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[I. Letter to Shareholders]

Dear Shareholders,

The global economic growth in 2023 was not as favorable as expected, mainly due to the increase in business costs and inflation resulting from the aggressive interest rate hike policy of the Fed, the effects on the economy in Europe generated from the unresolved Russo-Ukrainian War, the US-China trade war, separation of supply chains from China, and the sluggish recovery of China's economy. Since Q4, due to climate change and the attack on the Red Sea, the SCFI has risen by 23%. In addition, the successive crises of the real estate giants in China and Europe have brought uncertainty to global inflation at the end of the year. According to comprehensive reports and the Company's statistical analysis, the sales volume of air conditioners in China reached 170 million units in 2023, representing an increase of 11.2% year-on-year. Among them, the sales volume in the domestic market increased by 13.8%, the export volume increased by 7.8%, and industrial inventory slowed down to approximately 17.9 million units. The scale of the rotary compressor industry has also reached a new level with an annual output of 260 million units, representing a YoY increase of 12.7%.

In order to ensure the shareholders' rights and interests and sustainable operation, we solidify the foundation to improve the overall performance, the Company made a breakthrough in the Chinese market bucking the trend, with a significant increase in inverter requirements. However, due to regional conflicts and high inflation in the European and American markets, the terminal demand was sluggish and sales declined. In 2023, we realized a sales volume of compressors of 15.50 million units, representing a YoY increase of 2.3%, and the consolidated revenue was NTD 16,859,695 thousand, representing a YoY decrease of 8.2%.

I. Review of business operation results in 2023:

1. Profitability:

Consolidated Financial Statements

Unit: NTD thousand

Item	2023	2022	Increase (decrease) in amount	Growth rate %
Operating revenue – net	16,859,695	18,370,990	(1,511,295)	-8.2%
Operating costs	14,353,857	16,125,298	(1,771,441)	-11.0%
Gross profit	2,505,838	2,245,692	260,146	11.6%
Net Operating Income	931,202	582,145	349,057	60.0%
Consolidated profit before tax	1,118,037	943,576	174,461	18.5%
Consolidated net income	801,018	702,382	98,636	14.0%
Net income attributable to the company	750,972	688,281	62,691	9.1%

2. Research & Development:

- According to the development plan, the Company has completed the development of 2.2 - 4.0KW inverter compressor series for air conditioners for Japan, the development of R290 refrigerant fixed frequency/inverter horizontal compressor for heat pump washer-dryer for Europe, the development of the 35F R290 horizontal inverter compressor in response to the new energy efficiency regulations for dishwasher in the EU, and development of 2HP R32 refrigerant high-efficiency twin-cylinder inverter compressor for air conditioners in China.
- At the same time, we have also completed the R&D of the 35F/39F 8P12S low-noise inverter compressor motor, the R&D of the new 50F fixed frequency aluminum wire

mold, and the magnetic-solid coupling analysis and the basic research of electromagnetic noise simulation of the variable frequency motor.

3. Sales:

- We recorded a YoY growth of 2.3% in compressor sales throughout the year, mainly due to the increase in the proportion of fixed-frequency aluminum wire and copper-aluminum wire products, as well as the breakthrough in China's inverter market. The sales volume of inverters had a YoY increase of 45.3%, and the overall compressor profit margin increased by 2.6%.

II. Summary of Business Plan for 2024:

Looking ahead to 2024, environmental factors affecting the Company's operations are summarized as follows:

1. Global economic environment

- IMF forecasts that global economic growth will slow down to 2.9%, and economic growth in developed economies (i.e., the US and Japan) will slow down to 1.5% and 1.0%, respectively. Emerging markets and developing countries in Asia will record a slow down in economic growth, of which China has slowed down to 4.8% while India is expected to maintain above 6%.
- Inflation is expected to slow down to 5.8%.

2. Industry status

- Air conditioning industry

Under the evolution of the regional economy in the post-pandemic era, China's air conditioner production bases have shifted to a global layout, companies have self-reliant core parts and components, and competitive companies within the industry formed alliances to expand their territories. Furthermore, new competitors have entered the rotary compressor market, indicating that the concentration of China's air conditioner brands has increased. The industry elimination mechanism has been activated, and the disadvantaged brands will be marginalized.

In response to global warming, carbon neutrality, and natural refrigerant issues, the HVAC industry has a positive prospect.

