrigerants will be very considerable in the future. This will gradually steer the market towards these new refrigerant units.

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. Furthermore, the company will incorporate a carbon tax mechanism into its operational strategy to promote internal emission reduction and environmental investment. The company has also set the target of achieving net zero emissions by 2050 as its long-term development goal to ensure the sustainable development of its operations and the environment. To achieve these goals, the company is actively researching new refrigerant (low GWP) high-efficiency energy-saving units and gradually completing the development of 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 develop 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 Tecu, 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. However, among these listed companies and publicly issued companies, the sales of chilled water units account for a relatively low proportion of their overall 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, Gree and Vatti. 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%
2023	1,016,073	2,876,483	35.32%

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	2022	2023
R&D Expenses	79,680	68,909
Net Revenue	3,032,863	3,476,588
Percentage of Net Revenue	2.63%	1.98%

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

Year	Technologies or products successfully developed
	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.
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
2023	China Steel DC frequency conversion box type machine, "Zero Tolerance" $COP \geq 7.1$, energy efficiency level 1 domestically produced maglev centrifuge unit

(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.

Area \ Year	2022	2023
Taiwan	57.00%	56.54%
Mainland China	38.79%	41.70%
Vietnam	4.05%	1.45%
Other Southeast Asia Region	0.16%	0.31%
Total	100%	100%

2. Market share

Unit: set; %

Central System Chiller \ Year	2022	2023
Kuen Ling Company	1,892	1,776
Percentage of total national sales volume	25.37%	23.04%
Total national sales volume	7,459	7,707

Unit: NT\$ thousand; %

Central System Chiller \ Year	2022	2023
Sales value of Kuen Ling Company	1,076,858	1,016,073
Percentage of total national sales value	40.62%	35.32%
Total national sales value	2,650,981	2,876,483

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

In 2023, the global economy presents a complex situation. Major economies such as the United States and mainland China are facing consumption and investment headwinds, which have affected the growth of the global economy, which is expected to be slightly less than 3%. However, performance in Europe and other emerging markets is likely to improve, providing some support to global economic growth. Nonetheless, the recovery of global merchandise trade is still optimistic, which will help maintain the stable performance of Taiwan's foreign trade.

On the domestic front, Taiwan's economy faces challenges in 2023. Economic growth has bottomed out, but the external environment remains challenging. However, a green light is expected in 2024, with full-year economic growth expected to reach 3.1%. Gradual increases in capital spending and green investment will be key drivers of economic recovery. Taiwan Institute of Economic Research predicted that the growth rate of fixed capital formation will reach 4.39% in 2024, of which the private investment growth rate is expected to be 3.66%. At the same time, private consumption will continue to support economic growth, with consumption growth expected to reach 2.54%

However, Taiwan's economy is still affected by external factors. Issues such as insufficient global demand for consumer electronics and other terminals still require attention, and with close economic ties with mainland China, changes in the economic situation between China and the United States may have an impact on Taiwan's economy. In addition, high interest rate policies may have a negative impact on the purchasing power and investment willingness of consumers and businesses, and need to be dealt with cautiously.

◎Future Prospects

Looking forward to 2024, under the influence of rising interest rates, climate change, national elections, technological innovation and other factors, the global economic outlook remains complex and full of uncertainties. However, after several years of shock education, governments and companies around the world have regarded protectionism and trade fragmentation as the new normal, demonstrating resilience enough to cope with challenges.

Looking back at global economic and trade development in 2023, the prediction that "globalization is dead" continues to be confirmed. The U.S.-China trade war continues to heat up, with both sides implementing export bans, tariff increases, investment restrictions and other measures; other countries have also been affected by the conflict between the two powers. For example, during Biden's visit to Vietnam in September 2023, many fruits in Vietnam were banned

Exported to mainland China; coupled with the serious impact of the Ukraine-Russia war on global food supply and shipping stability, various signs indicate that global trade is increasingly fractured. It is generally believed that protectionism derived from geopolitics will still dominate global trade in 2024. However, this does not mean that global trade volume will decrease. The Economist believes that companies and countries will gradually adapt to the new normal of protectionism and the fragmented economic and trade environment. The global trading system has a certain degree of flexibility and resilience and can cope with these challenges. According to the International Monetary Fund (IMF), global trade in goods and services will increase from 0.9% in 2023 to 3.5% in 2024.

In contrast, the United Nations Conference on Trade and Development (UNCTAD), in its "Latest Global Trade Developments" report, holds a "highly uncertain and generally pessimistic" view of global trade forecasts for 2024; the report stated: "While some economic indicators hint at potential improvements, ongoing geopolitical tensions, rising global debt levels and general economic vulnerabilities are expected to have a negative impact on global trade."

In terms of global GDP, driven by strong corporate revenue growth and confidence that the worst period of interest rate hikes has passed, global economic forecasts for 2024 seem to be optimistic in recent days. For example, Goldman Sachs predicts that the world economy will grow at an average annual rate of 2.6% in 2024; this forecast is based on the downward trend in inflation that will continue until 2024. Goldman Sachs believes that the core inflation rate of G10 countries except Japan (excluding food and energy inflation rate), growth is expected to drop to an average of 2 to 2.5% from the current 3%.

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, supply chain shifts, and issues such as the results of the 2024 general elections in many countries, mainland China's attitude towards Taiwan's new government, and the impact of the monetary policy changes in major countries, etc.. 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 2024.

Sales volume forecast and the basis

Unit: set

Main product	Estimated sales volume in 2024
Chiller Unit	2,208

Based on the overall production capacity and estimated contract orders of this year, the Group estimated that the shipment volume in 2024 will be lower than the sales volume in 2023, mainly due to the high proportion of large energy-saving and high-efficiency units in the estimated sales category in 2024.

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

(1) Niche of the Company's competitiveness

The Group has mature production technology and stable quality, and can accurately grasp the market information of components required for products and maintain good relationships with suppliers. In addition, we continue to add various testing equipment, strengthen quality control accuracy, and focus on 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. It reflects the Company's emphasis on quality assurance, energy conservation and environmental protection.

(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.

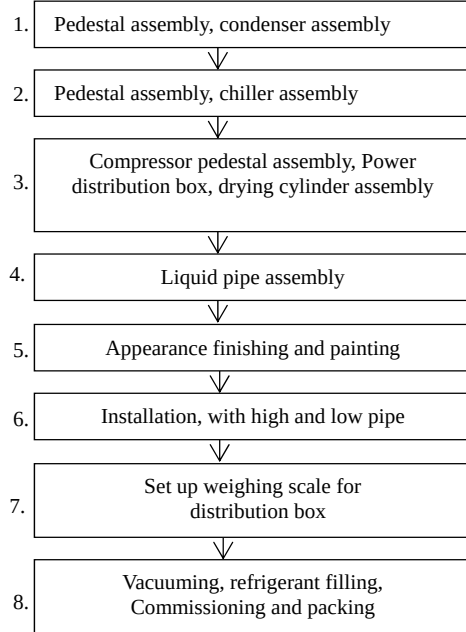
(II) Important Applications and Production Processes of Main Products

1. Important applications of main products

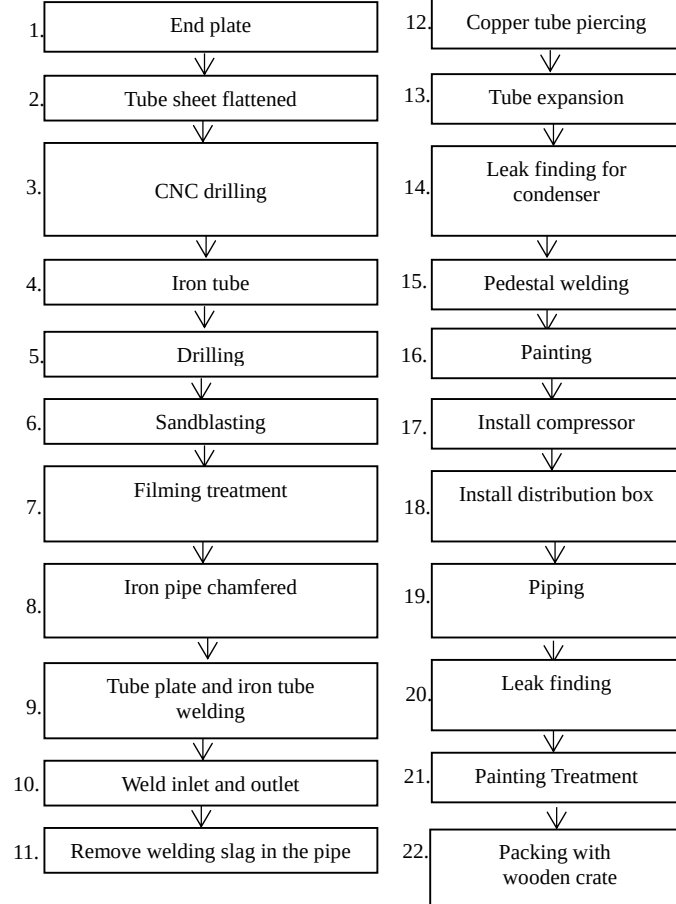
No.	Product name	Applications
1	Spiral type chiller unit	It is the exclusive advanced and efficient refrigeration function of refrigeration and air conditioning machinery.
2	Centrifugal chiller unit	It is the exclusive advanced and efficient refrigeration function of large refrigeration and air conditioning 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

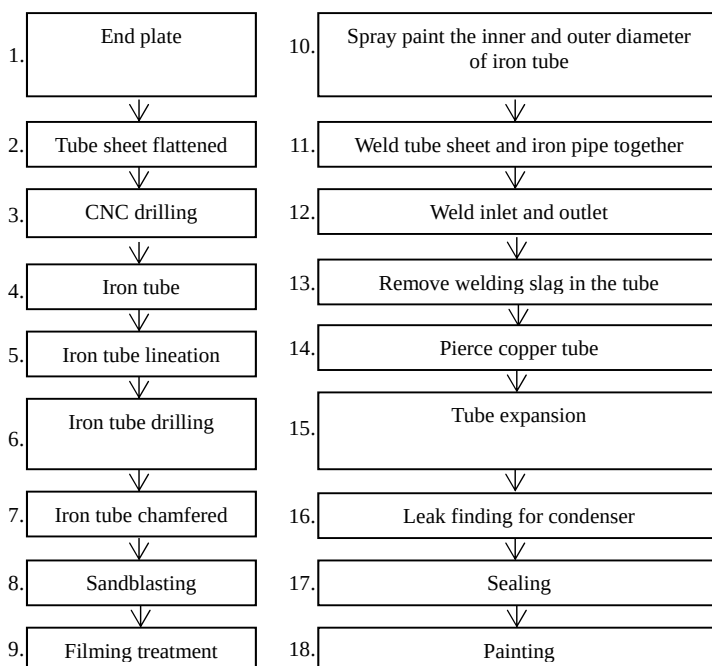
A. Manufacturing Process for Chiller Unit



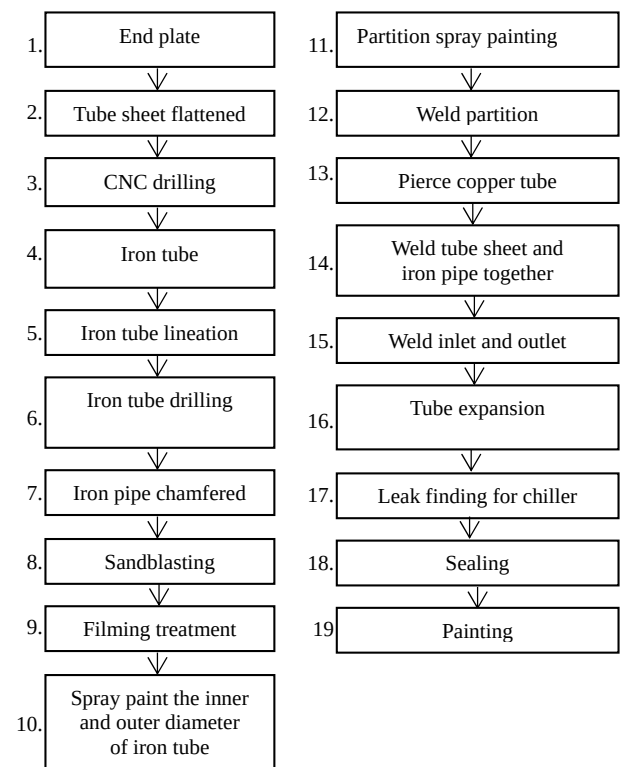
B. Manufacturing Process for Condenser Unit



C. Manufacturing Process for Condenser



D. Manufacturing Process for Chiller



(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, Kuenling 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 than 10% in the last two years

Unit: NT\$ thousand

Item	2022				2023			
	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	Danfoss	194,326	11%	None	Danfoss	167,708	8%	None
2	Fusheng	145,494	8%	None	Vicker	141,291	7%	None
3	Chung Chen	129,509	7%	None	Fusheng	135,479	6%	None
4	Others	1,329,799	74%	None	Chung Chen	124,286	6%	None
		-	-	-	Others	1,521,445	73%	None
Net purchase (Note)		1,799,128	100%	—	Net purchase	2,090,209	100%	-

Note: The companies increase in 2023 compared with 2022: the main reason is the increase in demand for terminal product revenue growth, resulting in an increase in procurement costs.

2. Major customers information of more than 10% in the last two years: None

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

Unit: NT\$ thousand; set

Production volume/value Main product	Year	2022			2023		
		Production	Production	Output	Production	Production	Output
		capacity	volume	Value	capacity	volume	Value
Chiller Unit		2,730	2,466	1,207,133	2,670	2,424	1,286,508
Others		-	-	457,484	-	-	519,162
Total		2,730	2,466	1,664,617	2,670	2,424	1,805,670

Note: Due to the diverse range of products and varying units of quantity sold by our company, it is not feasible to conduct consistent quantity statistics.

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

Unit: NT\$ thousand; set

Sales volume/value Main product	Year	2022				2023			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Chiller Unit		3,867	1,995,349	84	36,744	3,967	1,582,596	80	159,583
Others		-	958,917	-	42,853	-	1,496,668	-	237,741
Total		3,867	2,954,266	84	78,597	3,967	3,079,264	80	397,234

Note: Due to the diverse range of products and varying units of quantity sold by our company, it is not feasible to conduct consistent quantity statistics.

III. Information of Employees in the Last Two Years

Year		2022	2023	As of March 31, 2024
Employee count	Clerk	351	326	319
	Operator	268	256	248
	Total	619	582	567
Average age		38.6	38.9	38.9
Average years of service		9.8	10.2	10.5
Academic background (%)	Doctoral Degree	0.13%	0.13%	0.15%
	Master's degree	1.20%	1.33%	1.48%
	University/professional school	42.25%	41.87%	40.95%
	Senior high school	47.94%	49.19%	47.90%
	Below senior high school	8.48%	7.47%	9.52%

IV. Contribution to Environmental Protection

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

Item	Plant	2022	2023
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

The active promotion of occupational safety and health management was certified on November 22, 2012, with ongoing efforts to improve the system's transition to ISO 45001,

which was certified on October 10, 2020. Regular reviews are conducted by SGS every third quarter. Since 2016, the implementation of the occupational safety and health management system has been in place and obtained the Taiwan Occupational Safety and Health Management System (TOSHMS) and OHSAS international dual certifications in 2012, certified by IAF. Since then, the Company's occupational safety and health management work has formally transitioned to systematic management. In 2020, the transition to ISO 45001 was completed, and the certificate is valid from October 22, 2023, to October 10, 2026. It is essential to integrate safety and health management into the corporate management culture, continuously strengthen safety and health site inspections, propose improvements, identify and rectify unsafe environments or conditions within the factory. Regular environmental protection, safety and health training, implementation of fire drills and emergency response exercises, workplace environmental monitoring, employee health check-ups, and health promotion activities are conducted to effectively reduce workplace hazards and risks, preventing occupational accidents.

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; the current validity period is from October 2, 2023 to October 2, 2026. 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	
2024	2025
1. Improvement of product performance test equipment.	1. Intelligent warehousing system
2. U-shaped pipe coiling machine, welding robot arm	2. Adding production lifting platform
3. Improvement of welding equipment	3. Improve factory ventilation system and reduce indoor temperature
4. Factory demolition and reconstruction	4. Add semi-automatic production line
	5. Electric stacker
About NT\$58.5 million	About NT\$ 25 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.
- (4) Replacement of intelligent and automatic assistance equipment can help improve work efficiency, reduce energy consumption, improve work safety, thereby promoting environmental protection and personnel health.

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 2024, 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	14	19	57	950
2. On-the-Job Training (internal training)	13	2,140	5,091.5	107,000
3. On-the-job Training (external training) (Note)	38	96	698.5	124,500

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

- Those who have served for 15 years and are over 55 years old.
- Those who have served for 25 years.
- Those who have served for 10 years and are over 60 years old.

B. Compulsory retirement by the Company:

- Those who are over 65 years old.
- 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 2023, the Company did not incur any losses due to labor-management disputes.

VI. Information Security Management:

(I) Information security risk management structure and strategies:

1. Information security risk management structure

The company's information security dedicated unit is Information Group. This unit has an information manager who is responsible for formulating internal information, security policies, planning information security operations and promotion and implementation of information security policy.

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, 2024 are listed below.

Nature of Contract	Counterparty	Contract Period	Main Content	Limitation clauses
Long-term technical cooperation contract	Company A001	2024.01.01 ~ 2024.12.31	Entrustment of the manufacture of chiller units, and provision of product quality assurance, after-sales service, trademark, patent design use, etc.	None
	Company A009	2024.01.01 ~ 2024.12.31		
	Company A010	2024.01.01 ~ 2024.12.31		
Raw material purchase contract	FU SHENG INDUSTRIAL CO., LTD.	2024.01.01 ~ 2024.12.31	Compressor	None
	Chung Chen Metal Industry Co., Ltd.	2024.01.01 ~ 2024.12.31	Copper tube	None
	Feng-Hou Corporation	2024.01.01 ~ 2024.12.31	Sheet metal	None
	Karo's Refrigeration & Air Conditioning Co., Ltd.	2024.01.01 ~ 2024.12.31	Coil unit	None
	Vicker(Tianjin)Ltd.	2024.01.01 ~ 2024.12.31	Coil unit, Air Conditioning Box	None
Long-term lease cooperation contract	Hsin Ho Cheng Co., Ltd.	2021.06.01 ~ 2026.05.31	Plant rental	None

Five. Operational Highlights

Nature of Contract	Counterparty	Contract Period	Main Content	Limitation clauses
Long-term lease cooperation contract	Cheng Da IV Hi-Tech Co., Ltd.	2023.07.01 ~ 2037.06.30	Plant rental	None
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\$13.41 million	None
Mid- and long-term loan contract	Taiwan Cooperative Bank Xingfeng Branch	2019.07.05 ~ 2024.07.05	Loan for NT\$15 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

Year Item		Consolidated financial information for the most recent 5 years (Note)				
		2019	2020	2021	2022	2023
Current assets		1,905,617	2,005,535	2,158,261	2,468,576	2,879,278
Property, plant and equipment		531,654	574,413	571,393	601,059	624,624
Intangible assets		6,394	13,395	11,094	8,757	7,135
Other assets		173,752	137,892	129,063	113,944	136,245
Total assets		2,617,417	2,731,235	2,869,811	3,192,336	3,647,282
Current liabilities	Before Distribution	875,722	907,728	1,106,744	1,394,202	1,731,365
	After Distribution	997,565	1,060,033	1,243,818	1,540,506	1,914,131
Non-current liabilities		290,893	287,107	233,396	162,228	174,656
Total liabilities	Before Distribution	1,166,615	1,194,835	1,340,140	1,556,430	1,906,021
	After Distribution	1,288,458	1,347,140	1,477,214	1,708,734	2,088,787
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	563,993	644,806	644,971	727,613	830,411
	After Distribution	442,150	492,501	507,897	575,309	647,645
Others		(97,590)	(96,241)	(102,117)	(81,442)	(94,936)
Treasury shares		-	-	-	-	-
Non-controlling interests		94,259	97,695	96,677	99,595	115,646
Total equity	Before Distribution	1,450,802	1,536,400	1,529,671	1,635,906	1,741,261
	After Distribution	1,328,959	1,384,095	1,392,597	1,483,602	1,558,495

Note: The profit distribution of 2023 has been approved by the Board of Directors on March 12, 2024, and will submit to the shareholders' meeting for ratification on May 28, 2024.

