KUEN LING MACHINERY REFRIGERATING CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

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

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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.

DECEMBER 31, 2023 AND 2022 PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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PWCR22000470

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

Opinion

We have audited the accompanying parent company only balance sheets of Kuen Ling Machinery Refrigerating Co., Ltd. (the "Company") as at December 31, 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 AMOUNT	%	December 31, 2022 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

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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	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 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) amd 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	6(16)				
3310	Legal reserve		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	9				
	Significant events after the balance sheet date	11				
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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Items	Notes	2023 AMOUNT	2023 %	2022 AMOUNT	2022 %
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 sbusidiaries, 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	6(24)				
9750	Basic earnings per share		$	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
Year ended December 31, 2022									
Balance at January 1, 2022		$ 761,524	$ 128,616	$ 230,637	$ 96,241	$ 318,093	($ 68,799)	($ 33,318)	$ 1,432,994
Profit for the year		-	-	-	-	204,046	-	-	204,046
Other comprehensive income (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)	-	-	-
Reversal of special reserve		-	-	-	5,876	(5,876)	-	-	-
Cash dividends	6(16)	-	-	-	-	(137,074)	-	-	(137,074)
Balance at December 31, 2022		$ 761,524	$ 128,616	$ 245,884	$ 102,117	$ 379,612	($ 48,124)	($ 33,318)	$ 1,536,311
Year ended December 31, 2023									
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)

	Notes	Year ended December 31 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

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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
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
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' 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) <u>Classification of current and non-current items</u>

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

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

(b) Assets held mainly for trading purposes;

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

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to 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) <u>Income tax</u>

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

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

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

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

(2) Notes and accounts receivable, net

	December 31, 2023	December 31, 2022
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
	$ 34,975	$ 64,622

	December 31, 2022	December 31, 2023
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
	$ 373,405	$ 338,691

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

	December 31, 2023		December 31, 2022	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
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
	$ 34,999	$ 387,899	$ 64,646	$ 344,443

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
	$ 389,577	($ 28,003)	$ 361,574

	December 31, 2022		
	Cost	Allowance for valuation loss	Notes Book value
Materials and supplies	$ 263,513	($ 14,053)	$ 249,460
Work in progress	89,045		89,045
Finished goods	116,797	(7,224)	109,573
Merchandise	3,160	(1,963)	1,197
Inventory in transit	6,975	-	6,975
	$ 479,490	($ 23,240)	$ 456,250

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
	$ 1,361,849	$ 1,210,892

(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	-	-
	$ 9,759	$ 9,759

A. The Company has elected to classify unlisted stocks investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments all amounted to $9,759 as at December 31, 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

	December 31, 2023		December 31, 2022	
Investee	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%
	$ 900,310		$ 824,517	

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
At January 1, 2023									
Cost	$106,209	$ 291,496	$ 158,320	$ 33,627	$ 13,342	$ 6,623	$ 11,390	$ 665	$621,672
Accumulated depreciation and impairment	-	(129,104)	(125,670)	(28,940)	(2,971)	(2,504)	(7,310)	-	(296,499)
	$106,209	$ 162,392	$ 32,650	$ 4,687	$ 10,371	$ 4,119	$ 4,080	$ 665	$325,173
2023									
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	$106,209	$ 152,783	$ 33,247	$ 4,539	$ 8,828	$ 3,493	$ 4,427	$ 10,018	$323,544
At December 31, 2023									
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)
	$106,209	$ 152,783	$ 33,247	$ 4,539	$ 8,828	$ 3,493	$ 4,427	$ 10,018	$325,544

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1, 2022									
Cost	$ 79,128	$ 246,546	$ 150,200	$ 35,069	$ 2,544	$ 2,376	$ 9,349	$ 71,528	$596,740
Accumulated depreciation and impairment	-	(118,811)	(117,778)	(29,300)	(1,635)	(1,973)	(7,049)	-	(276,546)
	$ 79,128	$ 127,735	$ 32,422	$ 5,769	$ 909	$ 403	$ 2,300	$ 71,528	$320,194
2022									
Opening net book amount as at January 1	$ 79,128	$ 127,735	$ 32,422	$ 5,769	$ 909	$ 403	$ 2,300	$ 71,528	$320,194
Additions	-	2,559	12,914	1,283	331	4,247	419	-	21,753
Prepayments for equipment transferred	27,081	42,469	176	-	10,645	-	2,373	(70,863)	11,881
Disposals-cost	-	(78)	(4,970)	(2,725)	(178)	-	(751)	-	(8,702)
Depreciation charge	-	(10,371)	(8,823)	(2,365)	(1,514)	(531)	(1,012)	-	(24,616)
Disposals-accumulated depreciation	-	78	931	2,725	178	-	751	-	4,663
Closing net book amount as at December 31	$106,209	$ 162,392	$ 32,650	$ 4,687	$ 10,371	$ 4,119	$ 4,080	$ 665	$325,173
At December 31, 2022									
Cost	$106,209	$ 291,496	$ 158,320	$ 33,627	$ 13,342	$ 6,623	$ 11,390	$ 665	$621,672
Accumulated depreciation and impairment	-	(129,104)	(125,670)	(28,940)	(2,971)	(2,504)	(7,310)	-	(296,499)
	$106,209	$ 162,392	$ 32,650	$ 4,687	$ 10,371	$ 4,119	$ 4,080	$ 665	$325,173