- Compressor industry

As the world's main production base for rotary compressors, China's production volume accounts for nearly 95% of the global output, which has a huge impact on the industry trend.

The unstable international situation, the weak economic momentum in Europe and America, and the unclear economic indicators of the real estate industry will hinder the recovery of consumer confidence in the short term. The overall compressor production capacity will continue to be over-supply, and the market price competition will be intense. It is estimated that the sales volume of the rotary compressor industry in 2024 will record a YoY decline of 2 - 3%.

- Green business opportunities

The net zero and low-carbon issue continues to develop. In particular, the environmental regulations and strict requirements for natural refrigerants (i.e., R290) in the European market gave rise to more technological innovations. The market scale and demand for heat pumps (hot water/heating) will continue to grow.

- Trend of raw materials

Copper: Goldman Sachs estimates that, driven by China's policies, copper will have a short supply in the second half of the year, and the price will rise significantly. Meanwhile, the market expects global central banks to commence reducing interest rates, and the weak USD will bring certain support to the copper price.

Steel: The worldsteel's report shows that the steel demand in developed economies will recover slowly, and the demand growth in emerging economies is expected to be faster than that in developed economies.

Rare earth: With the rapid development of wind power, new energy vehicles, AI and other industries, the production volume and consumption volume of rare earth and permanent magnetic materials in China have maintained a steady growth trend.

The overall market environment and industry competition are intense, and the operational challenges cannot be underestimated. It is necessary to move with the times phrase, keep abreast of market dynamics, and quickly adjust the pace of operation to ensure the achievement of the Company's business targets. Therefore, the Company has formulated its operating strategy and policy for 2024, summarized as follows:

1. The target of sales volume of compressors in the whole year is 16.8 million units or more.
2. In response to the market competition of frequency conversion products, we will continue to promote inverter compressors to increase the market share.
3. In response to the global trend of carbon neutrality, we will grasp medium and long-term low-carbon business opportunities and develop new customers and new fields.
4. Accelerate the product iteration cycle and invest in the development of forward-looking products.
5. Implement high turnover and light inventory to reduce the cost of working capital.
6. Continue to promote production automation, intelligent equipment, and visualized processes to improve the consistency of the Group's product quality.
7. Optimize product quality, improve internal and external yields and product stability, and improve customer satisfaction.
8. Conform to the international trend and continue to attach importance to ESG evaluation to achieve the Group's annual carbon reduction target.

Looking forward to 2023, the Company adheres to the concept of sustainable operation and honest operation and focuses on pursuing customer satisfaction as the primary goal. The Company will be customer-oriented, quickly respond to market demand, continuously expand sales volume, reduce marginal costs, break through technical bottlenecks, and strengthen product competitiveness, to achieve the maximization of enterprise value.

Chairman:

President:

Accounting Supervisor:

[II. Company History]