Condensed Individual Balance Sheet - IFRS-compliant

Unit: NT\$ thousand

Year Item		Individual financial information for the most recent 5 years (Note)				
		2019	2020	2021	2022	2023
Current assets		889,911	886,001	972,537	1,025,656	1,050,326
Property, plant and equipment		283,106	302,293	320,194	325,173	323,544
Intangible assets		2,755	9,247	6,634	4,478	2,627
Other assets		806,049	856,725	865,502	899,162	983,010
Total assets		1,981,821	2,054,266	2,164,867	2,254,469	2,359,507
Current liabilities	Before Distribution	372,389	384,825	532,573	571,458	593,337
	After Distribution	494,232	537,130	669,647	723,762	776,103
Non-current liabilities		252,889	230,736	199,300	146,700	140,555
Total liabilities	Before Distribution	625,278	615,561	731,873	718,158	733,892
	After Distribution	747,121	767,866	868,947	870,462	916,658
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	563,993	644,806	644,971	727,613	830,411
	After Distribution	442,150	492,501	507,897	575,309	647,645
Others		(97,590)	(96,241)	(102,117)	(81,442)	(94,936)
Treasury shares		-	-	-	-	-
Total equity	Before Distribution	1,356,543	1,483,705	1,432,994	1,536,311	1,625,615
	After Distribution	1,234,700	1,286,400	1,295,920	1,384,007	1,442,849

Note : The profit distribution of 2023 has been approved by the Board of Directors on March 12, 2024, and will report to the shareholders' meeting for ratification on May 28, 2024.

(II) Condensed Consolidated Income Statement - IFRS-compliant

Unit: NT\$ thousand

Item \ Year	Consolidated financial information for the most recent 5 years (Note)				
	2019	2020	2021	2022	2023
Operating revenue	2,766,510	2,606,787	2,533,785	3,032,863	3,476,588
Gross profit	701,887	683,012	600,601	704,728	840,574
Operating income	195,268	241,029	175,687	224,498	315,057
Non-operating income and expenses	14,365	19,577	19,663	27,326	44,168
Profit before tax	209,633	260,606	195,350	251,824	359,225
Current net income from continuing operations	161,616	209,737	150,887	206,165	277,536
Loss from discontinued operations	-	-	-	-	-
Net income	161,616	209,737	150,887	206,165	277,536
Other comprehensive income for the current period (net, after-tax)	(27,859)	(1,512)	(4,769)	38,007	(19,030)
Total comprehensive income in the current period	133,757	208,225	146,118	244,172	258,506
Net income attributable to parent company shareholders	163,270	206,980	150,793	204,046	258,404
Net Profit Belongs to Non-controlling Interests	(1,654)	2,757	94	2,119	19,132
Total Amount of Comprehensive Income Attributed to Owner of Parent Company	139,152	204,005	146,593	240,391	241,608
Total Amount of Comprehensive Income Belongs to Non-controlling Interests	(5,395)	4,220	(475)	3,781	16,898
Earnings per share (dollar)	2.14	2.72	1.98	2.68	3.39

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)				
	2019	2020	2021	2022	2023
Operating revenue	1,312,915	1,323,519	1,162,181	1,427,701	1,603,442
Gross profit	220,562	224,576	175,308	215,243	241,877
Operating income (loss)	8,913	29,092	(878)	26,303	40,847
Non-operating income and expenses	171,359	188,682	159,852	188,538	251,509
Profit before tax	180,272	217,774	158,974	214,841	292,356
Current net income from continuing operations	163,270	206,980	150,793	204,046	258,404
Loss from discontinued operations	-	-	-	-	-
Current profit (loss)	163,270	206,980	150,793	204,046	258,404
Other comprehensive income for the current period (net, after-tax)	(24,118)	(2,975)	(4,200)	36,345	(16,796)
Total comprehensive income in the current period	139,152	204,005	146,593	240,391	241,608
Earnings per share (dollar)	2.14	2.72	1.98	2.68	3.39

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
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)
2023	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)				
		2019	2020	2021	2022	2023
Financial structure (%)	Liability to asset ratio	45.00	44.00	47.00	49.00	52.00
	Ratio of long-term funds to property, plant and equipment	269.00	317.00	309.00	299.00	307.00
Solvency (%)	Current Ratio	218.00	221.00	195.00	177.00	166.00
	Quick Ratio	164.00	167.00	137.00	123.00	125.00
	Interest Coverage Ratio	24.00	33.00	34.00	31.00	42.00
Operating efficiency	Accounts receivable turnover (times)	2.80	2.70	2.70	2.70	2.30
	Average cash collection days	130.00	135.00	135.00	135.00	159.00
	Inventory turnover (times)	4.00	4.30	3.60	3.50	3.70
	Accounts payable turnover (times)	6.00	6.00	5.00	5.00	4.00
	Average inventory turnover days	91.00	85.00	101.00	104.00	99.00
	Property, plant and equipment turnover (times)	5.10	4.70	4.40	5.20	5.70
	Total asset turnover (times)	1.00	1.00	1.00	1.00	1.00
Profitability	Return on assets (%)	6.00	8.00	6.00	7.00	8.00
	Return on equity (%)	12.00	15.00	11.00	14.00	18.00
	Ratio of pre-tax profit to paid-in capital (%)	28.00	34.00	26.00	33.00	47.00
	Profit margin (%)	6.00	8.00	6.00	7.00	8.00
	Earnings per share (NTD)	2.14	2.72	1.98	2.68	3.39
Cash flow	Cash flow ratio (%)	17.00	44.00	6.00	6.00	24.00
	Cash flow adequacy ratio (%)	112.00	124.00	92.00	78.00	81.00
	Cash reinvestment ratio (%)	0.00	12.00	(4.00)	(2.00)	11.00
Degree of leverage	Operating leverage	11.00	9.00	12.00	11.00	9.00
	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. The increase in interest coverage ratio is primarily due to the increase in pre-tax profit in 2023 compared to 2022 by NT\$107.40 million. 2. The improvement in profitability is mainly attributed to the increase in pre-tax profit in 2023 compared to 2022 by NT\$107.40 million. 3. The increase in cash flow is reflected in the higher net cash inflow in the current period compared to 2022 and the increase in pre-tax profit.						

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

Item of analysis (Note 1)		Financial Analysis over the Last 5 Years (Individual)				
		2019	2020	2021	2022	2023
Financial structure (%)	Liability to asset ratio	32.00	30.00	34.00	32.00	31.00
	Ratio of long-term funds to property, plant and equipment	504.00	494.00	510.00	518.00	546.00
Solvency (%)	Current Ratio	239.00	230.00	183.00	179.00	177.00
	Quick Ratio	169.00	158.00	109.00	94.00	109.00
	Interest Coverage Ratio	131.00	114.00	98.00	73.00	99.00
Operating efficiency	Accounts receivable turnover (times)	2.40	3.00	3.00	3.70	3.50
	Average cash collection days	152.00	122.00	122.00	99.00	104.00
	Inventory turnover (times)	4.10	4.20	3.10	2.80	3.10
	Accounts payable turnover (times)	5.00	7.00	5.00	6.00	6.00
	Average inventory turnover days	89.00	87.00	118.00	130.00	118.00
	Property, plant and equipment turnover (times)	5.10	4.50	3.70	4.40	4.90
	Total asset turnover (times)	1.00	1.00	1.00	1.00	1.00
Profitability	Return on assets (%)	8.00	10.00	7.00	9.00	11.00
	Return on equity (%)	12.00	15.00	11.00	14.00	16.00
	Ratio of pre-tax profit to paid-in capital (%)	24.00	29.00	21.00	28.00	38.00
	Profit margin (%)	12.00	16.00	13.00	14.00	16.00
	Earnings per share (NTD)	2.14	2.72	1.98	2.68	3.39
Cash flow	Cash flow ratio (%)	15.00	66.00	14.00	24.00	49.00
	Cash flow adequacy ratio (%)	95.00	108.00	81.00	69.00	70.00
	Cash reinvestment ratio (%)	-5.00	7.00	-4.00	0.00	7.00
Degree of leverage	Operating leverage	124.00	39.00	-1,123.00	47.00	34.00
	Financial leverage	1.00	1.00	0.35	1.13	1.08

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 increase in interest coverage ratio is primarily due to the increase in pre-tax profit in 2023 compared to 2022 by NT\$77.51 million.
2. Profitability increased mainly due to the increase in pre-tax profit in 2023 compared to 2022 by NT\$77.51 million.
3. The increase in cash flow and other indicators is primarily attributed to the higher net cash inflow from operating activities in 2023 compared to 2022, coupled with better inventory turnover.
4. The increase in leverage and other indicators is mainly due to the rise in pre-tax net profit in 2023 compared to 2022, coupled with a 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 2023 Financial Report

Kuen Ling Machinery Refrigerating Co., Ltd.

Audit Committee's Audit Report

The Board of Directors prepared and submitted the Company's 2023 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.
2024 General Shareholders' Meeting

Audit Committee Convener: Li-Rong Hong

March 12, 2024

IV. Consolidated Financial Report of 2023:

Please refer to pages 167~249.

V. 2023 CPA Audited and Certified Individual Financial Statements:

Please refer to pages 250~344.

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 2023 and 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	2022	2023	Difference		Main reasons
			Amount	%	
Current assets	2,468,576	2,879,278	410,702	17	
Financial assets at fair value through other comprehensive income or loss - non-current	9,759	9,759	-	-	
Property, plant and equipment	601,059	624,624	23,565	4	
Intangible assets	8,757	7,135	(1,622)	(19)	
Other assets	104,185	126,486	22,301	21	1
Total assets	3,192,336	3,647,282	454,946	14	
Current liabilities	1,394,202	1,731,365	337,163	24	2
Long-term liabilities	28,701	3,665	(25,036)	(87)	3
Other liabilities	133,527	170,991	37,464	28	4
Total liabilities	1,556,430	1,906,021	349,591	22	5
Share capital	761,524	761,524	-	-	
Capital reserve	128,616	128,616	-	-	
Retained earnings	727,613	830,411	102,798	14	
Other interests and non-controlling interests	18,153	20,710	2,557	14	
Total shareholders' equity	1,635,906	1,741,261	105,355	6	
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 other assets: Due to the increase in right-of-use assets and prepaid equipment payments in the current period compared with the last period.					
2. Increase in current liabilities: Due to the increase in revenue, resulting in increases in accounts payable, notes payable, and other liabilities compared with the last period, as well as an increase in income tax liabilities due to improved profitability.					
3. Decrease in long-term liabilities: This is due to the reclassification of long-term borrowings expected to be paid within the next period to current liabilities.					

4. Other liabilities: This is due to the increase in deferred income tax liabilities due to increased profits from investments and an increase in lease liabilities due to the increase in right-of-use assets.

(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	2022	2023	Amount of increase (decrease); %	Change ratio %
Operating revenue	\$ 3,032,863	\$3,476,588	443,725	15
Operating costs	(2,328,135)	(2,636,014)	307,879	(13)
Gross profit	704,728	840,574	135,846	19
Operating expenses	(480,230)	(525,517)	45,287	(9)
Operating profit	224,498	315,057	90,559	40 (1)
Non-operating income and expenses	27,326	44,168	16,842	62 (2)
Net profit before tax from continuing operations	251,824	359,225	107,401	43 (3)
Income tax	(45,659)	(81,689)	36,030	(79) (4)
Net profit after tax from continuing operations	\$ 206,165	277,536	71,371	35 (5)

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

- (1) Increase in operating profit: Primarily due to revenue growth and higher gross profit margins.
- (2) Increase in non-operating income and expenses: Mainly due to gains from bad debt recovery and other sources of income.
- (3) Increase in income tax expense: Mainly due to the significant increase in pre-tax net profit compared to the same period of last year.
- (4) Increase in pre-tax and after-tax net profit from continuing operations: Mainly due to the aforementioned comprehensive impact

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

Year Item	2022	2023	Increase (decrease) ratio
Cash flow ratio	6%	24%	300%
Cash flow adequacy ratio	78%	81%	4%
Cash reinvestment ratio	-2%	11%	650%
Description and analysis of change of increase/decrease ratio: (the change ratio exceeds 20%)			
1. Cash flow ratio: Primarily influenced by the significant increase in revenue for the year, leading to an increase in cash inflows from operating activities.			
2. Cash reinvestment ratio: Mainly due to the substantial increase in revenue for the year, resulting in increased cash inflows from operating activities.			

(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
472,058	254,194	(365,598)	360,654	-	-
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 2023. However, the operating activities will continue to generate positive cash flow, with a slight increase compared to 2022.					
(2) Investment activities: Anticipated increase in capital expenditure over the next year, resulting in higher cash outflows.					
(3) Financing activities: Considering that anticipated cash dividend payouts over the next year, along with operational working capital requirements, it is expected that bank financing must be used to cope with it.					
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		
				2024	2025	2026
Plant renovation and purchase of production equipment	Working capital and bank borrowings	2024	100,000	100,000	0	0
Total			100,000	100,000	0	0

(II) Expected benefits:

1. Enhanced Production Efficiency: Demolishing and rebuilding factories and acquiring new equipment will improve workspace, processes, and production techniques, leading to increased production efficiency.
2. Improved Product Quality: Technological upgrades and cost-effectiveness may result in higher-quality products, enhancing competitiveness, increasing customer satisfaction, and aiding in expanding market share.
3. Cost Savings: The application of new equipment may reduce waste of energy and raw materials, thereby lowering production costs; simultaneously, improved work efficiency can also save on labor costs.
4. Technological Leadership: Technological upgrades will elevate the Company's production technology level, positioning it as a technological leader in the industry. This is expected to enhance competitiveness and facilitate the development of more innovative products and services.
5. Sustainable Development: Through measures such as energy conservation, emissions reduction, and efficient resource utilization, the Company will achieve sustainable development, contributing to the environment while enhancing corporate image and social responsibility.

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

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 2023 was NT\$131,123 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 Kuenling Machinery Refrigerating (Shanghai) Co., Ltd. since 2000 and Kuenling Machinery Refrigerating (Suzhou) Co., Ltd. since 2006.	As the completion of the marketing base establishment of Kuenling Machinery Refrigerating (Shanghai) Co., Ltd., and the comprehensive benefits of the two factories are integrated to increase product sales, reduce costs, enhance competitiveness, and cooperate with local government policies to sell energy-saving products. The company recognized a net profit of NT\$68,452 thousand in 2023 and recognized a net profit of NT\$23,257 thousand for Kuenling Machinery Refrigerating (Suzhou) Co., Ltd. in 2023.	None	None
Klean Air Enterprise LTD	TW\$ 138,046	The Company established a holding company in order to expand into the Vietnamese market and facilitate production specialization. Since the year 2002, it has	The stagnation of public investment and inflationary pressures have led to the impact on the overall environment, Kuen Ling Machinery	The Vietnam company will optimize its cost structure, strengthen its market sales efforts, and	None

		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	Refrigerating (Vietnam) Co., Ltd. recognized a net loss of NT\$7,375 thousand in 2023. PT. Kuen Ling Indonesia recognized a net profit of NT\$ 665 thousand in 2023.	adjust its product portfolio to adapt to changes in market demand.	

Note: The amount of annual investment exceeds 5% of the paid-in capital in 2023.

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	2022	2023
Net interest income (A)	(6,465)	(3,708)
Operating revenue (B)	3,032,863	3,476,588
Profit before tax (C)	251,824	359,225
A/B(%)	-0.21%	-0.11%
A/C(%)	-2.57%	-1.03%

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\$284 thousand for the Group.

B. Exchange rate change:

Unit: NT\$ thousand

Item	2022	2023
Net exchange gain (A)	5,421	(700)
Operating revenue (B)	3,032,863	3,476,588
Profit before tax (C)	251,824	359,225
A/B(%)	0.18%	-0.02%
A/C(%)	2.15%	-0.19%

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 2024, the global economy faces various risk factors worthy of continuous attention. These include the evolving dynamics in US-China relations, the outcomes of major elections worldwide, the new stance of mainland China towards Taiwan under the new administration, the impact of shifts in major countries' currency policies, as well as geopolitical tensions and climate change, all of which affect the international economic outlook. Additionally, the prices of primary materials such as copper, iron, and steel have shown significant increases, leading to higher procurement costs. While fluctuations in raw material prices do not significantly impact the company's profit and loss, the group will still carefully assess the fundamental trends in metal prices and formulate the most suitable procurement strategies in line with operational needs. Irregular reviews and collection of relevant information will be conducted to provide management with decision-making references as needed.

(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 2023:
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\$650,246.
As of December 31, 2023, the Group's amount of loans to others was NT\$0.
3. Endorsements and guarantees of the Group in 2023:
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\$650,246.
As of December 31, 2023, the Group's amount of endorsements and guarantees was NT\$0.
4. The Group's derivative trading in 2023:
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, 2023.

(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
Integration and demonstration of innovative ice making and ice melting air conditioning system technology	Proposal for MOEAEA Industrial Energy Technology Program is in progress	2024~2026	NT\$24 million	2026	This research and development is cooperated with HORNG SHIUH AIR CONDITION MECHANICAL CO., LTD. and JUN YUAN ENERGYTECH ENG. CO., LTD. and transferring relevant research patents from National Taiwan University to achieve low risk and high success rate guarantee. (Affecting the initial sales of traditional ice storage tanks)

Note: It is estimated that NT\$16 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 it 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 139](#) 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:

There was no merger and acquisition plan for the most recent year and as of March 31, 2024, so it is not applicable.

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

There was no plant expansion plan for the most recent year and as of March 31, 2024, so it is not applicable.

(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 March 31, 2024:

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 presided over by general manager or chairman. 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 audit's office and the board of directors. The audit personnel have completed various auditing tasks for year 2023. The audit results indicate that internal control design and execution are effective, and all environmental indicators are maintained at low-risk levels.

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 2023.

VII. Other important matters: None.

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 167~247)
- (II) Consolidated report of affiliated enterprises: Please refer to pages 343 ~ 348.
- (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:

- V. A primary exchange (or OTC) listed company shall include an explanation of any material differences from the rules of the ROC in relation to the protection of shareholder equity:
None

Nine. During 2023 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, 2023 AND 2022
(Stock Code: 4527)**

Address: No. 300, Chikan N. Rd., Ziguan Dist., Kaohsiung City 826, Taiwan (R.O.C.)

Telephone : 886-7-6192345

Notice to readers

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

with Independent Auditors' Report

For the Years Ended December 31, 2023 and 2022

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3. Representation Letter

The entities that are required to be included in the combined financial statements of KUEN LING MACHINERY REFRIGERATING CO., LTD. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements. " In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

KUEN LING MACHINERY REFRIGERATING CO., LTD.

By

TSENG,CHUNG-KUO

Chairman

March 12, 2024

4. Independent Auditors' Report

To the Board of Directors

KUEN LING MACHINERY REFRIGERATING CO., LTD.

Opinion

We have audited the consolidated financial statements of KUEN LING MACHINERY REFRIGERATING CO., LTD. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and the 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 of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Auditor's 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 Accountants in 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

Appropriateness of revenue recognition cutoff

Description

Please refer to Note 4(25) of the consolidated financial statements for the accounting policy for revenue recognition; for the explanation of operating revenue accounting items, please refer to Note 6(20) of the consolidated financial statements.

The Group's operating revenue all comes from Revenue from Contracts with Customers, primarily derived from the transfer of control of products such as condensers, chillers, ice-making units, and refrigeration units upon completion of customer acceptance. Revenue from contracts is recognized when control of the product is transferred to the customer, i.e., when the product is delivered to the customer. The customer has discretion over the distribution channel and price of the product, and the Group has no remaining performance obligations that may affect customer acceptance of the product. The transfer of control of the product to the customer and the fulfillment of performance obligations typically involve manual operations and judgments, which may result in the recognition of revenue at an inappropriate time close to the end of the financial reporting period. Therefore, the appropriateness of revenue recognition cutoff is identified as one of the key matters for this year's audit by the auditors. °

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Understand and evaluate the accounting policies for revenue recognition.
2. Understand, evaluate, and test the effectiveness of the design and implementation of internal control procedures for revenue recognition.
3. Conduct cutoff tests for contract revenue during a certain period before and after the end of the financial reporting period to assess when revenue recognition its transferred of control of the product and no remaining performance obligations that may affect customer acceptance of the

product.

Assessment of impairment of accounts receivable

Description

Please refer to Note 4(7) of the consolidated financial statements for the accounting policy for accounts receivable; for the accounting estimates and assumptions uncertainty related to the assessment of impairment of accounts receivable, please refer to Note 5 of the consolidated financial statements; for the explanation of the accounts receivable accounting item, please refer to Note 6(2) of the consolidated financial statements; for the explanation of credit risk information related to accounts receivable, please refer to Note 12(2) of the consolidated financial statements.