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) <u>Leasing arrangements－lessee</u>

A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 5 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be subleased, lent or used in any way that may affect the ownership of the lessor.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

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

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

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:

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

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

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

As of December 31, 2022 and 2021, the circumstances of each year's expected recovery of the portion of the long-term accounts receivable collection period over one year due to installment payments sales are as follows:

Term	December 31, 2023	December 31, 2022
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
	$ 765	$ 1, 256

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

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

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

	December 31, 2023	December 31, 2022
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
	$ 123,775	$ 117,030

(11) Current provisions

Warranty	2023	2022
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	$ 36,203	$ 36,219

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)
				$ -

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Secured borrowings	Borrowing period is from July 2019 to July 2024; principal is repayable in installments in accordance with the mutual agreement	1.83%	Land, buildings and structures	$ 35,000
Less: current portion				(20,000)
				$ 15,000

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:

	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)
	$ 64,077	$ 69,729

(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
	99,089	(27,661)	71,428
Remeasurements:			
Actuarial gains	-	(87)	(87)
Change in financial assumptions	1,943	-	1,943
Experience adjustments	2,271	-	2,271
	4,214	(87)	4,127
Pension fund contribution	-	(11,478)	(11,478)
At December 31	$ 103,303	($ 39,226)	$ 64,077

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2022			
At January 1	$ 116,051	($ 19,449)	$ 96,602
Current service cost	1,263	-	1,263
Interest expense (income)	812	(136)	676
	118,126	(19,585)	98,541
Remeasurements:			
Actuarial gains	-	(1,331)	(1,331)
Change in financial assumptions	(7,307)	-	(7,307)
Experience adjustments	(10,950)	-	(10,950)
Benefits paid	(2,861)	2,861	-
	(21,118)	1,530	(19,588)
Pension fund contribution	-	(9,224)	(9,224)
At December 31	$ 97,008	($ 27,279)	$ 69,729

(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:

	Share premium	Treasury share transactions	Total
Balance at January 1 (at December 31)	$ 128,615	$ 1	$ 128,616

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

(16) Retained earnings

A. The Company operates in a volatile industry environment and is in the stable growth stage. Considering the Company's future capital needs, long-term financial plans and to maximise shareholders' interests, and in accordance with the Company's dividend policy, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital.

In accordance with laws, if the balance of the special reserve is insufficient compared to the total of the cumulative amount of net increase in fair value of investment property in a preceding period and the cumulative net amount of other deductions from equity in a preceding period, the Company shall first set aside an equivalent amount of special reserve from the undistributed earnings of the prior period before the appropriation of earnings. If there remains any insufficiency, it shall be set aside from the after-tax profit of the period plus items other than after-tax net profit of the period, that are included in the undistributed earnings of the period. After the provision or reversal of special reserve in accordance with the laws and regulations, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the shareholders if dividends would be distributed by issuing new shares.

The Board of Directors of the Company can distribute all or part of the distributable dividends and bonus, capital surplus and legal reserve in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and report to the shareholders.