I. Date of establishment:

December 19, 1989

II. Organization and operations

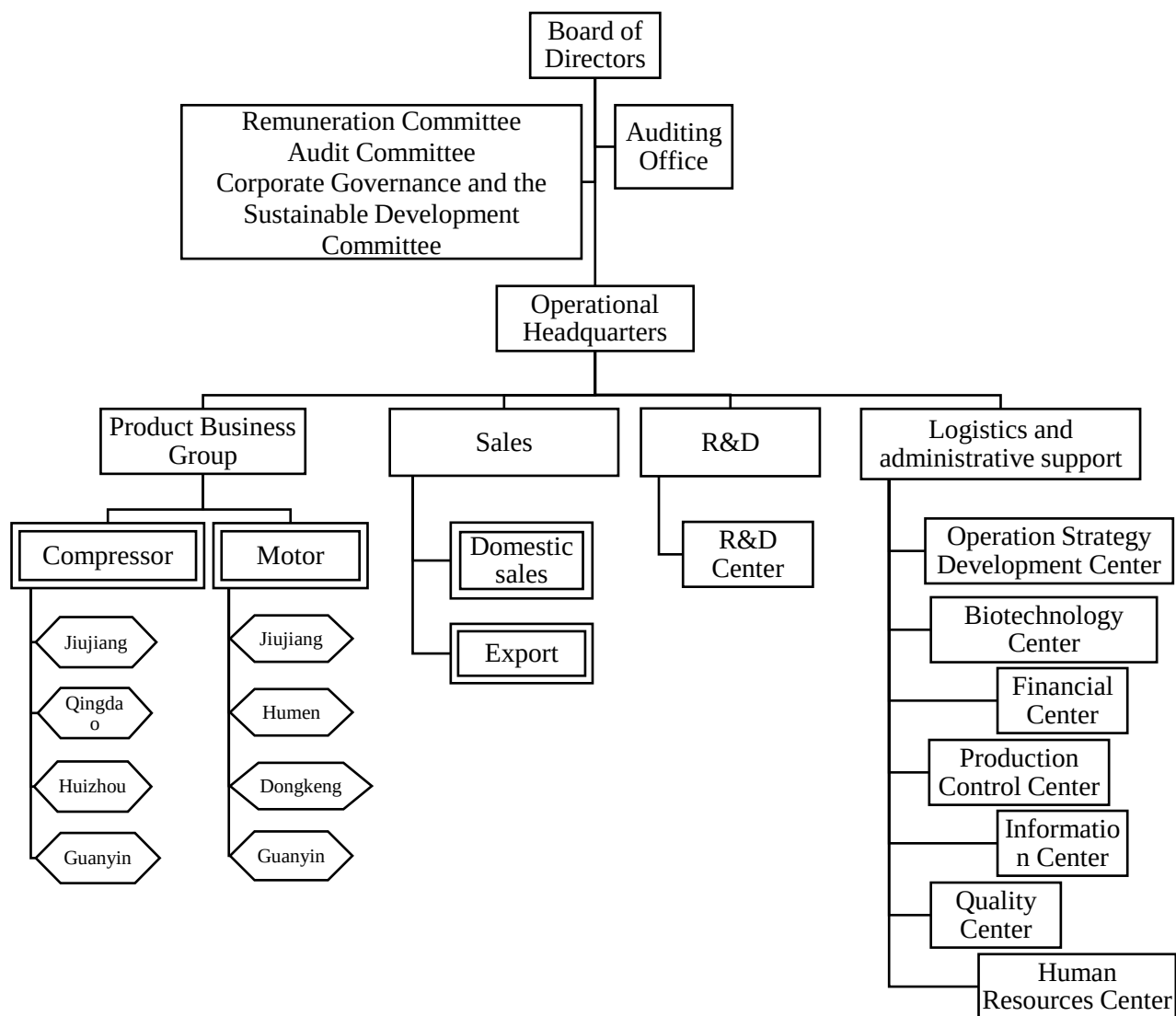
December 1989	RECHI PRECISION CO., LTD. was incorporated
December 1996	Passed ISO 9001 certification by the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs (MOEA)
November 1999	The extraordinary shareholders' meeting approved the matters regarding investment in compressor assembly plants in China
February 2000	Established Rechi Holdings Co., Ltd.
July	Established Rechi Refrigeration Dongguan Co., Ltd.
January 2001	Established TCL Rechi (Huizhou) Refrigeration Equipment Company Limited
	Established Dongguan Rechi Compressor Co., Ltd.
December	Established Rewan (Hong Kong) Co., Ltd.
February 2002	Had stocks listed on Taipei Exchange for trading
May	Established Rechi Investments Co., Ltd.
August 2003	Had stocks listed on Taiwan Stock Exchange for trading
October	Mass produced compressors for dehumidifiers
January 2004	Acquired Rewan Hardware (Dongguan) Co., Ltd.
July	Established Rechi Precision (Huizhou) Mechanism Company
April 2005	Established Rechi Precision (Qingdao) Electric Machinery Limited
April 2008	Passed ISO14001 certification by the Bureau of Standards, Metrology and Inspection, MOEA
April 2009	Successfully introduced inverter compressors to the Japanese market
September	Established Qingdao Rechi Electric Machinery Sales Company
June 2012	Established Qingdao China Steel Precision Metal Co., Ltd. as a joint venture with ChinaSteel Group
June 2013	Established Dyna Rechi Co., Ltd.
November	Established Dyna Rechi Jiujiang Co., Ltd.
December 2014	Established Rechi Precision (Jiujiang) Electric Machinery Limited
July 2015	Set up an India office
May 2017	Established an U.S. liaison office
March 2018	Set up a Thailand office
August	Established a Japan liaison office
December	Established Jiangxi Baida Precision Manufacturing Corp. as

	a joint venture with Zhejiang Baida Precision Manufacturing Corp.
August 2019	Acquired Ablek Technology Ltd.
September	Put into operation the compressor automation assembly line in Guanyin plant in Taoyuan
August 2022	Passed ISO14064 certification by the Bureau of Standards, Metrology and Inspection, MOEA
August 2023	Passed ISO 50001 certification by the Bureau of Standards, Metrology and Inspection, MOEA