The Group evaluates the expected credit losses on accounts receivable and recognizes allowances for losses. The evaluation method includes assessing individual significant customers or similar credit risk groups, considering their historical transaction records, operational and financial status, and incorporating the impact of the time value of money. Due to the identification of individual significant customers, differentiation of similar credit risk groups, and the subjective judgment of management involved in the evaluation method mentioned above, the assessment of expected credit losses on accounts receivable is significantly affected. Therefore, the assessment of impairment of accounts receivable is identified as one of the key audit matters for this year's audit.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Based on an understanding of the Group's operations and sales transactions, evaluate the reasonableness of its provision policy and procedures for accounts receivable allowances, including identifying individual significant customers, distinguishing similar credit risk groups, and determining objective evidence for expected credit losses.
2. Understand the effectiveness of the Group's credit management and internal control procedures for the assessment of expected credit losses during the debt's existence period.
3. Assess the reasonableness of significant expected credit losses individually identified by management and the assessment of expected credit loss amounts based on similar credit risk groups.
4. Conduct post-period collection testing for accounts receivable that only reflect expected credit losses due to 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 consolidated subsidiaries which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries and the information on investees, is based solely on the reports of the other auditors. Total assets of these subsidiaries amounted to NT\$19,799 thousand and NT\$22,626 thousand, representing 1% and 1% of the consolidated total assets as at December 31, 2023 and 2022, respectively, and the operating revenue amounted to NT\$19,198 thousand and NT\$24,916 thousand, representing 1% and 1% of the consolidated total operating revenue for the years then ended, respectively. °

Other matters – Parent company - only financial reports

We have audited and expressed an unmodified opinion with an explanatory paragraph on the parent company only financial statements of KUEN LING MACHINERY REFRIGERATING CO., LTD. as of and for the years ended December 31, 2023 and 2022.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal controls 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 financial reporting process of the Group.

Auditors' Responsibilities for the Audit of the 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 auditing standards generally accepted in 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 auditing standards generally accepted in 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 Groups 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the consolidated 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 for the year ended December 31, 2023 and are, therefore, considered to be the key audit matters. We describe these matters in our auditor's report unless the law or regulations preclude 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.

(1) Wang, Chun-Kai

(2) Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2024

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

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

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollar)

			(Expressed in thousands of New Taiwan Dollar)					
Assets			Note	December 31, 2023		December 31, 2022		
				Amount	%	Amount	%	
Current assets:								
1100	Cash and cash equivalents	6(1)	\$	472,058	13	\$	403,202	13
1140	Contract Assets - Current	6(20)		85,855	2		7,589	-
1150	Net Notes Receivable	6(2)		325,988	9		465,694	14
1160	Notes Receivable - Related Parties, Net	6(2) and 7		27,036	1		55,228	2
1170	Net Accounts Receivable	6(2)		1,226,204	34		757,786	24
1180	Accounts Receivable - Related Parties, Net	6(2) and 7		12,286	-		6,739	-
1220	Current Tax Assets			-	-		16,664	-
130X	Inventory	6(3)		645,562	18		670,711	21
1479	Other Current Assets - Other	6(4) and 8		84,289	2		84,963	3
11XX	Total Current Assets			2,879,278	79		2,468,576	77
Non-current assets:								
1517	Financial Assets at Fair Value Through Other Comprehensive Income - Non-current	6(5)		9,759	-		9,759	-
1600	Property, Plant, and Equipment	6(7)(9) and 8		624,624	17		601,059	19
1755	Right-of-Use Assets	6(8) and 8		54,366	2		42,793	2
1780	Intangible Assets			7,135	-		8,757	-
1840	Deferred Tax Assets	6(25)		35,012	1		28,677	1
1920	Deposits for Guarantees	8		15,182	-		21,252	1
1930	Long-term Notes and Accounts Receivable	6(10)		765	-		1,256	-
1990	Other Non-current Assets - Other	8		21,161	1		10,207	-
15XX	Total Non-current Assets			768,004	21		723,760	23
1XXX	Total Assets		\$	3,647,282	100	\$	3,192,336	100

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollar)

(Expressed in thousands of New Taiwan Dollar)						
Liabilities and equity		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current liabilities:						
2100	Short-term borrowings	6(11) and 8	\$ 182,529	5	\$ 244,786	8
2130	Current portion of contract liabilities	6(20)	163,723	4	104,386	3
2150	Accounts payable notes	7	129,014	3	17,034	-
2170	Accounts payable	7	721,247	20	555,194	17
2200	Other payables	6(12)	356,593	10	345,979	11
2230	Current income tax liabilities		46,528	1	27,869	1
2250	Current portion of liabilities	6(12)	62,051	2	49,160	2
2280	Current lease liabilities		4,032	-	19,016	1
2320	Long-term liabilities due within one year or one operating cycle	6(14) and 8	24,746	1	29,957	1
2399	Other current liabilities - Other		40,902	1	821	-
21XX	Current Assets		1,731,365	47	1,394,202	44
Non-current liabilities:						
2540	Long-term borrowings	6(14) and 8	3,665	-	28,701	1
2570	Deferred income tax liabilities	6(25)	71,101	2	54,034	2
2580	Non-current lease liabilities		32,868	1	8,321	-
2640	Net defined benefit liabilities - Non-current	6(15)	64,077	2	69,729	2
2645	Deposits received for guarantees		2,945	-	1,443	-
25XX	Total non-current liabilities		174,656	5	162,228	5
2XXX	Total liabilities		1,906,021	52	1,556,430	49
Equity						
Equity attributable to owners of the parent company						
	Capital	6(16)				
3110	Ordinary shares capital		761,524	21	761,524	24
	Capital surplus	6(17)				
3200	Capital surplus		128,616	4	128,616	4
	Retained earnings	6(18)				
3310	Statutory surplus reserve		267,856	8	245,884	8
3320	Special surplus reserve		81,442	2	102,117	3
3350	Undistributed profits		481,113	13	379,612	12
	Other equity	6(19)				
3400	Other equity		(94,936)	(3)	(81,442)	(3)
31XX	Total equity attributable to owners of the parent company		1,625,615	45	1,536,311	48
36XX	Non-controlling interests	4(3)	115,646	3	99,595	3
3XXX	Total Equity		1,741,261	48	1,635,906	51
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Significant subsequent events	11				
3X2X	Total liabilities and equity		\$ 3,647,282	100	\$ 3,192,336	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

December 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollar, except for Per share)

		Note	2023		2022	
Assets			Amount	%	Amount	%
4000	Operating revenues	6(20) and 7	\$ 3,476,588	100	\$ 3,032,863	100
5000	Operating costs	6(3)(23)(24) and 7	(2,636,014)	(76)	(2,328,135)	(77)
5900	Gross profit from operations		840,574	24	704,728	23
	Operating expenses	6(23)(24)				
6100	Selling expenses		(257,121)	(7)	(238,832)	(8)
6200	General and administrative expenses		(171,256)	(5)	(162,284)	(5)
6300	Research and development expenses		(68,909)	(2)	(79,680)	(3)
6450	Expected credit impairment loss	12(2)	(28,231)	(1)	566	-
6000	Total operating expenses		(525,517)	(15)	(480,230)	(16)
6900	Net operating income		315,057	9	224,498	7
	Non-operating income and expenses					
7100	Interest income		5,141	-	1,884	-
7010	Other income	6(21)	45,974	1	30,141	1
7020	Other gains and losses	6(22)	1,901	-	3,650	-
7050	Finance costs	6(8)(11)(14)	(8,848)	-	(8,349)	-
7000	Total non-operating income and expenses		44,168	1	27,326	1
7900	Profit before income tax from continuing operations		359,225	10	251,824	8
7950	Income tax expense	6(25)	(81,689)	(2)	(45,659)	(1)
8200	Net Profit		\$ 277,536	8	\$ 206,165	7

(Continued)

(Expressed in thousands of New Taiwan Dollar, except for Per share)

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KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollar)

Equity attributable to owners of parent

	Note	Retained earnings					Other equity interest		Total	Non-controlling interests	Total
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains from financial assets measured at fair value through other comprehensive income			
<u>2022</u>											
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
Current Period Net Profit		-	-	-	-	204,046	-	-	204,046	2,119	206,165
Current Period Other Comprehensive Income	6(19)	-	-	-	-	15,670	20,675	-	36,345	1,662	38,007
Total Comprehensive Income for the Period		-	-	-	-	219,716	20,675	-	240,391	3,781	244,172
Earnings distribution of 2021											
Allocation to Statutory Surplus Reserve		-	-	15,247	-	(15,247)	-	-	-	-	-
Allocation to Special Surplus Reserve		-	-	-	5,876	(5,876)	-	-	-	-	-
Cash Dividends	6(18)	-	-	-	-	(137,074)	-	-	(137,074)	-	(137,074)
Cash Dividends Distributed by Subsidiaries		-	-	-	-	-	-	-	-	(863)	(863)
Balance as of December 31, 2022		<u>\$ 761,524</u>	<u>\$ 128,616</u>	<u>\$ 245,884</u>	<u>\$ 102,117</u>	<u>\$ 379,612</u>	<u>(\$ 48,124)</u>	<u>(\$ 33,318)</u>	<u>\$ 1,536,311</u>	<u>\$ 99,595</u>	<u>\$ 1,635,906</u>
<u>2023</u>											
Balance at January 1, 2023		\$ 761,524	\$ 128,616	\$ 245,884	\$ 102,117	\$ 379,612	(\$ 48,124)	(\$ 33,318)	\$ 1,536,311	\$ 99,595	\$ 1,635,906
Current Period Net Profit		-	-	-	-	258,404	-	-	258,404	19,132	277,536
Current Period Other Comprehensive Income	6(19)	-	-	-	-	(3,302)	(13,494)	-	(16,796)	(2,234)	(19,030)
Total Comprehensive Income for the Period		-	-	-	-	255,102	(13,494)	-	241,608	16,898	258,506
Earnings distribution of 2022											
Allocation to Statutory Surplus Reserve		-	-	21,972	-	(21,972)	-	-	-	-	-
Reversal of Special Reserve		-	-	-	(20,675)	20,675	-	-	-	-	-
Cash Dividends	6(18)	-	-	-	-	(152,304)	-	-	(152,304)	-	(152,304)
Cash Dividends Distributed by Subsidiaries		-	-	-	-	-	-	-	-	(847)	(847)
Balance as of December 31, 2023		<u>\$ 761,524</u>	<u>\$ 128,616</u>	<u>\$ 267,856</u>	<u>\$ 81,442</u>	<u>\$ 481,113</u>	<u>(\$ 61,618)</u>	<u>(\$ 33,318)</u>	<u>\$ 1,625,615</u>	<u>\$ 115,646</u>	<u>\$ 1,741,261</u>

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

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollar)

	Note	2023	2022
Operating Cash Flows:			
Current Period Pre-tax Net Profit		\$ 359,225	\$ 251,824
Adjustments:			
Items of Income and Expense			
Expected Credit Impairment Loss (Gain)	12(2)	28,231	(566)
Depreciation Expense (including	6(7)(8)		
Amortization of Right-of-Use Assets)	(23)	66,346	69,325
Amortization Expense	6(23)	2,920	3,340
Interest Expense		8,848	8,349
Interest Income		(5,141)	(1,884)
Dividend Income	6(21)	(2,386)	(1,707)
Gain on Disposal of Property, Plant, and	6(22)		
Equipment		(1,430)	(209)
Gain on Lease Modification	6(8)(22)		
	(27)	(3,413)	-
Net Changes in Assets/Liabilities Related to			
Operating Activities			
Net Change in Assets Related to Operating			
Activities			
Contract Assets - Current		(78,266)	40,774
Notes Receivable		134,233	(189,612)
Notes Receivable - Related Parties		28,192	(11,748)
Accounts Receivable (including			
Long-term Notes and Accounts			
Receivable)		(500,301)	(171,581)
Accounts Receivable - Related Parties		(7,259)	4,494
Inventory		11,795	(88,876)
Other Current Assets - Other		834	(14,161)
Current portion of Contract Liabilities			
Accounts Payable Notes		60,238	1,494
Accounts Payable		111,980	2,829
Accounts Payable - Related Parties		61,917	142,555
Other Payables		113,697	-
Current Provision		12,652	95,264
Other Current Liabilities - Other		13,159	218
Net Defined Benefit Liabilities -			
Non-current		40,081	(3,212)
Accounts Payable Notes		(9,799)	(7,285)
Cash Inflows Generated from Operations:		446,353	129,625
Interest Received		5,141	1,884
Dividends Received		2,386	1,707
Interest Paid		(8,973)	(8,266)
Income Tax Paid		(34,774)	(39,480)
Net Cash Inflow from Operating			
Activities		410,133	85,470

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollar)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<u>Investing Cash Flows:</u>			
Purchase of Property, Plant, and Equipment	6(27)	(\$ 81,636)	(\$ 60,329)
Increase in Prepayments for Equipment		(15,391)	(8,478)
Proceeds from Disposal of Property, Plant, and Equipment		5,364	257
Purchase of Intangible Assets		(1,368)	(920)
Decrease (Increase) in Deposits for Guarantees		6,070	(710)
Increase in Other Non-current Assets - Other		(600)	(1,418)
Net Cash Outflow from Investing Activities		(87,561)	(71,598)
<u>Financing Cash Flows:</u>			
Proceeds from Short-term Borrowings	6(28)	440,053	745,100
Repayment of Short-term Borrowings	6(28)	(501,356)	(711,390)
Repayment of Long-term Borrowings	6(28)	(29,746)	(30,094)
Repayment of Lease Principal	6(28)	(8,791)	(17,652)
Increase (Decrease) in Deposits Received for Guarantees		1,532	(1,579)
Payment of Cash Dividends	6(18)	(152,304)	(137,074)
Cash Dividends Paid by Subsidiaries		(847)	(863)
Net Cash Outflow from Financing Activities		(251,459)	(153,552)
Effect of Exchange Rate Changes		(2,257)	3,914
Net Increase (Decrease) in Cash and Cash Equivalents for the Period			
		68,856	(135,766)
Beginning Cash and Cash Equivalents Balance	6(1)	403,202	538,968
Ending Cash and Cash Equivalents Balance	6(1)	\$ 472,058	\$ 403,202

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, 2023 and 2022

(Expressed in thousands of New Taiwan Dollar unless otherwise specified)

1. Company history

KUEN LING MACHINERY REFRIGERATING CO., LTD. ("the Company") was established in April, 1988 with approval. The main business of the Company includes the installation, maintenance, repair, assembly, manufacturing, processing, buying and selling, domestic and international sales, and leasing of condensers, ice water coolers, ice water units, and refrigeration units.

The Company's stocks have been traded on the Taiwan Stock Exchange (TWSE) since September of the 89th year of the Republic of China (ROC).

For details on the main operating activities of the Company and its subsidiaries ("the Group"), please refer to Note 4(3).

2. Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2024.

3. New standards, amendments and interpretations adopted

A. The impact of new and revised International Financial Reporting Standards and Interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

The Group has initially adopted the following new amendments, which do not have a significant impact on its financial condition and financial performance, from January 1, 2023 :

- Amendments to IAS 1 "Disclosure of Accounting policies"
- Amendments to IAS 8 "Definition of Accounting Assessments"
- Amendments to IAS 12 "Deferred tax related to assets and liabilities arising from a single transaction"

The Group has initially adopted the following new amendments, which do not have a significant impact on its financial condition and financial performance, from May 23, 2023 :

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

B. The impact of IFRS endorsed by FSC but not adopted yet

The Group has evaluated that the adoption of following new amendments, which will be effective from January 1, 2024, will not have a significant impact on its financial condition and financial performance.

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS7 and IFRS7 "Supplier Finance Arrangements"

- Amendment to IFRS 16 “Sale and leaseback transaction”
- C. Newly released or amended standards and interpretations not yet endorsed by the FSC:

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial condition and financial performance:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” , amendments to IFRS 17 “Insurance Contracts” and “Initial Application of IFRS 17 and IFRS 9— Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

4. Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized as follows. The following accounting policies were applied consistently throughout the presented periods in the financial statements.

(1) Statement of compliance

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:
- Financial assets at fair value through profit or loss.
 - Defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of defined benefit obligations.
- 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. The basis for the preparation of consolidated financial statements is as follows:
- 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 unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- c. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activity	Ownership (%)		Explanation
			December 31, 2023	December 31, 2022	
The Company	CHING CHI INTERNATIONAL LIMITED	Invest in other region	83	83	
The Company	KLEAN AIR ENTERPRISE LTD.	Invest in other region	100	100	
The Company	ECHEN LIANCHI ENTERPRISES CO., LTD.	General manufacturing	70	70	
The Company	COZY AIR-CONDITIONING CO., LTD.	Merchandise sales and trading business	100	100	
CHING CHI INTERNATIONAL LIMITED	KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	Engaged in the manufacturing and sales of ice water machines, etc.	100	100	
CHING CHI INTERNATIONAL LIMITED	KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	General manufacturing	100	100	
KLEAN AIR ENTERPRISE LTD.	KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO.,LTD.	General manufacturing	100	100	
KLEAN AIR ENTERPRISE LTD.	KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD.	Merchandise sales and trading business	99	99	
KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO.,LTD.	KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD.	Merchandise sales and trading 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:

The total non-controlling interests of the Group as of December 31, 2023 and 2022 were \$115,646 and \$99,595 respectively. The following is information about the non-controlling interests that are significant to the Group and its subsidiaries:

Name of subsidiaries	Primary business locations	Non-controlling interests				Explanation
		December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
CHING CHI INTERNATIONAL LIMITED	China	<u>\$ 111,065</u>	17	<u>\$ 94,610</u>	17	Note

Note: The registered country of this subsidiary is the British Virgin Islands.

Summary financial information of subsidiaries:

Balance sheet

	CHING CHI INTERNATIONAL LIMITED and its Subsidiaries	
	December 31, 2023	December 31, 2022
Current assets	\$ 1,618,087	\$ 1,097,337
Non-current assets	196,104	166,427
Current liabilities	(1,160,868)	(707,823)
Total net assets	<u>\$ 653,323</u>	<u>555,941</u>

Consolidated Profit and Loss Statement

	CHING CHI INTERNATIONAL LIMITED and its Subsidiaries	
	2023	2022
Revenue	\$ 2,180,017	\$ 1,529,432
Profit(loss) before income tax	\$ 124,039	\$ 6,926
Income tax expense	(13519)	-
Profit (loss) for the year	110,520	6,926
Other comprehensive income(loss)	(27,561)	57,779
Total comprehensive income(loss)	<u>\$ 82,959</u>	<u>64,705</u>

Cash flow statement

CHING CHI INTERNATIONAL LIMITED and its Subsidiaries			
	2023		2022
Net cash provided by (used in) operating activities	(\$ 28,858)	\$	107,578
Net cash flows from investing activities:	(40,279)	(	35,901)
Net cash flows from (used in) financing activities.	33,553	(	27,645)
Effect of exchange rate changes on cash	(166)		593
Net increase (decrease) in cash and cash equivalents	(35,750)	(	44,625)
Cash and cash equivalents at beginning of period	220,425	(	175,800)
Cash and cash equivalents at end of period	\$ 184,675	(	220,425)

(4) 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

- 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.
- 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.
- 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.
- 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:

- 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.
- (5) Classification of current and non-current items
 - A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be 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.
- (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

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

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred 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, 2023, the Group recognised loss allowance amounting to \$61,848.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 996	\$ 2,806
Checking accounts and demand deposits	<u>471,062</u>	<u>400,396</u>
	<u>\$ 472,058</u>	<u>\$ 403,202</u>

1. 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.
2. The Company has no cash and cash equivalents pledged to others.

(2) Notes and accounts receivable, net

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 326,012	\$ 465,718
Less: Allowance for uncollectible accounts	(24)	(24)
	325,988	465,694
Notes receivable due from related parties (Note 7)	27,036	55,228
	<u>\$ 353,024</u>	<u>\$ 520,922</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 1,288,028	\$ 794,455
Less: Allowance for uncollectible accounts	(61,824)	(36,669)
	1,226,204	757,786
Accounts receivable due from related parties (Note 7)	12,286	6,739
	<u>\$ 1,238,490</u>	<u>\$ 764,525</u>

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 353,048	\$ 1,214,523	\$ 520,946	\$ 742,201
Past due:				
Up to 30 days	-	26,030	-	7,223
31 to 90 days	-	14,194	-	9,908
91 to 180 days	-	7,815	-	26,169
181 days to 1 year	-	28,214	-	7,023
1 to 2 year(s)	-	5,113	-	3,885
Over 2 years	-	4,425	-	4,785
	<u>\$ 353,048</u>	<u>\$ 1,300,314</u>	<u>\$ 520,946</u>	<u>\$ 801,194</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, notes receivable and accounts receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to \$949,500.

C. As of December 31, 2023 and 2022, the Group does not hold any collateral as security for accounts receivable.

D. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts

receivable was \$1,591,514 and \$1,285,447, respectively.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

F. As of December 31, 2023 and 2022, the Group transferred the bank acceptance to suppliers as payment in the same amount. The notes receivable derecognized but not yet matured amounted to \$59,589 (RMB 13,786 thousand) and \$53,002 (RMB 12,008 thousand), respectively.