The amount of distributable dividends and shareholders' bonuses shall not be less than 50% of the distributable earnings of the current year, and cash dividends shall not be less than 10% of the total distribution of the current year.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

In accordance with the abovementioned rules, the special reserve appropriated as a result of the Company's choice of reclassifying cumulative translation adjustment to retained earnings as of December 31, 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
	$ 1,603,442	$ 1,427,701

	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
	$ 1,603,442	$ 1,427,701

B. assets and liabilities

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

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

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

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

(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

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

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
	$ 2,079	$ 5,374

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	$ 1,562,879	$ 1,399,832

(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	$ 202,000	$ 186,369

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 $,745, 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	$ 33,952	$ 10,795

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
	25,431	2,533	825	28,789
–Deferred tax liabilities:				
Gain on investment	(54,034)	(17,067)	-	(71,101)
	($ 28,603)	($ 14,534)	$ 825	($ 42,312)

	2022			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
Temporary differences:				
–Deferred tax assets:				
Pension costs	$ 13,977	$ 1,887	($ 3,918)	$ 11,946
Product service guarantee	7,300	(56)	-	7,244
Allowance for inventory valuation losses	4,288	360	-	4,648
Allowance for bad debts	841	(453)	-	388
Unused compensated absence	488	-	-	488
Others	1,171	(454)	-	717
	28,065	1,284	(3,918)	25,431
–Deferred tax liabilities:				
Gain on investment	(52,118)	(1,916)	-	(54,034)
	($ 24,053)	($ 632)	($ 3,918)	($ 28,603)

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)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 258,404	76,152	$ 3.39
Diluted earnings per share			
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	$ 258,404	77,147	$ 3.35

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 204,046	76,152	$ 2.68
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 204,046	76,152	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	876	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 204,046	77,028	$ 2.65

(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	$ 197,993	($ 65,396)	$ -	$ 132,597

	January 1, 2022	Changes in cash flow from financing activities	Changes in other non-cash items	December 31, 2022
Short-term borrowings	$ 163,991	($ 11,895)	$ -	$ 152,096
Long-term borrowings (Note 1)	55,000	(20,000)	-	35,000
Lease liability (Note 2)	20,010	(2,966)	(6,147)	10,897
Liabilities from financing activities-gross	$ 239,001	($ 34,861)	($ 6,147)	$ 197,993

Note 1: Including current portion.

Note 2: In addition, refer to Note 6(25) for supplemental cash flow information.

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
CHING CHI INTERNATIONAL LIMITED	The subsidiary of the Company
KUEN LING MACHINERY REFRIGERRATING (SHANGHAI) CO., LTD. (SHANGHAI KUEN LING)	The subsidiary of the Company
KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. (SUZHOU KUEN LING)	The subsidiary of the Company
KLEAN AIR ENTERPRISE LTD.	The subsidiary of the Company
KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD. (VIETNAM KUEN LING)	The subsidiary of the Company
PT KUEN LING INDONESIA	The subsidiary of the Company
COZY AIR-CONDITIONING CO., LTD. (COZY AIR-CONDITIONING)	The subsidiary of the Company
I CHI INDUSTRIAL CO., LTD.	The subsidiary of the Company
TECO Electric & Machinery Co., Ltd. (TECO Electric & Machinery)	Entity with significant influence over the Company
AOK TECHNICAL SERVICE CO., LTD.	Entity with significant influence over the Company
TESEN ELECTRONIC CO., LTD.	Entity with significant influence over the Company
Top-Tower Enterprises Co., Ltd.	Entity with significant influence over the Company
JIANGXI TECO AIR CONDITIONING EQUIPMENT CO., LTD. (JIANGXI TECO)	Entity with significant influence over the Company
TECO (Philippines) 3C & Appliance Inc.	Entity with significant influence over the Company

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	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
	944,909	893,426
Entities with significant influence over the Company		
TECO Electric & Machinery	56,223	95,803
Others	4,312	4,076
	60,535	99,879
	$ 1,005,444	$ 993,305

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	5,608	-
	16,605	24,186
Entities with significant influence over the Company		
JIANGXI TECO	1,318	-
TECO Electric & Machinery	190	190
Others	5	-
	1,902	190
	$ 18,507	$ 24,376

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

	December 31, 2023	December 31, 2022
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
	260,096	167,418
Entities with significant influence over the Company		
TECO Electric & Machinery	10,307	6,240
Others	1,638	490
	11,945	6,730
	272,041	174,148
Other receivables:		
Subsidiaries		
COZY AIR-CONDITIONING	9,253	11,846
	$ 308,330	$ 241,222

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

E. Payables

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

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

F. Lease transactions－lessee

(a) The Company leases land and buildings from Cozy Air-Conditioning. Rental contracts are typically made for the period from 2019 to 2027. Rents are paid monthly.