[III. Corporate Governance Report]

I. Organization

(I) Organizational Structure of the Company



(II) Business of Major Departments

Department Name	Business
Corporate Governance and Sustainable (ESG) Committee	Responsible for the operating procedures of the Corporate Governance Best-Practice Principles, the Sustainable Development Best-Practice Principles, and the Ethical Corporate Management Best-Practice Principles.
Auditing Office	Audit of group-wide business activities and systems.
Operational Headquarters	Responsible for the planning and implementation of the Group's operational goals, policies, and strategies.
Logistics and administrative support	Including Operation Strategy Development Center, Biotechnology Center, Financial Center, Production Control Center, information center, Quality Center, and Human Resources Center. Responsible for the overall planning of the Group's marketing, short-, mid-, and long-term operational plans and strategic development, investment planning and evaluation, corporate image, and relevant legal affairs; mass production of new products, introduction of production lines and equipment, production technology standardization; fund planning, fundraising, and coordination control, business analysis, budget and cost target implementation; production planning and control, original price analysis and management, production and sales coordination, inventory control and coordination, warehousing and transportation; information system and computer equipment planning, application software, Internet website planning; quality assurance system, quality audit, after-sales services, quality management and quality education implementation; organization planning and implementation, human resource policy, corporate social responsibility and administrative affairs, and planning and implementation of other matters.
R&D	Responsible for coordinating the Group's product R&D processes and plans, product technical documentation integration and release, as well as safety regulations and patents.
Sales	Responsible for the integration of the Group's product marketing strategy, market expansion, and customer management.
Product Business Group	It is divided into compressor business group and motor business group, with production sites located in Jiujiang, Qingdao, Huizhou, Humen, Dongkeng, and Guanyin.

II. Information on Directors, President, Vice Presidents, Asst. VP, and the chiefs of all the company's divisions and branch units

1. Profiles of Directors (1)

April 30, 2024

Title	Nationality or place of registration	Name	Gender Age range	Date of (elected to) office	Tenure	Initial date of elected to office	Shareholding at time of election		Current shareholding		Shareholding of spouse and dependents at present		Shareholding by nominee arrangement		Major (academic degree) experience	Holding other positions of the Company and other companies at present	Other executive, director or supervisor who is a spouse or kindred within the 2nd tier under the Civil Code			Remarks (Note)
							Shares	Shareholding ratio %	Shares	Shareholding ratio %	Shares	Shareholding ratio %	Shares	Shareholding ratio %			Title	Name	Relation	
Institutional Director	R.O.C.	SAMPO CORPORATION	—	2023/6/15	3 years	1989/12/08	138,160,160	27.36%	138,160,160	27.36%	—	—	—	—	—	—	—	—	—	
Chairman & Corporate Director representative	R.O.C.	Representative: CHEN, SHENG TIEN	Male 71-80	2023/6/15	3 years	1989/12/8–2005/6/7 2011/6/22–2011/9/30 2014/6/11–	0	0%	0	0%	733	0%	0	0%	Education and Professional Qualification Bachelor's degree in Hydraulic Engineering, National Cheng Kung University Master's degree in Civil Engineering, Utah State University Experience Chairman of SAMPO CORPORATION Chairman of Rechi Investments Co., Ltd. Chairman of Rechi Holdings Co., Ltd. Chairman of Rechi Holdings Co., Ltd. Chairman of Sampo Home Inc. Chairman of AMIGO LOGISTICS CORPORATION Chairman of Sampo Japan Co., Ltd. Chairman of SAMPO International Food Service Co., Ltd.	Chairman of SAMPO CORPORATION Chairman of Rechi Investments Co., Ltd. Chairman of Rechi Holdings Co., Ltd. Chairman of AMIGO LOGISTICS CORPORATION Chairman of Sampo Japan Co., Ltd.	Director	CHEN, SHENG CHUAN	Brothers	
Vice Chairman & Corporate Director representative	R.O.C.	Representative: YANG, CHENG MING	Male 61-70	2023/6/15	3 years	2020/06/16	0	0%	0	0%	0	0%	0	0%	Education and Professional Qualification Bachelor's degree in Engineering Science, National Cheng Kung University Experience Chairman of Xinbao Enterprise (Tianjin) Co., Ltd. Chairman of Debao Enterprise (Tianjin) Co., Ltd. Vice President of SAMPO CORPORATION Chairman of Dyna Rechi Co., Ltd.	Advisor to SAMPO CORPORATION Chairman of Dyna Rechi Co., Ltd. Director of RECHI Investments Co., Ltd.	None	None	None	
Corporate Director representative	R.O.C.	Representative: FENG, MING FA	Male 61-70	2023/6/15	3 years	2023/6/15	259,879	0.05%	259,879	0.05%	120,000	0.02%	0	0%	Education and Professional Qualification Doctoral Degree, Virginia Polytechnic Institute and State University Experience Vice President of RECHI PRECISION CO., LTD.	Director/President of Rechi Investments Co., Ltd. Director of Rechi International Holdings Co., Ltd. Director of Rechi Investments Holdings Co., Ltd. Chairman of GR Holdings (Hong Kong) Limited Director of Rechi Refrigeration Dongguan Co., Ltd. Director of Dongguan Rechi Compressor Co., Ltd. Director of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited Director of Rechi Precision (Huizhou) Mechanism Company Chairman of Qingdao Rechi Electric Machinery Sales Company Director of Dyna Rechi Co., Ltd. Director of Able Technology Co., Ltd.	None	None	None	
Institutional	Japan	Sharp	—	2023/6/15	3	2011/06/22	22,771,289	4.51%	22,771,289	4.51%	—	—	—	—	—	—	—	—	—	