G. Please refer to Note 6(10) for the information of long-term receivables.

(3) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Notes Book value
Materials and supplies	\$ 310,455	(\$ 41,434)	\$ 269,021
Work in progress	124,566	(4)	124,562
Finished goods	254,775	(17,029)	237,746
Merchandise	10,440	(3,004)	7,436
Materials and supplies in transit	6,797	-	6,797
	<u>\$ 707,033</u>	<u>(\$ 61,471)</u>	<u>\$ 645,562</u>
	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
	<u>\$ 716,198</u>	<u>(\$ 45,487)</u>	<u>\$ 670,711</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2023	2022
Cost of goods sold	\$ 2,261,072	\$ 2,142,484
Loss on decline in market value	16,813	2,684
Others	385,129	183,003
	<u>\$ 2,636,014</u>	<u>\$ 2,328,135</u>

(4) Other assets-current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments	\$ 61,239	\$ 76,089
Retained tax credit	10,931	26
Guarantee deposits paid-current	6,065	5,090
Other receivables	2,518	696
Office supplies	1,539	1,516
Current financial assets at amortised cost	1,127	1,304
Other	870	242
	<u>\$ 84,289</u>	<u>\$ 84,963</u>

As of December 31, 2023 and 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 \$1,127 and \$1,304; refer to Notes 8 for details.

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

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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	-	-
	<u>9,759</u>	<u>9,759</u>
Valuation adjustment	-	-
	<u>\$ 9,759</u>	<u>\$ 9,759</u>

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, 2023 and 2022.

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, STAT 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	Lease	Subtotal	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1, 2023											
Cost											
Accumulated depreciation and impairment	\$ 137,865	\$ 537,213	\$ 87,743	\$ 624,956	\$ 342,242	\$ 58,834	\$ 31,622	\$ 6,624	\$ 13,673	\$ 11,490	\$ 1,227,306
	-	(265,417)	(16,189)	(281,606)	(263,141)	(48,842)	(20,663)	(2,504)	(9,491)	-	(626,247)
2023	<u>\$ 137,865</u>	<u>\$ 271,796</u>	<u>\$ 71,554</u>	<u>\$ 343,350</u>	<u>\$ 79,101</u>	<u>\$ 9,992</u>	<u>\$ 10,959</u>	<u>\$ 4,120</u>	<u>\$ 4,182</u>	<u>\$ 11,490</u>	<u>\$ 601,059</u>
Opening net book amount as at January 1	\$ 137,865	\$ 271,796	\$ 71,554	343,350	\$ 79,101	\$ 9,992	\$ 10,959	\$ 4,120	\$ 4,182	\$ 11,490	\$ 601,059
Additions											
Transfers from prepayments for business facilities	-	19,175	-	19,175	16,241	10,993	2,552	-	1,550	32,652	83,163
	-	6,721	-	6,721	21,757	-	994	-	-	(24,476)	4,996
Depreciation charge	-	(23,195)	(4,477)	(27,672)	(19,748)	(4,525)	(2,621)	(626)	(1,202)	-	(56,394)
Disposals-cost	-	(7,973)	-	(7,973)	(48,016)	(7,951)	(6,367)	-	(392)	-	(70,699)
Disposals-accumulated depreciation	-	7,973	-	7,973	44,104	7,951	6,345	-	392	-	66,765
Net exchange differences	-	(1,949)	(1,452)	(3,401)	(621)	(27)	7	-	(1)	(223)	(4,266)
Closing net book amount as at December 31	<u>\$ 137,865</u>	<u>\$ 272,548</u>	<u>\$ 65,625</u>	<u>\$ 338,173</u>	<u>\$ 92,818</u>	<u>\$ 16,433</u>	<u>\$ 11,869</u>	<u>\$ 3,494</u>	<u>\$ 4,529</u>	<u>\$ 19,443</u>	<u>\$ 624,624</u>
At December 31, 2023											
Cost	\$ 137,865	\$ 550,715	\$ 85,879	\$ 636,594	\$ 329,604	\$ 61,536	\$ 28,528	\$ 6,624	\$ 14,786	\$ 19,443	\$ 1,234,980
Accumulated depreciation and impairment	-	(278,167)	(20,254)	(298,421)	(236,786)	(45,103)	(16,659)	(3,130)	(10,257)	-	(610,356)
	<u>\$ 137,865</u>	<u>\$ 272,548</u>	<u>\$ 65,625</u>	<u>\$ 338,173</u>	<u>\$ 92,818</u>	<u>\$ 16,433</u>	<u>\$ 11,869</u>	<u>\$ 3,494</u>	<u>\$ 4,529</u>	<u>\$ 19,443</u>	<u>\$ 624,624</u>

		Buildings and structures			Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
	Land	Owner- occupied	Lease	Subtotal							
<u>At January 1, 2022</u>											
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)
	<u>\$ 110,783</u>	<u>\$ 225,171</u>	<u>\$ 68,541</u>	<u>\$ 293,712</u>	<u>\$ 80,327</u>	<u>\$ 10,561</u>	<u>\$ 1,679</u>	<u>\$ 403</u>	<u>\$ 2,400</u>	<u>\$ 71,528</u>	<u>\$ 571,393</u>
<u>2022</u>											
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	<u>\$ 137,865</u>	<u>\$ 271,796</u>	<u>\$ 71,554</u>	<u>\$ 343,350</u>	<u>\$ 79,101</u>	<u>\$ 9,992</u>	<u>\$ 10,959</u>	<u>\$ 4,120</u>	<u>\$ 4,182</u>	<u>\$ 11,490</u>	<u>\$ 601,059</u>
<u>At December 31, 2022</u>											
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)
	<u>\$ 137,865</u>	<u>\$ 271,796</u>	<u>\$ 71,554</u>	<u>\$ 343,350</u>	<u>\$ 79,101</u>	<u>\$ 9,992</u>	<u>\$ 10,959</u>	<u>\$ 4,120</u>	<u>\$ 4,182</u>	<u>\$ 11,490</u>	<u>\$ 601,059</u>

- A. For the years ended December 31, 2023 and 2022, 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 18,427	\$ 19,400
Buildings	35,939	23,393
	<u>\$ 54,366</u>	<u>\$ 42,793</u>

	<u>Year ended December 31</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
	<u>2023</u>	<u>2022</u>
Land	\$ 574	\$ 577
Buildings	9,378	16,529
	<u>\$ 9,952</u>	<u>\$ 17,160</u>

C. For the years ended December 31, 2023 and 2021, the Group has increases in right-of-use assets of \$39,506 and \$1,674, respectively.

D. Information on profit or loss in relation to lease contracts is as follows

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,898	\$ 1,649
Expense on leases of low-value assets	287	1,420
Profit from lease modification	3,413	-

E. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$10,976 and \$20,721, 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 5-15 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, 2023 and 2022, the Group recognised rent income in the amounts of \$14,589 and \$11,635, 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Within 1 year	\$ 22,029	\$ 9,398
Later than one year but not later than three years	38,343	20,684
More than three years	<u>127,709</u>	<u>5,171</u>
	<u>\$ 188,081</u>	<u>\$ 35,253</u>

(10) Long-term receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total long-term accounts receivable	\$ 785	\$ 1,308
Less: Unrealised interest revenue	(20)	(52)
	<u>\$ 765</u>	<u>\$ 1,256</u>

As of December 31, 2023 and 2022, 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:

<u>Term</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Within 1 year	\$ 507	\$ 492
Later than one year but not later than two years	258	507
Later than two years but not later than three years	-	257
	<u>765</u>	<u>1,256</u>

A. As of December 31, 2023 and 2022, the Group does not hold any collateral as security for long-term accounts receivable.

B. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's long-term accounts receivable was \$765 and \$1,256, 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, 2023	December 31, 2022
Bank unsecured borrowings	\$ 153,370	\$ 154,303
Bank secured borrowings	29,159	90,483
	<u>\$ 182,529</u>	<u>\$ 244,786</u>
Interest rate range	<u>1.60% ~ 7.00%</u>	<u>1.22% ~ 6.29%</u>

A. Interest expense recognised in profit or loss amounted to \$4,728 and \$4,422 for the years ended December 31, 2023 and 2022, 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, 2023	December 31, 2022
Salaries and wages and year-end bonuses payable	\$ 97,700	\$ 90,769
Payable on technical service expense	100,988	76,907
Employees' compensation payable	40,202	31,957
Commodity tax payable	12,604	8,902
Business tax payable	11,760	22,738
Directors' remuneration payable	11,501	8,837
Payable on construction	7,919	19,575
Payable on machinery and equipment	5,145	3,618
Others	68,114	82,676
	<u>\$ 356,593</u>	<u>\$ 356,593</u>

(13) Current provisions

Warranty	2023	2022
At January 1	\$ 49,160	\$ 48,649
Additional provisions	42,357	13,202
Used during the year	(29,198)	(12,578)
Unused amounts reversed	-	(406)
Net exchange differences	(268)	293
At December 31	<u>\$ 62,051</u>	<u>\$ 49,160</u>

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, 2023
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	2.08%	Land, buildings and structures	\$ 15,000
	Borrowing period is from April 2020 to April 2025; principal is repayable in installments in accordance with the mutual agreement	7.00%	Right-of-use assets	13,411
				28,411
Less: current portion				(24,746)
				<u>\$ 3,665</u>

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)
				<u>\$ 28,701</u>

A. Interest expense recognised in profit or loss amounted to \$2,222 and \$2,278 for the years ended December 31, 2023 and 2022, 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, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 103,303	\$ 97,008
Fair value of plan assets	(39,226)	(27,279)
	<u>\$ 64,077</u>	<u>\$ 69,729</u>

(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
2023			
At January 1	\$ 97,008	(\$ 27,279)	\$ 69,729
Current service cost	723	-	723
Interest expense (income)	1,358	(382)	976
	<u>99,089</u>	<u>(27,61)</u>	<u>71,428</u>
Remeasurements:			
Actuarial gains	-	(87)	(87)
Change in financial assumptions	1,943	-	1,943
Experience adjustments	2,271	-	2,271
	<u>4,214</u>	<u>(87)</u>	<u>4,127</u>
Pension fund contribution	-	(11,478)	(11,478)
At December 31	<u>\$ 103,303</u>	<u>(\$ 39,226)</u>	<u>\$ 64,077</u>
	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
	<u>118,126</u>	<u>(19,585)</u>	<u>98,541</u>
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	-
	<u>(21,118)</u>	<u>1,530</u>	<u>(19,588)</u>
Pension fund contribution	-	(9,224)	(9,224)
At December 31	<u>\$ 97,008</u>	<u>(\$ 27,279)</u>	<u>\$ 69,729</u>

- (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, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2023	2022
Discount rate	1.20%	1.40%
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

	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, 2023	(\$ 2,421)	\$ 2,503	\$ 2,207	\$ 2,150
December 31, 2022	(\$ 2,440)	\$ 2,527	\$ 2,251	(\$ 2,189)

defined benefit obligation is affected. The analysis was as follows:

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to \$6,123.
- (g) As of December 31, 2023 the weighted average duration of the retirement plan is 10 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, 2023 and 2022, were \$23,987 and \$24,087, respectively.

(16) Share capital

- A. As of December 31, 2023, 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, 2023 and 2022, 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, 2023 and 2022 are as follows:

	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Total</u>
Balance at January 1			
(at December 31)	<u>\$ 128,615</u>	<u>\$ 1</u>	<u>\$ 128,616</u>

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, 2023 and 2022 were both \$4,607.

D. (a) On March 22, 2023, the Board of Directors approved the distribution of dividends for the year 2022, which were \$152,304 at a rate of \$2.00 per ordinary share in cash. The shareholders were informed during the shareholders' meeting held on June 14, 2023. On May 26, 2022, the shareholders' meeting of the Company approved the distribution of dividends for the year 2021, which were \$137,074 at \$1.80 per ordinary share.

(b) On March 12, 2024, the Board of Directors approved that total dividends for the distribution of earnings for the year of 2023 was \$182,766 at \$2.4 (in dollars) per ordinary share.

(19) Other equity items

2023			
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 48,124)	(\$ 33,318)	(\$ 81,442)
Currency translation differences:			
– Group	(13,494)	-	13,494)
At December 31	(\$ 61,618)	(\$ 33,318)	(\$ 94,936)

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)

(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, 2023					
Mainland					
	Taiwan	China	Vietnam	Other	Total
Equipment unit	\$ 1,514,686	\$ 1,377,400	\$ 40,258	\$ 7,673	\$2,940,017
System integration construction	301,369	-	-	-	301,369
Repairs and maintenance	149,728	72,404	10,136	2,934	235,202
	<u>\$ 1,965,783</u>	<u>\$ 1,449,804</u>	<u>\$ 50,394</u>	<u>\$ 10,607</u>	<u>\$3,476,588</u>
Timing of revenue recognition:					
At a point in time	\$ 1,514,686	\$ 1,377,400	\$ 40,258	\$ 7,673	\$2,940,017
Over time	451,097	72,404	10,136	2,934	536,571
	<u>\$ 1,965,783</u>	<u>\$ 1,449,804</u>	<u>\$ 50,394</u>	<u>\$ 10,607</u>	<u>\$3,476,588</u>

Year ended December 31, 2022					
Mainland					
	Taiwan	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
	<u>\$ 1,728,569</u>	<u>\$ 1,176,445</u>	<u>\$ 122,864</u>	<u>\$ 4,985</u>	<u>\$3,032,863</u>
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
	<u>\$ 1,728,569</u>	<u>\$ 1,176,445</u>	<u>\$ 122,864</u>	<u>\$ 4,985</u>	<u>\$3,032,863</u>

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract assets and liabilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract assets:			
System integration construction contract	\$ <u>85,855</u>	\$ <u>7,589</u>	\$ <u>48,363</u>
Contract liabilities:			
Equipment unit contract	\$ 153,987	\$ 153,987	\$ 101,319
System integration construction contract	<u>9,736</u>	<u>12,035</u>	<u>-</u>
	<u>\$ 163,723</u>	<u>\$ 104,386</u>	<u>\$ 101,319</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Equipment unit contract	\$ 79,001	\$ 79,666
System integration construction contract	<u>12,035</u>	<u>-</u>
	<u>\$ 91,036</u>	<u>\$ 79,666</u>

(c) As of December 31, 2023, the total transaction price allocated to unfulfilled performance obligations amounted to \$224,351. 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 2024.

(21) Other income

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Rent income	\$ 14,589	\$ 11,635
Dividend income	2,386	1,707
Gains on doubtful debt recoveries	5,713	4,109
Other income	<u>23,286</u>	<u>12,690</u>
	<u>\$ 45,974</u>	<u>\$ 30,141</u>

(22) Other gains and losses

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Profit from lease modification	\$ 3,413	\$ -
Gains (losses) on disposals of property, plant and equipment	1,430	209
Foreign exchange (losses) gains	<u>(700)</u>	<u>5,421</u>
Others	<u>2,242</u>	<u>(1,980)</u>
	<u>\$ 1,901</u>	<u>\$ 3,650</u>

(23) Expenses by nature

	Year ended December 31	
	2023	2022
Employee benefit expense	\$ 465,233	\$ 454,225
Depreciation charge	66,346	69,325
Amortisation charge	2,920	3,340
	<u>\$ 534,499</u>	<u>\$ 526,890</u>

(24) Employee benefit expense

	Year ended December 31	
	2023	2022
Wages and salaries	\$ 373,810	\$ 365,060
Labour and health insurance fees	36,018	35,443
Pension costs	25,686	26,026
Directors' emoluments	12,539	9,851
Other personnel expenses	17,181	17,845
Operating lease expenses	<u>\$ 465,233</u>	<u>\$ 454,225</u>

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, 2023 and 2022, employees' compensation was accrued at \$22,739 and \$16,423, respectively; while directors' remuneration was accrued at \$9,745 and \$7,038, 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, 2023. The employees' compensation and directors' remuneration resolved by the Board of Directors were \$22,739 and \$9,745, and both will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 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

(1) Components of income tax expense

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 66,218	\$ 49,881
Tax on undistributed earnings	3,919	-
Prior year income tax (over) underestimation	(5)	(1,624)
Total current tax	<u>70,132</u>	<u>48,257</u>
Deferred tax:		
Origination and reversal of temporary differences	11,557	(2,598)
Income tax expense	<u>\$ 81,689</u>	<u>\$ 45,659</u>

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

	Year ended December 31	
	2023	2022
Remeasurement of defined benefit obligations	<u>(\$ 825)</u>	<u>\$ 3,918</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 115,847	\$ 81,722
Effects from tax exempt income by tax regulation	(38,072)	(34,439)
Additional tax on undistributed earnings	3,919	-
Prior year income tax (over) underestimation	(5)	(1,624)
Income tax expense	<u>\$ 81,689</u>	<u>\$ 45,659</u>

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:

	2023			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
Temporary differences:				
–Deferred tax assets:				
Pension costs	\$ 11,946	\$ 44	\$ 825	\$ 12,815
Product service guarantee	7,244	(3)	-	7,241
Allowance for inventory valuation losses	4,648	953	-	5,601
Allowance for bad debts	388	1,497	-	1,885
Unused compensated absence	488	-	-	488
Others	3,963	3,019	-	6,982
	<u>28,677</u>	<u>5,510</u>	<u>825</u>	<u>35,012</u>
–Deferred tax liabilities:				
Gain on investment	(54,034)	(17,067)	-	(71,101)
	<u>(\$ 25,357)</u>	<u>\$ 11,557</u>	<u>\$ 825</u>	<u>(\$ 36,089)</u>
	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
	<u>28,081</u>	<u>4,514</u>	<u>(3,918)</u>	<u>28,677</u>
–Deferred tax liabilities:				
Gain on investment	(52,118)	(1,916)	-	(54,034)
	<u>(\$ 24,037)</u>	<u>\$ 2,598</u>	<u>(\$ 3,918)</u>	<u>(\$ 25,357)</u>

- 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, 2023 and 2022, 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 2021 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, 2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 258,404</u>	<u>76,152</u>	<u>\$ 3.39</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 258,404	76,152	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	<u>-</u>	<u>995</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 258,404</u>	<u>77,147</u>	<u>\$ 3.35</u>
Year ended December 31, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 204,046</u>	<u>76,152</u>	<u>\$ 2.68</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 204,046	76,152	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	<u>-</u>	<u>876</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 204,046</u>	<u>77,028</u>	<u>\$ 2.65</u>

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31	
	2023	2022
Purchase of property, plant and equipment	\$ 83,163	\$ 57,788
Add: Opening balance of payable on equipment	3,618	6,159
Less: Ending balance of payable on equipment	(5,145)	(3,618)
Cash paid	<u>\$ 81,636</u>	<u>\$ 60,329</u>

B. Investing and financing activities with no cash flow effects:

	Year ended December 31	
	2023	2022
Prepayments for equipment transferred to property, plant and equipment	<u>\$ 4,996</u>	<u>\$ 12,490</u>
Increase in right-of-use assets	\$ 39,506	\$ 1,674
Less: Decrease in lease liabilities	(39,506)	(1,674)
	<u>\$ -</u>	<u>\$ -</u>
Decrease in right-of-use assets	\$ 16,702	
Less: Increase in lease liabilities	(20,115)	
Profit from lease modification	\$ 3,413	
Long-term borrowings, current portion	<u>\$ 24,746</u>	<u>\$ 29,957</u>

(28) Changes in liabilities from financing activities

	January 1, 2023	cash flow from financing activities	Changes in foreign exchange rate	December 31, 2023
Short-term borrowings	\$ 244,786	(\$ 61,303)	(\$ 954)	\$ 182,529
Long-term borrowings (Note 1)	58,658	(29,746)	(501)	28,411
Lease liability (Note 2)	27,337	(8,791)	18,354	36,900
Liabilities from financing activities-gross	<u>\$ 330,781</u>	<u>(\$ 99,840)</u>	<u>\$ 16,899</u>	<u>\$ 247,840</u>

	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	42,614	(17,652)	2,375	27,337
Liabilities from financing activities-gross	<u>\$ 335,772</u>	<u>(\$ 14,036)</u>	<u>\$ 9,045</u>	<u>\$ 330,781</u>

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	
	2023	2022
Sales of goods:		
Subsidiaries		
TECO Electric & Machinery	\$ 56,223	\$ 95,803
Others	6,335	6,179
	<u>\$ 62,558</u>	<u>\$ 101,982</u>

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	
	2023	2022
Purchases of goods:		
Entities with significant influence over the Group	\$ 7,958	\$ 405

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes		
Entities with significant influence over the Group		
TECO Electric & Machinery	<u>\$ 27,036</u>	<u>\$ 55,228</u>
Accounts receivable:		
Entities with significant influence over the Group		
TECO Electric & Machinery	10,307	6,240
Others	<u>1,979</u>	<u>499</u>
	<u>12,286</u>	<u>6,739</u>
Total	<u>\$ 39,322</u>	<u>\$ 61,967</u>

D. Payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes		
Entities with significant influence over the Group	\$ 69	\$ 14
Accounts payable:		
Entities with significant influence over the Group	<u>193</u>	<u>93</u>
Total	<u>\$ 262</u>	<u>\$ 107</u>

(3) Key management compensation

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 39,834	\$ 36,316
Post-employment	<u>218</u>	<u>223</u>
	<u>\$ 40, 52</u>	<u>\$ 36,539</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Pledged time deposit (Note 1)	\$ 1,727	1304	Advance payment bonds issued by banks
Guarantee deposits paid-current (Note 2)	6,065	5,090	Guarantee for bids
Land	96,150	96,150	Line of credit for long-term and short-term borrowings
Buildings and structures, net	125,728	133,295	Line of credit for long-term and short-term borrowings
Right-of-use assets, net	12,689	13,372	Line of credit for long-term and short-term borrowings
Guarantee deposits paid	15,182	21,252	Construction performance bond or maintenance bond
	<u>\$ 257,541</u>	<u>\$ 270,463</u>	

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Performance guarantee	\$ <u>61,510</u>	\$ <u>76,846</u>

- (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:—

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Guaranteed amount provided by the bank	\$ <u>63,426</u>	\$ <u>46,305</u>

- (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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Outsourcing construction	\$ 190,950	\$ 47,753
Property, plant and equipment	<u>8,683</u>	<u>5,692</u>
	<u>\$ 199,633</u>	<u>\$ 53,445</u>

- (5) As of December 31, 2023 and 2022, the Group's unused letters of credit for the import of raw materials were USD 91 thousand and USD 27 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, 2023 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 2023 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, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 1,906,021	\$ 1,556,430
Total assets	\$ 3,647,282	\$ 3,192,336
Debt to assets	52%	49%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
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	\$ 472,058	\$ 403,202
Financial assets at amortised cost	1,727	1,304
Notes receivable (including related parties)	353,024	520,922
Accounts receivable (including related parties)	1,238,490	764,525
Other	2,518	696
Guarantee deposits paid (including current)	26,342	26,342
Long-term accounts receivable	765	1,256
	<u>\$ 2,089,829</u>	<u>\$ 1,718,247</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised		
Short-term borrowings	\$ 182,529	\$ 244,786
Notes payable	129,014	17,034
Accounts payable	721,247	555,194
Other payables	356,593	345,979
Long-term borrowings		
(including current portion)	28,411	58,658
Guarantee deposits (Note2)	42,991	1,443
	<u>\$ 1,460,785</u>	<u>\$ 1,223,094</u>
Lease liability (including non-current)	<u>\$ 36,900</u>	<u>\$ 27,337</u>

Note 1: Financial assets at amortised cost, shown as ‘other current assets,

others’.