(b) Lease liability

i. Outstanding balance:

	December 31, 2023	December 31, 2022
Subsidiaries		
COZY AIR-CONDITIONING	$ 5,908	$ 7,833

ii. Interest expense:

	Year ended December 31	
	2023	2022
Subsidiaries		
COZY AIR-CONDITIONING	$ 78	$ 99

G. Loans to / from related parties

Loans to related parties:

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

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
	$ 28,112	$ 25,250

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2023	December 31, 2022	Purpose
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
	$ 210,070	$ 210,070	

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	$ 30,793	$ 48,079

(2) Refer to Note 6 (18), operating revenue, for the amount of unfulfilled performance obligations for the system integration construction contract undertaken by the Company.

(3) The Company undertakes contracts such as equipment unit and system integration constructions, and financial institutions provide the Company with contract guarantees and other guarantees. The amount of guarantee is as follows:

	December 31, 2023	December 31, 2022
Guaranteed amount provided by the bank	$ 44,093	$ 41,940

(4) The amount to be paid in the future for the capital expenditure contracts and outsourcing construction contracts signed by the Company is as follows:

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

(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:

	December 31, 2023	December 31, 2022
Debt to assets ratio	52	49

(2) Financial instruments

A. Financial instruments by category

		December 31, 2023		December 31, 2022
Financial assets				
Financial assets at fair value through other comprehensive income				
Designation of equity instrument	$	9,759	$	9,759
Financial assets at amortised cost				
Cash and cash equivalents	$	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		765		1,256
	$	577,638	$	533,008
Financial liabilities				
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 (including current portion)		15,000		35,000
	$	508,365	$	496,311
Lease liability (including non-current)	$	7,756	$	10,897

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)			
Financial assets			
Monetary items			
USD:NTD	$ 837	30.71	$ 25,704
Non-monetary items (Note)			
USD:NTD	22,259	30.71	671,239
Financial liabilities			
Monetary items			
USD:NTD	499	30.71	15,324

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

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 $1,721and $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)					
Financial assets					
Monetary items					
USD:NTD	1%	$	257	$	-
Non-monetary items					
USD:NTD	1%		-		6,712
Financial liabilities					
Monetary items					
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)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 214	$ -
Non-monetary items			
USD:NTD	1%	-	5,994
Financial liabilities			
Monetary items			
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:

		Past due					
	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	1 to 2 year(s)	Over 2 years
December 31, 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	$ 14,494	$ 24	$ -

	2022		
	Accounts receivable	Effect on profit Notes receivable	Contract assets
At January 1	$ 7,729	$ 24	$ -
Reversal of impairment loss	(1,977)	-	-
At December 31	$ 5,752	$ 24	$ -

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	-	-	-
	$ 474,024	$ 37,490	$ 2,189	$ 2,577	$ 671

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	-	-
	$ 421,642	$ 64,111	$ 17,597	$ 4,570	$ 867

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				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 9,759	$ 9,759
Liabilities: None.				

D. For the years ended December 31, 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.
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
		$ 143,820

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

Client Name	Description	Amount	Note
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.
		$ 85,855	

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

Client Name	Description	Amount	Note
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.
		115,858	
Less: Allowance for uncollectible		(12,494)	
		$ 101,364	

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

Item	Cost	Market Price	Notes
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	$ 437,091	
Less: Allowance for inventory valuation and obsolete and slow-moving inventories	(28,003)		
	$ 361,574		

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		Collateral
	Shares In Thousands	Amount	Shares In Thousands	Amount	Shares In Thousands	Amount	Shares In Thousands	Percentage of Ownership	Amount	Unit Price (In Dollars)	Total Amount	
CHING CHI INTERNATIONAL LIMITED	6,200	$ 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
		$ 824,517		$ 170,706		$ 136,970			$ 900,310		$ 903,708	

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

Item	Beginning Balance	Addition	Decrease	Ending Balance
Land	$ 12,597	$ -	$ -	$ 12,597
Buildings and structures	17,212	-	-	17,212
	$ 29,809	$ -	$ -	$ 29,809

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

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

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

Statement 8

Nature	Description	Ending Balance	Contract Period	Range of Interest Rate	Credit Line	Collateral	Note
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

Vendor name	Description	Amount	Note
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.
		$ 247,309	

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

Statement 10

Creditor	Description	Amount	Contract Period	Rate	Collateral	Note
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)				
		$ -				

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

Item	Volume	Amount		Note
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	
		$	1,603,442	

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

General ledger account	Description	Amount	Note
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.
		$ 79,989	

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

Item	Description	Amount	Note
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
		$ 51,101	

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

Item	Description	Amount	Note
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
		$ 103,925	

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

Item	Description	Amount	Note
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
		$ 37,262	

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	
		$ 2,989	

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 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.