Director		Corporation			years																
Corporate Director representative	Japan	Representative: ICHIJU, MIYO	Male 41-50	2023/6/15	3 years	2022/05/23	0	0%	0	0%	0	0%	0	0%	0	0%	Education and Professional Qualification Major of Structural Engineering, Graduate School of Engineering, University of Tsukuba Experience Department manager of Air Conditioning Business Unit of Sharp Corporation	Department manager of Air Conditioning Business Unit of Sharp Corporation	None	None	None
Institutional Director	R.O.C.	China Steel Corporation	—	2023/6/15	3 years	2011/06/22	23,002,022	4.56%	23,002,022	4.56%	-	-	-	-	-	—	—	—	—	—	
Corporate Director representative	R.O.C.	Representative: CHENG, CHI CHAO	Male 61-70	2023/6/15	3 years	2020/10/31	0	0%	0	0%	0	0%	0	0%	0	0%	Education and Professional Qualification Bachelor's degree in Power Mechanical Engineering, National Tsing Hua University Master's degree in Physical Technologies, Technische Universität Berlin Ph.D. in Mining, Metallurgy and Mechanical engineering, Clausthal University of Technology, Germany Experience Director of Steel Research and Development Division, China Steel Corporation Assistant Vice President of Technology Division of China Steel Corporation	Vice President of Technical Department of China Steel Corporation	None	None	None
Institutional Director	R.O.C.	Chumpower Machinery Corp.	—	2023/6/15	3 years	2014/06/11	4,135,762	0.82%	4,135,762	0.82%	-	-	-	-	-	—	—	—	—	—	
Corporate Director representative	R.O.C.	Representative: CHEN, SHENG CHUAN	Male 71-80	2023/6/15	3 years	2020/06/16	112,550	0.02%	0	0%	0	0%	0	0%	0	0%	Education and Professional Qualification Bachelor's degree in Electrical Engineering, National Taiwan University Master's degree in Electrical Engineering, University of Cincinnati Experience Chairman of SAMPO CORPORATION Chairman of RECHI PRECISION CO., LTD. Chairman of NUCOM INTERNATIONAL CORPORATION Chairman of Sony Industries Taiwan Co., Limited Director of New Castle International Investment Limited Director of AMIGO LOGISTICS CORPORATION Director of DongGuan Sheng Bo Electronics Co., Ltd.	Chairman of NUCOM INTERNATIONAL CORPORATION Vice Chairman of SAMPO CORPORATION Director of Sunpo International Investment Co., Ltd. Director of AMIGO LOGISTICS CORPORATION Director of DongGuan Sheng Bo Electronics Co., Ltd.	Chairman	CHEN, SHENG TIEN	Brothers
Independent director	R.O.C.	SU, CHING YANG	Male 71-80	2023/6/15	3 years	2014/06/11	0	0%	0	0%	0	0%	0	0%	0	0%	Education and Professional Qualification BA, Mechanical Engineering, National Cheng Kung University Executives Program, Graduate School of Business Administration, National Chengchi University 2005 Outstanding Alumni of National Cheng Kung University Mechanical Engineering Medal, Chinese Society of Mechanical Engineers Experience Executive Director, Metal Industries Research and Development Centre Executive Director/ Taiwan Transportation Vehicle Manufactures Association Deputy Executive Manager/General Management Office/Yulong Group Director/President of China Motor President /China Engine Corporation Chairman of Fortune Motors Co., Ltd.	Independent Director/Audit Committee/Remuneration Committee of Aerowin Technology Corporation Independent Director/Audit Committee/Remuneration Committee of KENDA RUBBER INDUSTRIAL CO., LTD. Director of NATUREWISE BIOTECH & MEDICALS CORPORATION	None	None	None