Note 2: Shown as ‘other current assets, others’.

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 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, 2023			
	Foreign currency		Book value
	amount	Exchange rate	
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 841	30.71	\$ 25,823
USD:RMB	8,735	7.10	268,208
Non-monetary items (Note)			
USD:NTD	22,259	30.71	671,239
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	499	30.71	15,322
USD:VND	709	23,633	21,770

December 31, 2022			
(Foreign currency: functional currency)	Foreign currency		
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
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

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, 2023 and 2022, amounted to (\$700) and \$5,421, respectively.
- v Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2023			
(Foreign currency: functional currency)	Sensitivity analysis		
	Degree of	Effect on	Effect on other
	variation	or loss	comprehensive
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,682	\$ -
USD:RMB	1%	258	-
<u>Non-monetary items</u>			
	1%	-	6,712
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	218	-
USD:VND	1%	153	-

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 214	\$ -
USD:RMB	1%	190	-
<u>Non-monetary items</u>			
USD:NTD	1%	-	5,994
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	277	-
USD:VND	1%	389	-

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 2023 and 2022, 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, 2023 and 2022 would have decreased/increased by \$284 and \$587, 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, 2023 and 2022, the Group's written-off financial assets that are still under recourse procedures amounted to \$46,250 and \$44,337, 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, 2023 and 2022 is as follows:

	Not past due	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, 2023	0.16% ~3.31%	0.37%~ 10.5%	0.53%~ 41.5%	2.91%~ 63.01%	6.91%~ 73.73%	11.91%~ 78.93%	100%
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%

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:

	2023		
	Accounts receivable	Effect on profit Notes receivable	Contract assets
At January 1	\$ 36,669	\$ 24	\$ -
Reversal of impairment loss	28,231	-	-
Write-offs	(2,212)	-	-
Effect of exchange rate changes	575)	-	-
At December 31	<u>\$ 61,824</u>	<u>\$ 24</u>	<u>\$ -</u>
	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 changes	575	-	-
At December 31	<u>\$ 36,669</u>	<u>\$ 24</u>	<u>\$ -</u>

For 2023 and 2022, the impairment gains (losses) arising from customers' contracts amounts to (\$28,231) and \$566, 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, 2023					
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>					
Short-term borrowings	\$ 156,276	\$ 26,805	\$ -	\$ -	\$ -
Notes payable	128,750	264	-	-	-
Accounts payable	569,861	151,386	-	-	-
Other payables	206,012	150,581	-	-	-
Lease liability	2,597	2,819	5,098	16,196	16,433
Long-term borrowings (including current portion)	7,121	17,908	4,337	-	-
	<u>\$ 1,070,617</u>	<u>\$ 349,763</u>	<u>\$ 9,435</u>	<u>\$ 16,196</u>	<u>\$ 16,433</u>
Derivative financial liabilities: None.					

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
<u>Non-derivative financial liabilities:</u>					
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	-
	<u>\$ 867,675</u>	<u>\$ 349,163</u>	<u>\$ 32,363</u>	<u>\$ 4,739</u>	<u>\$ 867</u>
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, 2023 and 2022 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 9,759	\$ 9,759
Liabilities: None.				

- D. For the years ended December 31, 2023 and 2022, 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.

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, 2023						
	Taiwan	Mainland China	Vietnam	Other	Adjustment and elimination (Note)	Total
Revenue from external customers	\$ 1,965,783	\$ 1,449,804	\$ 50,394	\$ 10,607	\$ -	\$ 3,476,588
Inter-segment revenue	950,304	730,212	272	-	(1,680,788)	-
Total segment revenue	<u>\$ 2,916,087</u>	<u>\$ 2,180,016</u>	<u>\$ 50,666</u>	<u>\$ 10,607</u>	<u>(\$ 1,680,788)</u>	<u>\$ 3,476,588</u>
Segment income	<u>\$ 208,293</u>	<u>\$ 106,812</u>	<u>(\$ 3,260)</u>	<u>\$ 653</u>	<u>(\$ 2,559)</u>	<u>\$ 315,057</u>
Segment income:						
Depreciation and amortization	<u>\$ 30,827</u>	<u>\$ 30,959</u>	<u>\$ 7,447</u>	<u>\$ 33</u>		<u>\$ 69,266</u>
Segment assets	<u>\$ 1,842,273</u>	<u>\$ 1,613,445</u>	<u>\$ 176,340</u>	<u>\$ 15,224</u>		<u>\$ 3,647,282</u>
Segment liabilities	<u>\$ 886,514</u>	<u>\$ 963,664</u>	<u>\$ 47,840</u>	<u>\$ 8,003</u>		<u>\$ 1,906,021</u>

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	<u>\$ 2,630,045</u>	<u>\$ 1,529,433</u>	<u>\$ 122,864</u>	<u>\$ 5,931</u>	<u>(\$ 1,255,410)</u>	<u>\$ 3,032,863</u>
Segment income	<u>\$ 218,053</u>	<u>(\$ 5,952)</u>	<u>\$ 15,298</u>	<u>(\$ 1,977)</u>	<u>(\$ 924)</u>	<u>\$ 224,498</u>
Segment income:						
Depreciation and amortization	<u>\$ 30,881</u>	<u>\$ 34,645</u>	<u>\$ 7,130</u>	<u>\$ 9</u>		<u>\$ 72,665</u>
Segment assets	<u>\$ 1,803,504</u>	<u>\$ 1,169,550</u>	<u>\$ 207,487</u>	<u>\$ 11,795</u>		<u>\$ 3,192,336</u>
Segment liabilities	<u>\$ 857,620</u>	<u>\$ 618,165</u>	<u>\$ 71,511</u>	<u>\$ 9,134</u>		<u>\$ 1,556,430</u>

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, 2023 and 2022 is provided as follows:

	For the years ended December 31,	
	2023	2022
Reportable segments profit and loss	\$ 315,057	\$ 224,498
Non-operating income and expenses	44,168	27,326
Profit before tax and continued	<u>\$ 359,225</u>	<u>\$ 251,824</u>

(5) Information on products and services

Please refer to Note 6(20).

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,978,620	\$ 404,946	\$ 1,718,300	\$ 390,708
Mainland China	1,165,688	196,104	1,153,544	166,427
Others	332,280	107,001	161,019	106,938
	<u>\$ 3,476,588</u>	<u>\$ 708,051</u>	<u>\$ 3,032,863</u>	<u>\$ 664,073</u>

(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, 2023

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 1

Number	Lender	Counter- party	Account name	Related party	Highest balance for the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reason for financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	value		
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO.,LTD.	Other receivable – related parties	Yes	\$19,428	\$18,393	-	--	Note 1(2)	-	Working capital	-	-	-	\$162,562	\$650,246

Note 1: Fund loan code:

- (1) Those with business dealings.
- (2) Those need short-term financing.

Note 2: According to the Company's operating procedures for loans funds to others, the regulations are as follows:

- (1) The total amount of capital loans and business transactions of companies or banks and companies or banks that need short-term financing shall not exceed 40% of the net worth of the Company's most recent financial statements.
- (2) If there is a need for short-term financing between companies or with banks, the individual loan amount shall not exceed 10% of the Company's latest financial statement net worth.

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, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 2

Name of security holder	Name of security and type	Relationship with company	Account title	December 31, 2023				Remarks
				Units (shares)	Carrying Value	Percentage of ownership	Fair value	
KUEN LING MACHINERY REFRIGERATING CO., LTD.	Capital contribution-FengHou Enterprise Co., Ltd.	-	Financial assets at FVOCI	Note	5,720	18%	5,720	-
	Stock-KA LING INDUSTRIAL CORP.	-	Financial assets at FVOCI	157,500	4,039	15%	4,039	
	Stock-FULL OCEAN TRADING LIMITED	-	Financial assets at FVOCI	1,000,000	-	9%	-	-

Note: It is a limited company, therefore it is not applicable.

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, 2023

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 3

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/ Trade receivables (payables)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payables)	
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Subsidiary	Sale	\$928,314	58%	According to the agreement of both parties	Note	Note	\$253,145	61%	
KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	Fellow subsidiary	Sale	698,408	91%	According to the agreement of both parties	Note	Note	197,199	56%	

Note: It is conducted in accordance with the provisions of both parties, therefore there is no significant difference from ordinary transactions.

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, 2023

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 4

Name of company the has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Subsidiary	\$253,145	3.23%	\$-	-	\$163,525	\$-	None
KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	Fellow subsidiary	197,199	13.63%	-	-	21,620	-	None

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

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)

No. (Note 1)	Name of company	Related party	Relationship (Note 2)	Transaction details					
				Subject	Amount	Transaction terms	Ratio of total consolidated revenue or total assets (Note 3)		
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Sale	\$928,314	According to the agreement of both parties	27%	143%	3,052,138
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Management services revenue	26,181	According to the agreement of both parties	1%	4%	
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Accounts receivable - related party	253,145	According to the agreement of both parties	7%	8%	649,788
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO.,LTD.	1	Sale	13,739	According to the agreement of both parties	-		
1	KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	KUEN LING MACHINERY REFRIGERATING CO., LTD.	2	Sale	10,997	According to the agreement of both parties	-		
1	KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	3	Sale	698,408	According to the agreement of both parties	20%	107%	

No. (Note 1)	Name of company	Related party	Relationship (Note 2)	Transaction details					
				Subject	Amount	Transaction terms	Ratio of total consolidated revenue or total assets (Note 3)		
1	KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	3	Accounts receivable - related party	197,199	According to the agreement of both parties	5%	6%	

Note 1: Information on business transactions between the parent company and its subsidiaries should be indicated in the number column respectively. The method of filling in the number is as follows:

- (1). 0 for the parent company.
- (2). Subsidiaries are numbered sequentially starting from 1 according to company number.

Note 2: There are the following 3 types of relationships with related parties, indicated by type (if it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need to disclose it repeatedly. For example: a transaction between a parent company and a subsidiary company, if the parent company has disclosed, the subsidiary does not need to be disclosed again; subsidiary to subsidiary transactions, if one has disclosed it, the other does not need to disclose it again):

- (1). Parent company to subsidiary company.
- (2). Subsidiary to parent company.
- (3). Subsidiary to subsidiary.

Note 3: The calculation of the ratio of transaction amount to consolidated total revenue or total assets, if it is an asset and liability item, is calculated based on the closing balance to consolidated total assets; if it is a profit or loss item, it is calculated based on the accumulated amount during the period as a share of the total consolidated revenue.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries
Names, locations and other information of investee companies (not including investees in Mainland China)
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the Investee	Investment income (less) Recognized	Remarks
				December 31,2023	December 31,2022	Shares owned	Percentage owned	Carrying value			
KUEN LING MACHINERY REFRIGERATING CO., LTD.	CHING CHI INTERNATIONAL LIMITED	British Virgin Islands	Invest in other region	\$ 201,467	\$ 201,467	6,200,000	83	\$ 542,076	\$ 110,520	\$ 91,773	Subsidiary, Note 4
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Taiwan	Merchandise sales and trading business	30,000	30,000	3,000,000	100	222,420	131,123	131,123	Subsidiary
KUEN LING MACHINERY REFRIGERATING CO., LTD.	KLEAN AIR ENTERPRISE LTD.	Samoa	Invest in other region	138,046	138,046	4,401,000	100	125,124	(6,718)	(6,718)	Subsidiary
KUEN LING MACHINERY REFRIGERATING CO., LTD.	Yi Chi Industrial Co., Ltd.	Taiwan	General manufacturing	7,073	7,073	-	70	10,690	1,144	801	Subsidiary, Note 1
KUEN LING MACHINERY REFRIGERATING CO., LTD.	AMG HOME Co. Ltd.	Taiwan	General manufacturing	47,000	47,000	2,350,000	23.5	-	-	-	
KLEAN AIR ENTERPRISE LTD.	KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO., LTD.	Vietnam	General manufacturing	89,325	89,325	-	100	120,229	(7,375)	-	sub-subsubsidiary, Note 1, Note 2, Note 3
KLEAN AIR ENTERPRISE LTD.	KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD.	Indonesia	Merchandise sales and trading business	17,279	17,279	-	99	4,625	665	-	sub-subsubsidiary, Note 1, Note 2, Note 3

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the Investee	Investment income (less) Recognized	Remarks
				December 31,2023	December 31,2022	Shares owned	Percentage owned	Carrying value			
KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD.	KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD.	Indonesia	Merchandise sales and trading business	175	175	-	1	47	665	-	sub-subsidiary, Note 1, Note 2, Note 3

Note 1: It is a limited company.

Note 2: Converted into New Taiwan Dollars based on the exchange rate on the financial reporting date.

Note 3: It has been incorporated into the Company's profit and loss for the current period evaluated using the equity method, and is calculated and recognized by the Company as investment profit and loss.

Note 4: The difference between the current period's profit and loss of the invested company and the investment profit and loss recognized by the company is the unrealized profit and loss arising from the company's internal transactions.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2023

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment (Note 1)	Accumulated amount invested in Mainland China as of January 1, 2023	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of December 31, 2023	Net income Of investee	The Group's direct or indirect investment ratio	Investment gain (loss) recognized by the Group	Book value of the investment as of December 31, 2023	Accumulated investment income repatriated to Taiwan as of December 31, 2023	Remark
					Remittance	Repatriation							
KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	Engaging in manufacturing and sales of chillers	\$ 181,713	2	\$ 116,068	\$ -	\$ -	\$ 116,068	\$ 82,458	83	\$ 68,452	\$ 305,136	\$ 43,219	Note 2, Note 3
KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	General manufacturing industry	272,443	2	58,649	-	-	58,649	37,179	83	23,257	235,841	-	Note 2, Note 3
Suzhou Chu Mao Technology Co., Ltd.	Engaging in manufacturing and sales business of precision molding	255,459	2	21,173	-	-	21,173	(17,773)	9	-	-	-	-
Fu Feng Sheet Metal (Shanghai) Co., Ltd.	Manufacturing and sales of sheet metal outer boxes,	-	2	11,157	-	-	11,157	-	-	-	-	-	Note 7

<u>Company Name</u>	<u>The accumulated investment amount remitted from Taiwan to the mainland at the end of current period</u>	<u>The investment amount is approved by Department of Investment Review, MOEA</u>	<u>Investment limits in mainland China as stipulated by Department of Investment Review, MOEA</u>	<u>Remark</u>
KUEN LING MACHINERY REFRIGERATING CO., LTD.	\$ 207,047	\$ 401,109	\$ 975,369	Note 4, Note 5, Note 6

Note 1: Investment methods are divided into the following 3 types, just indicate the category:

- (1) Directly investment in the mainland China
- (2) Reinvest in mainland China through a third-region company (please indicate the investment company in the third region): Reinvest in mainland China through CHING CHI INTERNATIONAL LIMITED and FULL OCEAN TRADING LIMITED.
- (3) Other methods

Note 2: The difference between the amount of paid-in capital of the company and CHING CHI INTERNATIONAL LIMITED is based on the dividends distributed by KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.; CHING CHI INTERNATIONAL LIMITED was reinvested as the company's capital increase, and KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD's surplus was transferred to capital increase, the Company did not actually remit the amount.

Note 3: Investment gains and losses are recognized based on the financial statements which have been auditing and attestation by the Taiwanese parent company's accountant.

Note 4: Including the Department of Investment Review, MOEA approved the company's mainland invested company's surplus capital increase and the amount of dividends distributed by the mainland investment company that were indirectly reinvested in another mainland invested company.

Note 5: Converted into New Taiwan Dollars based on the exchange rate on the financial reporting date.

Note 6: According to the Department of Investment Review, MOEA stipulates that the investment limit in mainland China is 60% of the Group's net worth.

Note 7: The liquidation of the reinvested company was completed 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, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Name of invested company	<u>Sales (purchase) goods</u>		<u>property transaction</u>		<u>Accounts receivable (payable)</u>		<u>Endorsement of note guarantees or provides collateral</u>		<u>Maximum balance</u>	<u>Financing</u>		<u>Current interest</u>	<u>other</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>balance</u>	<u>%</u>	<u>Ending balance</u>	<u>Purpose</u>		<u>Ending balance</u>	<u>interest rate range</u>		
KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	(\$ 10,997)	1%	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	-	\$ -	-
KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	(5,608)	1%	-	-	-	-	-	-	-	-	-	-	-

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries
Major shareholders information
December 31, 2023

Table 9

Shareholder's Name	shares	
	Shareholding Amount	Percentage
TECO Electric & Machinery Co., Ltd.	11,131,642	14.61%
Wen-Chi Ko	4,414,075	5.79%

Note:

- (1) The information on the major shareholders in this table is based on the last business day of the end of each quarter by CCB. The total number of ordinary shares and special shares of the company that have been delivered without physical registration (including treasury shares) is calculated by the shareholders of the company up to 5%. There may be differences due to the calculation basis of the preparation between share capital recorded in the company's financial report and the company's actual non-physical registration of shares.
- (2) If the information above belongs to the trust on behalf of the shareholders, it is disclosed by the individual and trustor who opened the trust account by the trustee. As for shareholders to declare shares who hold more than 10% of their shares in accordance with the Securities and Exchange Act, its shareholding includes personal holding of shares plus the shares delivered to the trust with decision right etc.
Please refer to the Public Information Observatory for information on insider shareholding declarations.
- (3) The compilation principle of this table is to calculate the distribution of the balance of each credit transaction based on the list of securities owners that have been closed for transfer at the extraordinary meeting of shareholders (securities lending is not covered).
- (4) Shareholding ratio (%) = total number of shares held by the shareholder/total number of shares that have been delivered with non-physical registration.
- (5) The total number of shares that have been delivered with non-physical registration (including treasury shares) is 76,152,370 shares = 76,152,370 (ordinary shares) + 0 (preferred stock).

**KUEN LING MACHINERY
REFRIGERATING CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS'
REPORT
DECEMBER 31, 2023 AND 2022
(Stock Code: 4527)**

Address: No. 300, Chikan N. Rd., Ziguan Dist., Kaohsiung City 826, Taiwan (R.O.C.)

Telephone : 886-7-6192345

Notice to readers

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
DECEMBER 31, 2023 AND 2022 PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23004532

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, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the 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, 2023 and 2022, 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 2023 parent company only financial statements. These matters were addressed

in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 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\$10,690 thousand and NT\$11,865 thousand, both constituting 1% of the total assets as at December 31, 2023 and 2022, and the comprehensive income recognised from associates and joint ventures accounted for using the equity method amounted to NT\$801 thousand and NT\$2,195 thousand, constituting 1% and 1% of the total comprehensive income for the years then ended, respectively.

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

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

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

Those charged with governance 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 12, 2024

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

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

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

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 143,820	6	\$ 97,477	4
1140	Current contract assets	6(18)	85,855	4	7,589	-
1150	Notes receivable, net	6(2)	7,939	-	9,394	-
1160	Notes receivable due from related parties, net	6(2) and 7	27,036	1	55,228	3
1170	Accounts receivable, net	6(2)	101,364	4	164,543	7
1180	Accounts receivable due from related parties, net	6(2) and 7	272,041	12	174,148	8
1210	Other receivables due from related parties	7	9,253	1	11,846	1
1220	Current tax assets		-	-	16,664	1
130X	Inventories	6(3)	361,574	15	456,250	20
1410	Prepayments		40,006	2	29,998	1
1479	Other current assets, others	8	1,438	-	2,519	-
11XX	Total current assets		1,050,326	45	1,025,656	45
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	9,759	-	9,759	1
1550	Investments accounted for using equity method	6(5)	900,310	38	824,517	37
1600	Property, plant and equipment	6(6), 7 and 8	323,544	14	325,173	14
1755	Right-of-use assets	6(7) and 7	9,258	-	12,981	1
1780	Intangible assets		2,627	-	4,478	-
1840	Deferred income tax assets	6(23)	28,789	1	25,431	1
1920	Guarantee deposits paid	8	14,820	1	17,812	1
1930	Long-term notes and accounts receivable	6(8)	765	-	1,256	-
1990	Other non-current assets, others	8	19,309	1	7,406	-
15XX	Total non-current assets		1,309,181	55	1,228,813	55
1XXX	Total assets		\$ 2,359,507	100	\$ 2,254,469	100

(Continued)

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

Liabilities and Equity			December 31, 2023		December 31, 2022			
			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(9) and 8	\$	109,841	5	\$	152,096	7
2130	Current contract liabilities	6(18)		31,842	1		41,109	2
2150	Notes payable	7		12,440	-		14,824	1
2170	Accounts payable	7		247,309	10		177,361	8
2200	Other payables	6(10) and 7		123,775	5		117,030	5
2230	Current tax liabilities			13,902	1		9,216	-
2250	Current provisions	6(11)		36,203	2		36,219	1
2280	Current lease liabilities	7		2,379	-		2,960	-
2320	Long-term liabilities, current portion	6(12) and 8		15,000	1		20,000	1
2399	Other current liabilities, others			646	-		643	-
21XX	Total current liabilities			593,337	25		571,458	25
Non-current liabilities								
2540	Long-term borrowings	6(12) and 8		-	-		15,000	1
2570	Deferred income tax liabilities	6(23)		71,101	3		54,034	3
2580	Non-current lease liabilities	7		5,377	-		7,937	-
2640	Net defined benefit liability, non-current	6(13)		64,077	3		69,729	3
25XX	Total non-current liabilities			140,555	6		146,700	7
2XXX	Total Liabilities			733,892	31		718,158	32
Equity								
Share capital								
3110	Ordinary share	6(14)		761,524	32		761,524	34
Capital surplus								
3200	Capital surplus	6(15)		128,616	6		128,616	6
Retained earnings								
3310	Legal reserve	6(16)		267,856	11		245,884	11
3320	Special reserve			81,442	4		102,117	4
3350	Unappropriated retained earnings			481,113	20		379,612	17
Other equity interest								
3400	Other equity interest	6(17)	(	94,936)	(4)	(	81,442)	(4)
3XXX	Total equity			1,625,615	69		1,536,311	68
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		\$	2,359,507	100	\$	2,254,469	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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(18) and 7	\$ 1,603,442	100	\$ 1,427,701	100
5000	Operating costs	6(3)(21)(22) and 7	(1,361,849)	(85)	(1,210,892)	(85)
5900	Gross profit		241,593	15	216,809	15
5910	Unrealised profit from sales		284	-	(1,566)	-
5950	Gross profit from operations		241,877	15	215,243	15
	Operating expenses	6(21)(22) and 7				
6100	Selling expenses		(51,101)	(3)	(54,260)	(4)
6200	Administrative expenses		(103,925)	(7)	(96,584)	(6)
6300	Research and development expenses		(37,262)	(2)	(40,073)	(3)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(8,742)	(1)	1,977	-
6000	Total operating expenses		(201,030)	(13)	(188,940)	(13)
6900	Net operating loss		40,847	2	26,303	2
	Non-operating income and expenses					
7100	Interest income		603	-	186	-
7010	Other income	6(19) and 7	34,837	2	33,394	2
7020	Other gains and losses	6(20) and 7	2,079	-	5,374	-
7050	Finance costs	6(7)(9)(12) and 7	(2,989)	-	(3,000)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		216,979	14	152,584	11
7000	Total non-operating income and expenses		251,509	16	188,538	13
7900	Profit before income tax		292,356	18	214,841	15
7950	Income tax expense	6(23)	(33,952)	(2)	(10,795)	(1)
8200	Profit for the year		\$ 258,404	16	\$ 204,046	14
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)	(\$ 4,127)	-	\$ 19,588	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	825	-	(3,918)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(3,302)	-	15,670	1
Components of other comprehensive income that will be reclassified to profit or loss						
8361	Exchange differences on translation of foreign financial statements		(13,494)	(1)	20,675	2
8300	Other comprehensive income (loss)		(\$ 16,796)	(1)	\$ 36,345	3
8500	Total comprehensive income		\$ 241,608	15	\$ 240,391	17
Earnings per share						
9750	Basic earnings per share	6(24)	\$ 3.39		\$ 2.68	
9850	Diluted earnings per share		\$ 3.35		\$ 2.65	

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

				Retained Earnings			Other equity interest		
	Notes	Share capital - common stock	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 equity
<u>Year ended December 31, 2022</u>									
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 (loss)	6(17)	-	-	-	-	15,670	20,675	-	36,345)
Total comprehensive income (loss)		-	-	-	-	219,716	20,675	-	240,391
Appropriation and distribution of 2021 retained earnings:									
Legal reserve appropriated		-	-	15,247	-	(15,247)	-	-	-
Special reserve appropriated		-	-	-	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
<u>Year ended December 31, 2023</u>									
Balance at January 1, 2023		\$ 761,524	\$ 128,616	\$ 245,884	\$ 102,117	\$ 379,612	(\$ 48,124)	(\$ 33,318)	\$ 1,536,311
Profit for the year		-	-	-	-	258,404	-	-	258,404
Other comprehensive income	6(17)	-	-	-	-	(3,302)	(13,494)	-	(16,796
Total comprehensive income		-	-	-	-	255,102	(13,494)	-	241,608
Appropriation and distribution of 2022 retained earnings:									
Legal reserve appropriated		-	-	21,972	-	(21,972)	-	-	-
Reversal of special reserve		-	-	-	(20,675)	20,675	-	-	-
Cash dividends	6(16)	-	-	-	-	(152,304)	-	-	(152,304)
Balance at December 31, 2023		\$ 761,524	\$ 128,616	\$ 267,856	\$ 81,442	\$ 481,113	(\$ 61,618)	(\$ 33,318)	\$ 1,625,615

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

		Year ended December 31	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 292,356	\$ 214,841
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gain	12(2)	8,742	(1,977)
Depreciation expense (including amortisation of right-of-use assets)	6(6)(7)(21)	28,070	28,283
Amortisation charge	6(21)	2,050	2,577
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		(216,979)	(152,584)
Interest expense		2,989	3,000
Interest income		(603)	(186)
Dividend income	6(19)	(2,386)	(1,707)
Gains on disposals of property, plant and equipment	6(20)	(378)	(257)
Gains arising from lease modification	6(7)(20)	-	(3,094)
Unrealised profit (loss) from sales		(284)	1,566
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(78,266)	40,774)
Notes receivable		1,455	(886)
Notes receivable due from related parties		28,192	(11,748)
Accounts receivable (including long-term notes and accounts receivables)		54,928	(89,220)
Accounts receivable due from related parties		(97,893)	46,173
Other receivables due from related parties		(2,432)	(2,838)
Inventories		94,676	(99,059)
Prepayments		10,008)	4,363
Other current assets, others		1,081	(1,267)
Changes in operating liabilities			
Current contract liabilities		(9,267)	28,045)
Notes payable		(2,384)	2,882)
Accounts payable		69,948	(5,558)
Other payables		5,605	23,797)
Current provisions		(16)	(282)
Other current liabilities, others		3	13
Net defined benefit liability, non-current		(9,779)	(7,285)
Cash inflow (outflow) generated from operations		159,420	18,366)
Interest received		603	186
Dividends received		130,362	123,721
Interest paid		(3,059)	(2,968)
Income taxes paid		1,932	(4,821)
Net cash flows from operating activities		289,258	134,484

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using equity method			
Purchase of property, plant and equipment	6(25)	(\$ 21,642)	(\$ 23,771)
Increase in prepayments for business facilities		(13,539)	(5,674)
Proceeds from disposal of property, plant and equipment	6(25)	7,773	257
Intangible assets		(199)	(421)
Decrease (increase) in guarantee deposits paid		2,992	411
Increase in other non-current assets		(600)	(1,418)
Net cash flows used in investing activities		(25,215)	(30,616)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(26)	369,637	686,741
Repayment of short-term borrowings	6(26)	(411,892)	(698,636)
Repayment of long-term borrowings	6(26)	(20,000)	(20,000)
Payments of lease liabilities	6(26)	(3,141)	(2,966)
Cash dividends paid	6(16)	(152,304)	(137,074)
Net cash flows used in financing activities		(217,700)	(171,935)
Net decrease in cash and cash equivalents		46,343	(68,067)
Cash and cash equivalents at beginning of year	6(1)	97,477	165,544
Cash and cash equivalents at end of year	6(1)	\$ 143,820	\$ 97,477

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, 2023 AND 2022

(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’s 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 12, 2024.

3. Application of New Standards, Amendments and Interpretations

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial condition and financial performance, from January 1, 2023 :

- Amendments to IAS 1 “Disclosure of Accounting policies”
- Amendments to IAS 8 “Definition of Accounting Assessments
- Amendments to IAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial condition and financial performance, from May 23, 2023 :

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on financial condition and financial performance:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS7 and IFRS7 “Supplier Finance Arrangements”
- Amendment to IFRS 16 “Sale and leaseback transaction”.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts”, amendments to IFRS 17 “Insurance Contracts” and “Initial Application of IFRS 17 and IFRS 9— Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

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	2 ~ 15 years
Transportation equipment	2 ~ 10 years
Office equipment	3 ~ 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 recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized 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 recognized 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 recognized 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 recognized as a provision.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- (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 recognized 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 recognizes 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 recognized. If the payments exceed the services rendered, a contract liability is recognized.

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

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 recognize 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, 2023, the Company recognized loss allowance amounting to \$14,518.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 595	\$ 717
Checking accounts and demand deposits	<u>143,225</u>	<u>96,760</u>
	<u>\$ 143,820</u>	<u>\$ 97,477</u>

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

B. The Company has no cash and cash equivalents pledged to others.

(2) Notes and accounts receivable, net

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 7,963	\$ 9,418
Less: Allowance for uncollectible accounts	(24)	(24)
	7,939	9,394
Notes receivable due from related parties	27,036	55,228
	<u>\$ 34,975</u>	<u>\$ 64,622</u>
	<u>December 31, 2022</u>	<u>December 31, 2023</u>
Accounts receivable	\$ 115,858	\$ 170,295
Less: Allowance for uncollectible accounts	(14,494)	(5,752)
	101,364	164,543
Accounts receivable due from related parties	272,041	174,148
	<u>\$ 373,405</u>	<u>\$ 338,691</u>

- A. The ageing analysis of notes and accounts receivable (including related parties) that were past due but not impaired is as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 34,999	\$ 360,144	\$ 64,646	\$ 339,650
Past due:				
Up to 30 days	-	4,076	-	8
31 to 90 days	-	196	-	-
91 to 180 days	-	-	-	-
181 days to 1 year	-	19,058	-	-
1 to 2 year(s)	-	-	-	-
Over 2 years	-	4,425	-	4,785
	<u>\$ 34,999</u>	<u>\$ 387,899</u>	<u>\$ 64,646</u>	<u>\$ 344,443</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2023 and 2022, notes receivable and accounts receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to \$352,931.
- C. As of December 31, 2023 and 2022, the Company does not hold any collateral as security for accounts receivable.
- D. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$408,380 and \$403,313, 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, 2023			
	Cost	Allowance for valuation loss	Notes Book value
Materials and supplies	\$ 192,498	(\$ 18,760)	\$ 173,738
Work in progress	112,790	-	112,790
Finished goods	75,757	(6,239)	69,518
Merchandise	3,951	(3,004)	947
Inventory in transit	4,581	-	4,581
	<u>\$ 389,577</u>	<u>(\$ 28,003)</u>	<u>\$ 361,574</u>
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
	<u>\$ 479,490</u>	<u>(\$ 23,240)</u>	<u>\$ 456,250</u>

The cost of inventories recognized as expense for the year:

	Year ended December 31	
	2023	2022
Cost of goods sold	\$ 1,040,878	\$ 1,073,542
Loss on decline in market value	5,054	1,800
Others	315,917	135,550
	<u>\$ 1,361,849</u>	<u>\$ 1,210,892</u>

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

Items	December 31, 2023	December 31, 2022
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	-	-
	<u>\$ 9,759</u>	<u>\$ 9,759</u>

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, 2023 and 2022.

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

Investee	December 31, 2023		December 31, 2022	
	Amount	Shareholding ratio	Amount	Shareholding ratio
Subsidiaries:				
CHING CHI INTERNATIONAL LIMITED	\$ 542,076	83%	\$ 461,238	83%
COZY AIR-CONDITIONING CO., LTD.	222,420	100%	217,296	100%
KLEAN AIR ENTERPRISE LTD.	125,124	100%	134,118	100%
I CHI INDUSTRIAL CO., LTD.	10,690	70%	11,865	70%
Associates:				
STAR ROYAL CO., LTD.	-	23.5%	-	23.5%
	<u>\$ 900,310</u>		<u>\$ 824,517</u>	

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2023 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
<u>At January 1, 2023</u>									
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)
	<u>\$ 106,209</u>	<u>\$ 162,392</u>	<u>\$ 32,650</u>	<u>\$ 4,687</u>	<u>\$ 10,371</u>	<u>\$ 4,119</u>	<u>\$ 4,080</u>	<u>\$ 665</u>	<u>\$ 325,173</u>
<u>2023</u>									
Opening net book amount as at January 1	\$ 106,209	\$ 162,392	\$ 32,650	\$ 4,687	\$ 10,371	\$ 4,119	\$ 4,080	\$ 665	\$ 325,173
Additions	-	-	10,000	1,949	-	-	1,550	9,353	22,852
Prepayments for equipment transferred	-	-	2,236	-	-	-	-	-	2,236
Disposals-cost	-	(9,609)	(9,269)	(2,097)	(1,543)	(626)	(1,203)	-	(24,347)
Depreciation charge	-	-	(3,914)	(4,880)	(355)	-	(392)	-	(9,541)
Disposals-accumulated depreciation	-	-	1,544	4,880	355	-	392	-	7,171
Closing net book amount as at December 31	<u>\$ 106,209</u>	<u>\$ 152,783</u>	<u>\$ 33,247</u>	<u>\$ 4,539</u>	<u>\$ 8,828</u>	<u>\$ 3,493</u>	<u>\$ 4,427</u>	<u>\$ 10,018</u>	<u>\$ 323,544</u>
<u>At December 31, 2023</u>									
Cost	\$ 106,209	\$ 291,496	\$ 166,642	\$ 30,696	\$ 12,987	\$ 6,623	\$ 12,548	\$ 10,018	\$ 637,219
Accumulated depreciation and impairment	-	(138,713)	(133,395)	(26,157)	(4,159)	(3,130)	(8,121)	-	(313,675)
	<u>\$ 106,209</u>	<u>\$ 152,783</u>	<u>\$ 33,247</u>	<u>\$ 4,539</u>	<u>\$ 8,828</u>	<u>\$ 3,493</u>	<u>\$ 4,427</u>	<u>\$ 10,018</u>	<u>\$ 325,544</u>

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2022</u>									
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)
	<u>\$ 79,128</u>	<u>\$ 127,735</u>	<u>\$ 32,422</u>	<u>\$ 5,769</u>	<u>\$ 909</u>	<u>\$ 403</u>	<u>\$ 2,300</u>	<u>\$ 71,528</u>	<u>\$ 320,194</u>
<u>2022</u>									
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	<u>\$ 106,209</u>	<u>\$ 162,392</u>	<u>\$ 32,650</u>	<u>\$ 4,687</u>	<u>\$ 10,371</u>	<u>\$ 4,119</u>	<u>\$ 4,080</u>	<u>\$ 665</u>	<u>\$ 325,173</u>
<u>At December 31, 2022</u>									
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)
	<u>\$ 106,209</u>	<u>\$ 162,392</u>	<u>\$ 32,650</u>	<u>\$ 4,687</u>	<u>\$ 10,371</u>	<u>\$ 4,119</u>	<u>\$ 4,080</u>	<u>\$ 665</u>	<u>\$ 325,173</u>

- A. For the years ended December 31, 2023 and 2022, 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 4,724	\$ 6,298
Buildings	4,534	6,683
	<u>\$ 9,258</u>	<u>\$ 12,981</u>

	<u>Year ended December 31</u>	<u>Year ended December 31</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
	<u>2023</u>	<u>2022</u>
Land	\$ 1,575	\$ 1,575
Buildings	2,149	2,092
	<u>\$ 3,723</u>	<u>\$ 3,667</u>

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$0 and \$1,674, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended December 31</u>	<u>Year ended December 31</u>
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 115	\$ 142
Expense on leases of low-value assets	287	1,420
	<u>\$ -</u>	<u>\$ 3,904</u>

E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$3,543 and \$4,528, respectively.

F. 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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total long-term accounts receivable	\$ 785	\$ 1,309
Less: Unrealised interest revenue	(20)	(52)
	<u>\$ 765</u>	<u>\$ 1,256</u>

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:

<u>Term</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Within 1 year	\$ 507	\$ 492
Later than one year but not later than two years	258	507
Later than two years but not later than three years	—	257
	<u>\$ 765</u>	<u>\$ 1,256</u>

- A. As of December 31, 2023 and 2022, the Company does not hold any collateral as security for long-term accounts receivable.
- B. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's long-term accounts receivable was \$765 and \$1,256, respectively.
- C. Information relating to credit risk of long-term receivables is provided in Note 12(2).

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank unsecured borrowings	\$ 109,841	\$ 152,096
Interest rate range	<u>1.60% ~ 6.78%</u>	<u>1.43% ~ 6.29%</u>

- A. Interest expense recognized in profit or loss amounted to \$2,414 and \$2,358 for the years ended December 31, 2023 and 2022, respectively.
- B. Please refer to Note 8 for the details of collateral for the credit line for short-term borrowings.

(10) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salaries and wages and year-end bonuses payable	\$ 43,220	\$ 41,662
Employees' compensation payable	26,666	18,478
Project payable	7,919	19,575
Commodity tax payable	12,604	8,902
Payable on technical service expense	4,325	3,843
Payable on machinery and equipment	4,828	3,618
Directors' remuneration payable	9,745	7,038
Others	14,468	13,914
	<u>\$ 123,775</u>	<u>\$ 117,030</u>

(11) Current provisions

<u>Warranty</u>	<u>2023</u>	<u>2022</u>
At January 1	\$ 36,219	\$ 36,502
Additional provisions	13,630	11,238
Used during the year	(13,580)	(11,115)
Unused amounts reversed	(66)	(406)
At December 31	<u>\$ 36,203</u>	<u>\$ 36,219</u>

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, 2023
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	2.08%	Land, buildings and structures	\$ 15,000
Less: current portion				(15,000)
				<u>\$ -</u>

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)
				<u>\$ 15,000</u>

A. Interest expense recognized in profit or loss amounted to \$460 and \$500 for the years ended December 31, 2023 and 2022, 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 recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 103,303	\$ 97,008
Fair value of plan assets	(39,226)	(27,279)
	<u>\$ 64,077</u>	<u>\$ 69,729</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2023			
At January 1	\$ 97,008	(\$ 27,279)	\$ 69,729
Current service cost	723	-	723
Interest expense (income)	1,358	(382)	976
	<u>99,089</u>	<u>(27,661)</u>	<u>71,428</u>
Remeasurements:			
Actuarial gains	-	(87)	(87)
Change in financial assumptions	1,943	-	1,943
Experience adjustments	2,271	-	2,271
	<u>4,214</u>	<u>(87)</u>	<u>4,127</u>
Pension fund contribution	-	(11,478)	(11,478)
At December 31	<u>\$ 103,303</u>	<u>(\$ 39,226)</u>	<u>\$ 64,077</u>

	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
	<u>118,126</u>	<u>(19,585)</u>	<u>98,541</u>
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	-
	<u>(21,118)</u>	<u>1,530</u>	<u>(19,588)</u>
Pension fund contribution	-	(9,224)	(9,224)
At December 31	<u>\$ 97,008</u>	<u>(\$ 27,279)</u>	<u>\$ 69,729</u>

- (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, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2023	2022
Discount rate	1.20%	1.40%
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, 2023	(\$ 2,421)	\$ 2,503	\$ 2,207	(\$ 2,150)
December 31, 2022	(\$ 2,440)	\$ 2,527	\$ 2,251	(\$ 2,189)

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, 2024 amount to \$6,123.
- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 10 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, 2023 and 2022, were \$5,295 and \$4,892, respectively.

(14) Share capital

- A. As of December 31, 2023, 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, 2023 and 2022, the number of the Company's ordinary shares outstanding at the beginning and end of the year was both 76,152 shares.

(15) Capital surplus

- A. Movements on the capital surplus for the years ended December 31, 2023 and 2022 are as follows:

	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Total</u>
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, 2023 and 2022 were both \$4,607.

- D. (a) On June 14, 2023 and May 26, 2022, the shareholders resolved that total dividends for the distributions of earnings for the year of 2022 and 2021 were \$152,304 and \$137,074 at \$2.00 and \$1.80 (in dollars) per ordinary share, respectively.
- (b) On March 12, 2024, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2023 was \$182,766 at \$2.4 (in dollars) per ordinary share.

(17) Other equity items

	2023		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 48,124)	(\$ 33,318)	(\$ 81,442)
Currency translation differences:			
– Group	(13,494)	-	(13,494)
At December 31	(\$ 61,618)	(\$ 33,318)	(\$ 94,936)

	2022		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 68,799)	(\$ 33,318)	(\$ 102,117)
Currency translation differences:			
– Group	20,675	-	20,677
At December 31	(\$ 48,124)	(\$ 33,318)	(\$ 81,442)

(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	
	2023	2022
Equipment unit	\$ 1,152,345	\$ 1,201,886
System integration construction	301,369	94,701
Repairs and maintenance revenue	149,728	131,114
	<u>\$ 1,603,442</u>	<u>\$ 1,427,701</u>

	Year ended December 31	
	2023	2022
Timing of revenue recognition:		
At a point in time	\$ 1,152,345	\$ 1,201,886
Over time	451,097	225,815
	<u>\$ 1,603,442</u>	<u>\$ 1,427,701</u>

B. assets and liabilities

(a) The Company has recognised the following revenue-related contract assets and liabilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract assets:			
System integration construction contract	\$ <u>85,855</u>	\$ <u>7,589</u>	\$ <u>48,363</u>
Contract liabilities:			
Equipment unit contract	\$ 22,106	\$ 29,074	\$ 13,064
System integration construction contract	<u>9,736</u>	<u>12,035</u>	-
	<u>\$ 31,842</u>	<u>\$ 41,109</u>	<u>\$ 13,064</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Equipment unit contract	\$ 15,045	\$ 6,378
System integration construction contract	<u>12,035</u>	-
	<u>\$ 27,080</u>	<u>\$ 6,378</u>

(c) As of December 31, 2023, the total transaction price allocated to unfulfilled performance obligations amounted to \$224,351. 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 2024.

(19) Other income

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Dividend income	\$ 2,386	\$ 1,707
Income from managerial services (Note)	26,181	24,773
Other income	<u>6,270</u>	<u>6,914</u>
	<u>\$ 34,837</u>	<u>\$ 33,394</u>

Note: Details are provided in Note 7, Related party transactions.

(20) Other gains and losses

	Year ended December 31	
	2023	2022
Gains arising from lease modifications	\$ -	\$ 3,094
Foreign exchange losses	1,721	2,127
Gains on disposals of property, plant and equipment	378	257
Others	(20)	2,990
	<u>\$ 2,079</u>	<u>\$ 5,374</u>

Note: Details are provided in Note 7, Related party transactions.

(21) Expenses by nature

	Year ended December 31	
	2023	2022
Change in inventory of finished goods and work in progress	(\$ 17,295)	\$ 29,928
Raw materials used	816,653	865,968
Employee benefit expense	202,000	186,369
Depreciation charge	28,070	28,283
Amortisation charge	2,050	2,577
Operating lease expenses	287	1,420
Other expenses	531,114	285,287
Operating cost and Operating expenses	<u>\$ 1,562,879</u>	<u>\$ 1,399,832</u>

(22) Employee benefit expense

	Year ended December 31	
	2023	2022
Wages and salaries	\$ 159,668	\$ 148,719
Labour and health insurance fees	14,085	12,831
Pension costs	6,994	6,831
Directors' emoluments	12,538	9,851
Other personnel expenses	8,715	8,137
Operating lease expenses	<u>\$ 202,000</u>	<u>\$ 186,369</u>

- 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, 2023 and 2022, employees' compensation was accrued at \$22,739 and \$16,423, respectively; while directors' remuneration was accrued at \$9,745 and \$7,038, 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, 2023. The employees' compensation and directors' remuneration resolved by the Board of Directors were \$22,739 and \$7,45, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 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	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 16,348	\$ 11,589
Tax on undistributed earnings	3,306	-
Prior year income tax (over) underestimation (	236)	(1,426)
Total current tax	19,418	10,163
Deferred tax:		
Origination and reversal of temporary differences	14,534	632
Income tax expense	\$ 33,952	\$ 10,795

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

	Year ended December 31	
	2023	2022
Remeasurement of defined benefit obligations (\$	825)	\$ 3,918

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2022	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 58,471	\$ 42,968
Effects from tax exempt income by tax regulation (	27,589)	(30,747)
Additional tax on undistributed earnings	3,306	-
Prior year income tax (over) underestimation	(236)	(1,426)
Income tax expense	<u>\$ 33,952</u>	<u>\$ 10,795</u>

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

	2023			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
Temporary differences:				
–Deferred tax assets:				
Pension costs	\$ 11,946	\$ 44	\$ 825	\$ 12,815
Product service guarantee	7,244	(3)	-	7,241
Allowance for inventory valuation losses	4,648	953	-	5,601
Allowance for bad debts	388	1,497	-	1,885
Unused compensated absence	488	-	-	488
Others	717	(42)	-	759
	<u>25,431</u>	<u>2,533</u>	<u>825</u>	<u>28,789</u>
–Deferred tax liabilities:				
Gain on investment	(54,034)	(17,067)	-	(71,101)
	<u>(\$ 28,603)</u>	<u>(\$ 14,534)</u>	<u>\$ 825</u>	<u>(\$ 42,312)</u>

	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
	<u>28,065</u>	<u>1,284</u>	<u>(3,918)</u>	<u>25,431</u>
–Deferred tax liabilities:				
Gain on investment	(52,118)	(1,916)	-	(54,034)
	<u>(\$ 24,053)</u>	<u>(\$ 632)</u>	<u>(\$ 3,918)</u>	<u>(\$ 28,603)</u>

D. The Company's income tax returns through 2021 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, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 258,404</u>	<u>76,152</u>	<u>\$ 3.39</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 258,404	76,152	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	995	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 258,404</u>	<u>77,147</u>	<u>\$ 3.35</u>

Year ended December 31, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 204,046	76,152	\$ 2.68
<u>Diluted earnings per share</u>			
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

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

Year ended December 31		
	2023	2022
Purchase of property, plant and equipment	\$ 22,852	\$ 21,753
Add: Opening balance of payable on equipment	3,618	5,636
Less: Ending balance of payable on equipment	(4,828)	(3,618)
Cash paid	\$ 21,642	\$ 23,771
Disposal of property, plant and equipment	\$ 2,748	\$ 5,282
Add: Opening balance of other receivables	5,025	-
Less: Ending balance of other receivables	-	(5,025)
Cash received during the year	\$ 7,773	\$ 257

B. Investing and financing activities with no cash flow effects:

	Year ended December 31	
	2023	2022
Prepayments for equipment transferred to property, plant and equipment	\$ 2,236	\$ 11,881
Long-term borrowings, current portion	\$ 15,000	\$ 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, 2023	Changes in cash flow from financing activities	Changes in other non-cash items	December 31, 2023
Short-term borrowings	\$ 152,099	(\$ 42,255)	\$ -	\$ 109,841
Long-term borrowings (Note 1)	35,000	(20,000)	-	15,000
Lease liability (Note 2)	10,897	(3,141)	-	7,756
Liabilities from financing activities-gross	<u>\$ 197,993</u>	<u>(\$ 65,396)</u>	<u>\$ -</u>	<u>\$ 132,597</u>
	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	<u>\$ 239,001</u>	<u>(\$ 34,861)</u>	<u>(\$ 6,147)</u>	<u>\$ 197,993</u>

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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	
	2023	2022
Sales of goods:		
Subsidiaries		
COZY AIR-CONDITIONING	\$ 928,314	\$ 861,303
VIETNAM KUEN LING	13,739	30,861
Others	2,856	1,262
	<u>944,909</u>	<u>893,426</u>
	Year ended December 31	
	2023	2022
Entities with significant influence over the Company		
TECO Electric & Machinery	56,223	95,803
Others	<u>4,312</u>	<u>4,076</u>
	<u>60,535</u>	<u>99,879</u>
	<u>\$ 1,005,444</u>	<u>\$ 993,305</u>

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 30 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	
	2023	2022
Purchases of goods:		
Subsidiaries		
SUZHOU KUEN LING	\$ 10,997	\$ 24,186
SHANGHAI KUEN LING	<u>5,608</u>	<u>-</u>
	<u>16,605</u>	<u>24,186</u>
Entities with significant influence over the Company		
JIANGXI TECO	1,318	-
TECO Electric & Machinery	190	190
Others	<u>5</u>	<u>-</u>
	<u>1,902</u>	<u>190</u>
	<u>\$ 18,507</u>	<u>\$ 24,376</u>

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	
	2023	2022
Sales of services		
Subsidiaries		
COZY AIR-CONDITIONING (Management services)	\$ 26,181	\$ 24,773

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

	Year ended December 31	
	2023	2022
Rental income		
Subsidiaries		
COZY AIR-CONDITIONING	\$ 1,020	\$ 1,020

monthly billings.

The Company provides the building to the related party as an office space and charges monthly as agreed by both parties.

D. Receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable:		
Entities with significant influence over the Company		
TECO Electric & Machinery	\$ 27,036	\$ 55,228
Accounts receivable:		
Subsidiaries		
COZY AIR-CONDITIONING	253,145	164,399
Others	6,951	3,019
	<u>260,096</u>	<u>167,418</u>
Entities with significant influence over the Company		
TECO Electric & Machinery	10,307	6,240
Others	1,638	490
	<u>11,945</u>	<u>6,730</u>
	<u>272,041</u>	<u>174,148</u>
Other receivables:		
Subsidiaries		
COZY AIR-CONDITIONING	9,253	11,846
	<u>\$ 308,330</u>	<u>\$ 241,222</u>

Other receivables mainly arise from payments receivable by the Company for providing management services.

E. Payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes payable:		
Entities with significant influence over the Company		
TECO Electric & Machinery	\$ 69	\$ 8
Other	-	6
	<u>69</u>	<u>14</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable:		
Subsidiaries		
SUZHOU KUEN LING	<u>-</u>	<u>1,831</u>
Entities with significant influence over the Company		
TECO Electric & Machinery	30	49
Other	<u>-</u>	<u>35</u>
	30	84
Other payable:		
Subsidiaries		
COZY AIR-CONDITIONING	175	175
Total	<u>\$ 274</u>	<u>\$ 2,104</u>

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries		
COZY AIR-CONDITIONING	<u>\$ 5,908</u>	<u>\$ 7,833</u>

ii. Interest expense:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
COZY AIR-CONDITIONING	<u>\$ 78</u>	<u>\$ 99</u>

G. Loans to / from related parties

Loans to related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Limit on loans to others		
Subsidiaries		
VIETNAM KUEN LING (Note)	<u>\$ 18,396</u>	<u>\$ 18,396</u>

Limit on and ending balance on loans to others

Note: Foreign currency transactions are translated into New Taiwan dollars using the exchange rates as of the report date.

As of December 31, 2023 and 2022, the actual amount used were both \$0.

H. Property transactions

Disposal of property, plant and equipment :

	Year ended December 31, 2023		Year ended December 31, 2022	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
COZY AIR-CONDITIONING	\$ 2,371	\$ -	\$ 5,025	\$ 986

The above-mentioned unrealised gain on disposal of \$986 in 2022 has been fully written off.

(3) Key management compensation

	Year ended December 31	
	2023	2022
Salaries and other short-term employee benefits	\$ 27,894	\$ 25,027
Post-employment benefits	218	223
	<u>\$ 28,112</u>	<u>\$ 25,250</u>

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Pledged time deposits (Note)	\$ 600	\$ 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	107,579	111,826	Line of credit for long-term and short-term borrowings
Guarantee deposits paid	14,820	17,812	Construction performance bond or maintenance bond
	<u>\$ 210,070</u>	<u>\$ 210,070</u>	

Note: It was the financial assets at amortised cost, which was listed under 'other current assets, others' or 'other non-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, 2023	December 31, 2022
Performance guarantee	<u>\$ 30,793</u>	<u>\$ 48,079</u>

(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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Guaranteed amount provided by the bank	\$ <u>44,093</u>	\$ <u>41,940</u>

- (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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Outsourcing construction	\$ 190,950	\$ 47,753
Property, plant and equipment	<u>7,795</u>	<u>5,101</u>
	\$ <u>198,745</u>	\$ <u>52,854</u>

- (5) As of December 31, 2023 and 2022, the Company's unused letters of credit for the import of raw materials were USD 91 thousand and USD 27 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, 2023 as resolved by the Board of Directors on March 12, 2024 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 2023 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, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Debt to assets ratio	<u>52</u>	<u>49</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ <u>9,759</u>	\$ <u>9,759</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 143,820	\$ 97,477
Notes receivable (including related parties)	34,975	64,622
Accounts receivable (including related parties)	373,405	338,691
Other receivables (including related parties)	9,253	11,846
Financial assets at amortised cost (Note)	600	1,304
Guarantee deposits paid	14,820	17,812
Long-term accounts receivables	<u>765</u>	<u>1,256</u>
	<u>\$ 577,638</u>	<u>\$ 533,008</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 109,841	\$ 152,096
Notes payable	12,440	14,824
Accounts payable	247,309	177,361
Other payables	123,775	117,030
Long-term borrowings	15,000	35,000
(including current portion)	<u>508,365</u>	<u>496,311</u>
Lease liability (including non-current)	<u>\$ 7,756</u>	<u>\$ 10,897</u>

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, 2023		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 837	30.71	\$ 25,704
Non-monetary items (Note)			
USD:NTD	22,259	30.71	671,239
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	499	30.71	15,324

	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 696	30.71	\$ 21,374
Non-monetary items (Note)			
USD:NTD	19,788	30.71	599,395
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	901	30.71	27,670

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, 2023 and 2022, amounted to \$1,721 and \$2,127, respectively.
- v Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2023			
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 257	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	6,712
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	153	-

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 214	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	5,994
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	277	-

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 2023 and 2022, 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, 2023 and 2022 would have decreased/increased by \$150 and \$350, 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, 2023 and 2022 is as follows:

	Not past due	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, 2023	0.16% ~0.66%	0.37%~ 1.32%	0.53%~ 5.95%	2.91%~ 11.91%	6.91%~ 31.91%	11.91%~ 51.91%	100%
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%

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:

2023			
	Accounts receivable	Effect on profit Notes receivable	Contract assets
At January 1	\$ 5,752	\$ 24	\$ -
Reversal of impairment loss	(8,742)	-	-
At December 31	<u>\$ 14,494</u>	<u>\$ 24</u>	<u>\$ -</u>

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	<u>\$ 5,752</u>	<u>\$ 24</u>	<u>\$ -</u>

For provisioned loss in 2023 and 2022, the impairment losses arising from customers' contract are (\$8,742) and \$1,977, 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, 2023				
	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	\$ 102,747	\$ 7,647	\$ -	\$ -	\$ -
Notes payable (including related parties)	12,176	264	-	-	-
Accounts payable (including related parties)	247,309	-	-	-	-
Other payables	106,113	17,662	-	-	-
Lease liability	640	1,889	2,189	2,577	671
Long-term borrowings (including current portion)	5,039	10,028	-	-	-
	<u>\$ 474,024</u>	<u>\$ 37,490</u>	<u>\$ 2,189</u>	<u>\$ 2,577</u>	<u>\$ 671</u>

Derivative financial liabilities: None.

	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	-	-
	<u>\$ 421,642</u>	<u>\$ 64,111</u>	<u>\$ 17,597</u>	<u>\$ 4,570</u>	<u>\$ 867</u>
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, 2023 and 2022 are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 9,759	\$ 9,759
Liabilities: None.				

- D. For the years ended December 31, 2023 and 2022, 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.

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, 2023

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 1

Number	Lender	Counter- party	Account name	Related party	Highest balance for the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reason for financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	value		
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO.,LTD.	Other receivable – related parties	Yes	\$19,428	\$18,393	-	--	Note 1(2)	-	Working capital	-	-	-	\$162,562	\$650,246

Note 1: Fund loan code:

(1) Those with business dealings.

(2) Those need short-term financing.

Note 2: According to the Company's operating procedures for loans funds to others, the regulations are as follows:

(1) The total amount of capital loans and business transactions of companies or banks and companies or banks that need short-term financing shall not exceed 40% of the net worth of the Company's most recent financial statements.

(2) If there is a need for short-term financing between companies or with banks, the individual loan amount shall not exceed 10% of the Company's latest financial statement net worth.

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, 2023

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 2

Name of security holder	Name of security and type	Relationship with company	Account title	December 31, 2023				Remarks
				Units (shares)	Carrying Value	Percentage of ownership	Fair value	
KUEN LING MACHINERY REFRIGERATING CO., LTD.	Capital contribution-FengHou Enterprise Co., Ltd.	-	Financial assets at FVOCI	Note	5,720	18%	5,720	-
	Stock-KA LING INDUSTRIAL CORP.	-	Financial assets at FVOCI	157,500	4,039	15%	4,039	
	Stock-FULL OCEAN TRADING LIMITED	-	Financial assets at FVOCI	1,000,000	-	9%	-	-

Note: It is a limited company, therefore it is not applicable.

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, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 3

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/ Trade receivables (payables)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payables)	
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Subsidiary	Sale	\$928,314	58%	According to the agreement of both parties	Note	Note	\$253,145	61%	
KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	Fellow subsidiary	Sale	698,408	91%	According to the agreement of both parties	Note	Note	197,199	56%	

Note: It is conducted in accordance with the provisions of both parties, therefore there is no significant difference from ordinary transactions.

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, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 4

Name of company the has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Subsidiary	\$253,145	3.23%	\$-	-	\$163,525	\$-	None
KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	Fellow subsidiary	197,199	13.63%	-	-	21,620	-	None

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Significant inter-company transactions during the reporting periods

Year ended December 31, 2023

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)

No. (Note 1)	Name of company	Related party	Relationship (Note 2)	Transaction details					
				Subject	Amount	Transaction terms	Ratio of total consolidated revenue or total assets (Note 3)		
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Sale	\$928,314	According to the agreement of both parties	27%	143%	3,052,138
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Management services revenue	26,181	According to the agreement of both parties	1%	4%	
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	1	Accounts receivable - related party	253,145	According to the agreement of both parties	7%	8%	649,788
0	KUEN LING MACHINERY REFRIGERATING CO., LTD.	KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO.,LTD.	1	Sale	13,739	According to the agreement of both parties	-		
1	KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	KUEN LING MACHINERY REFRIGERATING CO., LTD.	2	Sale	10,997	According to the agreement of both parties	-		
1	KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	3	Sale	698,408	According to the agreement of both parties	20%	107%	

No. (Note 1)	Name of company	Related party	Relationship (Note 2)	Transaction details					
				Subject	Amount	Transaction terms	Ratio of total consolidated revenue or total assets (Note 3)		
1	KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	3	Accounts receivable - related party	197,199	According to the agreement of both parties	5%	6%	

Note 1: Information on business transactions between the parent company and its subsidiaries should be indicated in the number column respectively. The method of filling in the number is as follows:

- (1). 0 for the parent company.
- (2). Subsidiaries are numbered sequentially starting from 1 according to company number.

Note 2: There are the following 3 types of relationships with related parties, indicated by type (if it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need to disclose it repeatedly. For example: a transaction between a parent company and a subsidiary company, if the parent company has disclosed, the subsidiary does not need to be disclosed again; subsidiary to subsidiary transactions, if one has disclosed it, the other does not need to disclose it again):

- (1). Parent company to subsidiary company.
- (2). Subsidiary to parent company.
- (3). Subsidiary to subsidiary.

Note 3: The calculation of the ratio of transaction amount to consolidated total revenue or total assets, if it is an asset and liability item, is calculated based on the closing balance to consolidated total assets; if it is a profit or loss item, it is calculated based on the accumulated amount during the period as a share of the total consolidated revenue.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries
Names, locations and other information of investee companies (not including investees in Mainland China)
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the Investee	Investment income (less) Recognized	Remarks
				December 31,2023	December 31,2022	Shares owned	Percentage owned	Carrying value			
KUEN LING MACHINERY REFRIGERATING CO., LTD.	CHING CHI INTERNATIONAL LIMITED	British Virgin Islands	Invest in other region	\$ 201,467	\$ 201,467	6,200,000	83	\$ 542,076	\$ 110,520	\$ 91,773	Subsidiary, Note 4
KUEN LING MACHINERY REFRIGERATING CO., LTD.	COZY AIR-CONDITIONING CO., LTD.	Taiwan	Merchandise sales and trading business	30,000	30,000	3,000,000	100	222,420	131,123	131,123	Subsidiary
KUEN LING MACHINERY REFRIGERATING CO., LTD.	KLEAN AIR ENTERPRISE LTD.	Samoa	Invest in other region	138,046	138,046	4,401,000	100	125,124	(6,718)	(6,718)	Subsidiary
KUEN LING MACHINERY REFRIGERATING CO., LTD.	Yi Chi Industrial Co., Ltd.	Taiwan	General manufacturing	7,073	7,073	-	70	10,690	1,144	801	Subsidiary, Note 1
KUEN LING MACHINERY REFRIGERATING CO., LTD.	AMG HOME Co. Ltd.	Taiwan	General manufacturing	47,000	47,000	2,350,000	23.5	-	-	-	
KLEAN AIR ENTERPRISE LTD.	KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO., LTD.	Vietnam	General manufacturing	89,325	89,325	-	100	120,229	(7,375)	-	sub-subsidiary, Note 1, Note 2, Note 3
KLEAN AIR ENTERPRISE LTD.	KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD.	Indonesia	Merchandise sales and trading business	17,279	17,279	-	99	4,625	665	-	sub-subsidiary, Note 1, Note 2, Note 3

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the Investee	Investment income (less) Recognized	Remarks
				December 31,2023	December 31,2022	Shares owned	Percentage owned	Carrying value			
KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD.	KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD.	Indonesia	Merchandise sales and trading business	175	175	-	1	47	665	-	sub-subsidiary, Note 1, Note 2, Note 3

Note 1: It is a limited company.

Note 2: Converted into New Taiwan Dollars based on the exchange rate on the financial reporting date.

Note 3: It has been incorporated into the Company's profit and loss for the current period evaluated using the equity method, and is calculated and recognized by the Company as investment profit and loss.

Note 4: The difference between the current period's profit and loss of the invested company and the investment profit and loss recognized by the company is the unrealized profit and loss arising from the company's internal transactions.

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2023

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment (Note 1)	Accumulated amount invested in Mainland China as of January.1,2023	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of December. 31, 2023	Net income Of investee	The Group's direct or indirect investment ratio	Investment gain (loss) recognized by the Group	Book value of the investment as of December. 31, 2023	Accumulated investment income repatriated to Taiwan as of December. 31, 2023	Remark
					Remittance	Repatriation							
KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	Engaging in manufacturing and sales of chillers	\$ 181,713	2	\$ 116,068	\$ -	\$ -	\$ 116,068	\$ 82,458	83	\$ 68,452	\$ 305,136	\$ 43,219	Note 2, Note 3
KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	General manufacturing industry	272,443	2	58,649	-	-	58,649	37,179	83	23,257	235,841	-	Note 2, Note 3
Suzhou Chu Mao Technology Co., Ltd.	Engaging in manufacturing and sales business of precision molding	255,459	2	21,173	-	-	21,173	(17,773)	9	-	-	-	-
Fu Feng Sheet Metal (Shanghai) Co., Ltd.	Manufacturing and sales of sheet metal outer boxes,	-	2	11,157	-	-	11,157	-	-	-	-	-	Note 7

<u>Company Name</u>	<u>The accumulated investment amount remitted from Taiwan to the mainland at the end of current period</u>	<u>The investment amount is approved by Department of Investment Review, MOEA</u>	<u>Investment limits in mainland China as stipulated by Department of Investment Review, MOEA</u>	<u>Remark</u>
KUEN LING MACHINERY REFRIGERATING CO., LTD.	\$ 207,047	\$ 401,109	\$ 975,369	Note 4, Note 5, Note 6

Note 1: Investment methods are divided into the following 3 types, just indicate the category:

(1) Directly investment in the mainland China

(2) Reinvest in mainland China through a third-region company (please indicate the investment company in the third region): Reinvest in mainland China through CHING CHI INTERNATIONAL LIMITED and FULL OCEAN TRADING LIMITED.

(3) Other methods

Note 2: The difference between the amount of paid-in capital of the company and CHING CHI INTERNATIONAL LIMITED is based on the dividends distributed by KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.; CHING CHI INTERNATIONAL LIMITED was reinvested as the company's capital increase, and KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD's surplus was transferred to capital increase, the Company did not actually remit the amount.

Note 3: Investment gains and losses are recognized based on the financial statements which have been auditing and attestation by the Taiwanese parent company's accountant.

Note 4: Including the Department of Investment Review, MOEA approved the company's mainland invested company's surplus capital increase and the amount of dividends distributed by the mainland investment company that were indirectly reinvested in another mainland invested company.

Note 5: Converted into New Taiwan Dollars based on the exchange rate on the financial reporting date.

Note 6: According to the Department of Investment Review, MOEA stipulates that the investment limit in mainland China is 60% of the Group's net worth.

Note 7: The liquidation of the reinvested company was completed 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, 2023

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Name of invested company	<u>Sales (purchase) goods</u>		<u>property transaction</u>		<u>Accounts receivable (payable)</u>		<u>Endorsement of note guarantees or provides collateral</u>		<u>Maximum balance</u>	<u>Financing</u>		<u>Current interest</u>	<u>other</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>balance</u>	<u>%</u>	<u>Ending balance</u>	<u>Purpose</u>		<u>Ending balance</u>	<u>interest rate range</u>		
KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.	(\$ 10,997)	1%	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	-	\$ -	-
KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.	(5,608)	1%	-	-	-	-	-	-	-	-	-	-	-

KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries

Major shareholders information

December 31, 2023

Table 9

Shareholder's Name	shares	
	Shareholding Amount	Percentage
TECO Electric & Machinery Co., Ltd.	11,131,642	14.61%
Wen-Chi Ko	4,414,075	5.79%

Note:

(1) The information on the major shareholders in this table is based on the last business day of the end of each quarter by CCB. The total number of ordinary shares and special shares of the company that have been delivered without physical registration (including treasury shares) is calculated by the shareholders of the company up to 5%. There may be differences due to the calculation basis of the preparation between share capital recorded in the company's financial report and the company's actual non-physical registration of shares.

(2) If the information above belongs to the trust on behalf of the shareholders, it is disclosed by the individual and trustor who opened the trust account by the trustee. As for shareholders to declare shares who hold more than 10% of their shares in accordance with the Securities and Exchange Act, its shareholding includes personal holding of shares plus the shares delivered to the trust with decision right etc.

Please refer to the Public Information Observatory for information on insider shareholding declarations.

(3) The compilation principle of this table is to calculate the distribution of the balance of each credit transaction based on the list of securities owners that have been closed for transfer at the extraordinary meeting of shareholders (securities lending is not covered).

(4) Shareholding ratio (%) = total number of shares held by the shareholder/total number of shares that have been delivered with non-physical registration.

(5) The total number of shares that have been delivered with non-physical registration (including treasury shares) is 76,152,370 shares = 76,152,370 (ordinary shares) + 0 (preferred stock).

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amounts
Cash on hand		\$ 595
Cash in banks	Checking accounts	136,285
	USD demand deposits	
	USD 221 thousand; exchange rate 30.71	6,780
	RMB demand deposits	
	RMB 37 thousand; exchange rate 4.302	160
		143,225
		<u>\$ 143,820</u>

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CONTRACT ASSET, CURRENT
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Client code K1002182	Construction and engineering revenue	\$ 75,056	
Client code K1002449	Construction and engineering revenue	6,506	
Others	Construction and engineering revenue	4,293	Balance of each client has not exceeded 5% of total account balance.
		<u>\$ 85,855</u>	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF ACCOUNT RECEIVABLE, NET
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 3

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Client code K1000380	Operating revenue	\$ 13,586	
Client code K1000147	Operating revenue	13,440	
Client code K1000269	Operating revenue	6,925	
Others	Operating revenue	81,907	Balance of each client has not exceeded 5% of total account balance.
		<u>115,858</u>	
Less: Allowance for uncollectible		(12,494)	
		<u>\$ 101,364</u>	

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, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 4

<u>Item</u>	<u>Cost</u>	<u>Market Price</u>	<u>Notes</u>
Raw materials	\$ 192,498	\$ 181,397	The lower of cost and net realisable value
Work in progress	112,790	168,533	
Finished goods	75,757	81,104	
Merchandise	3,951	1,476	
Inventory in transit	4,581	4,581	
	389,577	<u>\$ 437,091</u>	
Less: Allowance for inventory valuation and obsolete and slow-moving inventories	(28,003)		
	<u>\$ 361,574</u>		

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 5

Name	Beginning Balance		Additions		Decrease (Note 2)		Ending Balance			Market Value or Net Assets Value		
	Shares In		Shares In		Shares In		Shares In		Percentage of Ownership	Unit Price (In Dollars)	Total Amount	Collateral
	Thousands	Amount	Thousands	Amount	Thousands	Amount	Thousands	Amount				
CHING CHI INTERNATIONAL LIMITED	6,200	\$ 461,238	-	\$ 80,838	-	\$ -	6,200		83%	\$ 542,076	\$ 87.25 \$ 542,258	None
KLEAN AIR ENTERPRISE LTD.	4,401	134,118	-	-	-	8,994	4,401		100%	125,124	28.94 127,354	None
COZY AIR-CONDITIONING CO., LTD.	3,000	217,296	-	131,124	-	126,000	3,000		100%	222,420	74.47 223,406	None
I-CHI INDUSTRIAL CO., LTD.	Note 1	11,865	-	801	-	1,976	Note 1		70%	10,690	Note 1 10,690	None
STAR ROYAL CO., LTD.	2,350	-	-	-	-	-	2,350		23.5%	-	- -	None
		<u>\$ 824,517</u>		<u>\$ 170,706</u>		<u>\$ 136,970</u>				<u>\$ 900,310</u>	<u>\$ 903,708</u>	

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, 2023
 (Expressed in thousands of New Taiwan dollars)

Statement 6

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$ 12,597	\$ -	\$ -	\$ 12,597
Buildings and structures	17,212	-	-	17,212
	<u>\$ 29,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,809</u>

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
YEAR ENDED DECEMBER 31, 2023
 (Expressed in thousands of New Taiwan dollars)

Statement 7

<u>Items</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$ 6,299	\$ 1,575	\$ -	\$ 7,873
Buildings and structures	10,529	2,149	-	12,678
	<u>\$ 16,828</u>	<u>\$ 3,723</u>	<u>\$ -</u>	<u>\$ 20,551</u>

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 8

<u>Nature</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of Interest Rate</u>	<u>Credit Line</u>	<u>Collateral</u>	<u>Note</u>
Unsecured borrowings	Borrowings from financial institutions	\$ 100,000	2023/8/28~ 2024/3/4	1.60% ~ 1.68%	\$ 200,000	None	
Letter of credit borrowings	Borrowings from financial institutions for material purchase	9,841	2023/9/22~ 2024/6/18	6.50% ~ 6.78%	80,000		
		\$ 109,841					

KUEN LING MACHINERY REFRIGERATING CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE

FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 9

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Vendor code K1000597	Purchase	\$ 28,073	
Vendor code K9600144	Purchase	16,198	
Vendor code K9150015	Purchase	15,291	
Vendor code K9150001	Purchase	13,716	
Others	Purchase	174,031	Balance of each vendor has not exceeded 5% of total account balance.
		<u>\$ 247,309</u>	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 10

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract Period</u>	<u>Rate</u>	<u>Collateral</u>	<u>Note</u>
Taiwan Cooperative Bank	Repayment term is based on the contract signed by both parties	\$ 15,000	2019/7 ~ 2024/7	2.08%	Land, buildings and structures	
	Less : current portion	(15,000)				
		<u>\$ -</u>				

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 11

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Chiller unit	1,776 sets	\$ 1,016,073	
Engineering service revenue		301,369	
Repairs and maintenance revenue		149,728	
Condenser	91 sets	10,956	
Others		125,316	
		<u>\$ 1,603,442</u>	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 12

Item	Subtotal	Total	Note
Beginning merchandise	\$ 3,160		
Add: Net amount of goods purchased in the current year	35,324		
Less: Transferred to construction costs, etc	(22,039)		
Ending merchandise	(3,951)		
Cost of purchasing and selling		\$ 12,494	
Beginning raw materials	263,513		
Add: Net raw materials purchased	803,620		
Less: Transferred to maintenance costs, etc	(57,982)		
Ending raw materials	(192,492)		
Used during the year		816,653	
Direct labor		48,631	
Manufacturing expense		79,989	
Manufacturing cost		945,273	
Beginning work in progress		89,045	
Ending work in progress		(112,790)	
Cost of finished goods		921,528	
Beginning finished goods		116,797	
Less: Transferred to construction costs, etc		(42,827)	
Ending finished goods		(75,757)	
Cost of goods manufactured and sold		919,741	
Commodity tax		106,294	
Cost of goods manufactured and sold		1,026,035	
Cost of materials sold		2,349	
Maintenance costs		65,062	
Cost of engineering sales		236,089	
Loss on slow-moving inventories and valuation loss		5,054	
Cost of after-sale service		14,766	
Operating costs		\$ 1,361,849	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 13

<u>General ledger account</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Processing fees		\$ 27,047	
Indirect labor		16,241	
Depreciation charge		7,261	
Insurance expense		6,243	
Sporadic materials		6,060	
Other manufacturing expense		17,137	Balance of individual accounts has not exceeded 5% of total account balance.
		<u>\$ 79,989</u>	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 14

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 29,354	
Depreciation charge		2,960	
Insurance expense		3,720	
Others		15,067	Balance of individual accounts has not exceeded 5% of total account
		<u>\$ 51,101</u>	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 15

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 45,034	
Depreciation charge		16,614	
Directors' remuneration		12,538	
Service fees		6,159	
Others		25,580	Balance of individual accounts has not exceeded 5% of total account
		<u>\$ 103,925</u>	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 16

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 27,188	
Research and development expenses		2,630	
Insurance expense		2,573	
Others		4,871	Balance of individual accounts has not exceeded 5% of total account
		<u>\$ 37,262</u>	

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF FINANCE COST
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 17

Item	Description	Amount	Note
Bank borrowings		\$ 2,874	
Lease liabilities		115	
		<u>\$ 2,989</u>	

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, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 18

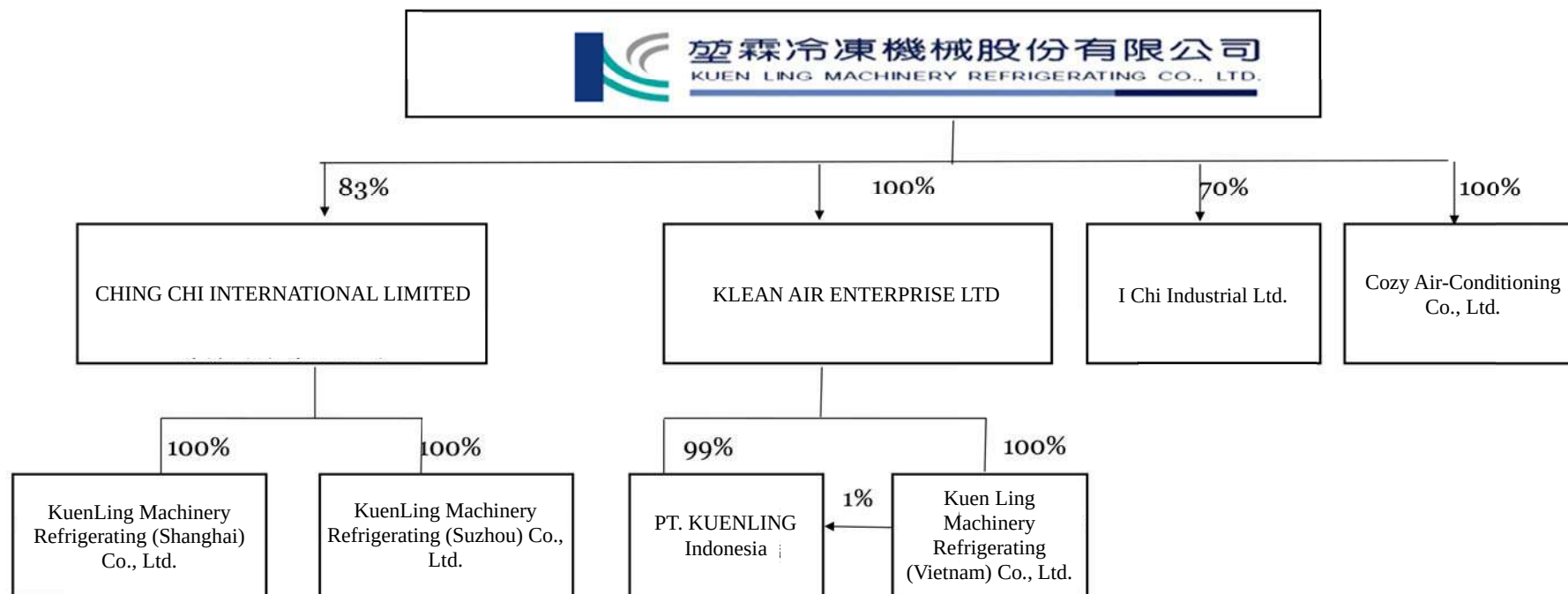
Function Nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense	\$ 75,013	\$ 126,987	\$ 202,000	\$ 69,436	\$ 116,933	\$ 186,369
Wages and salaries	62,463	97,205	159,668	58,149	90,570	148,719
Labour and health insurance fees	5,927	8,158	14,085	5,202	7,629	12,831
Pension costs	2,623	4,371	6,994	2,402	4,429	6,831
Directors' remuneration	-	12,538	12,538	-	9,851	9,851
Other employee benefit expense	4,000	4,715	8,715	3,683	4,454	8,137
Depreciation Expense	7,261	20,809	28,070	6,168	22,115	28,283
Amortisation Expense	574	1,476	2,050	563	2,014	2,577

- A. As at December 31, 2023 and 2022, the Company had 190 and 198 employees, respectively, including 8 non-employee directors, respectively.
- B. Average employee benefit expense in current and previous year was \$1,041 and \$929, respectively.
- C. Average employee wages and salaries in current and previous year was \$877 and \$783, respectively.
- D. Adjustment of average employee wages and salaries was 12.01%.
- E. The Company's salary and compensation policy:
The directors' remuneration is determined in accordance with the Article 20-1 of Incorporation of the Company whereby no higher than 3% of the distributable profit of the current year shall be distributed as the directors' 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.

2023 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.O.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
Kueling Machinery Refrigerating (Shanghai) Co., Ltd.	2000.09.01	Building 17, Block B, 2nd Floor, Room 202, No. 470, Jiuqing Road, Jiuting Town, Songjiang District, Shanghai	TWD	181,713	Note 1 Note 6 Note 7
Kuenling 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. Penjarangan 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	3,064 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%
Kuenling Machinery Refrigerating (Shanghai) Co., Ltd.	Chairman	CHING CHI INTERNATIONAL LIMITED (Representative: Chung-Kuo Tseng)	\$ 181,713	100%
Kuenling 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	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	Current Profit (loss)	Earnings per Share
	(Note 1)	(Note 2)	(Note 2)		(Note 2)	(Note 2)	(Note 2)	
Kuen Ling Machinery Refrigerating Co., Ltd.	761,524	2,359,507	733,892	1,625,615	1,603,442	40,847	258,404	3.39
Cozy Air-Conditioning Co., Ltd.	30,000	639,982	416,576	223,406	1,292,522	164,871	131,123	43.71
I Chi Industrial Ltd.	11,000	19,799	4,527	15,272	19,198	1,249	1,144	1.04
CHING CHI INTERNATIONAL LIMITED	242,731	653,323	-	653,323	-	(82)	110,520	
KLEAN AIR ENTERPRISE LTD	138,046	127,354	-	127,354	-	(35)	(6,718)	
Kuenling Machinery Refrigerating (Shanghai) Co., Ltd.	181,713	1,339,341	971,461	367,880	1,414,897	66,760	82,458	
Kuenling Machinery Refrigerating (Suzhou) Co., Ltd.	272,443	473,679	189,407	284,272	765,120	40,134	37,179	
Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd.	89,325	176,117	55,887	120,230	50,667	(3,224)	(7,375)	
PT. KUENLING Indonesia	17,279	15,229	10,557	4,672	10,606	653	665	

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:



The business entities to be included in the Company's 2023 (from January 1, 2023 to December 31, 2023) "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-subsiidiary 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-subsiidiary 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 12, 2024