															Chairman of Sinjang Co., Ltd. (Sinjan Auto Auction) Vice President/ Shung Ye Motor Co., Ltd. Director/Daimler Vans Hong Kong Limited Vice President/Beijing Buorui Automobile Sale & Service Co., Ltd. Director/Yulon Finance Corporation Director/Tokio Marine Newa insurance Co., Ltd. (Motor Insurance) Director/Yulon Finance Corporation CEO/Capital Motors Inc. President of Joy Technology (Shenzhen) Co., Ltd./Consultant of ACCTON Technology Corporation Independent Director/Qisda Corporation Consultant/ Tan Chong Group, Malaysia						
Independent director	R.O.C.	CHEN, SHENG WANG	Male 61-70	2023/6/15	3 years	2017/06/22	0	0%	0	0%	0	0%	0	0%	0	Education and Professional Qualification Master's, In-service Master Program in Economics, National Taiwan University EMBA, International Business, National Taiwan University Experience President of SHARP Taiwan Director/Sampo Corporation Chief Administrative Officer/Division of Administration, Sampo Corporation General Manager/ Electronic Business Division, Sampo Corporation Director of the Electronic Product Planning Department/Sampo Corporation General Manager of Sampo Corp., Netherland General Manager of Sampo Corp., UK	None	None	None	None	
Independent director	R.O.C.	Huang, Pao-Hui	Female 51-60	2023/6/15	3 years	2023/6/15	0	0%	0	0%	0	0%	0	0%	0	Education and Professional Qualification Master's, in John F. Kennedy School of Government, Harvard University, United States Experience Director of Want Want Broadband	Chairman of Medbio biotechnology international Corporation LTD. Chairman of Midea Co., Ltd. Director of Chinese Television System Corporation Director of Tatung Company Chairman of Shouxi Policy Public Relations and Marketing Co., Ltd Executive Director of Eastern Multimedia Holding Co., Ltd.	None	None	None	

Note: Where the Chairman of the Company and the President or the person with equivalent position (the top-level manager) are the same person, each other's spouse, or relatives, the reason, reasonableness, necessity, and countermeasures shall be specified: N/A.

Dominant shareholders of institutional shareholders

April 30, 2024

Names of Institutional Shareholders	Dominant shareholders of institutional shareholders	Shareholding ratio
SAMPO CORPORATION	McLetti Investment Co., Ltd.	8.53%
	Nucom Investment Co., Ltd.	4.96%
	Steffili Investment Co., Ltd.	4.70%
	Monteliso Development Co., Ltd.	3.41%
	Chumpower Machinery Corp.	2.62%
	CHEN, SHENG WEI	2.11%
	CHEN, SHENG CHUAN	1.75%
	Husen Development Co., Ltd.	1.30%
	Yamannier Investment Co., Ltd.	1.28%
	The American branch of JPMorgan Chase Bank Taipei was entrusted with the custody of Vanguard's emerging market stock index fund investment account	1.21%
Sharp Corporation	HON HAI PRECISION IND.CO., LTD.	22.32%
	SIO International Holdings	13.23%
	FOXCONN (FAR EAST) LIMITED	11.81%
	Foxconn Technology Private Limited Company	9.96%
	CLEARSTREAM BANKING S. A.	5.98%
	The Master Trust Bank of Japan, Ltd. (Trust Business)	4.62%
	LGT Bank Ltd.	2.41%
	Custody Bank of Japan, Ltd. (Trust Business)	1.02%
	Nippon Life Insurance Company	0.73%
	Meiji Yasuda Life Insurance Company	0.71%
China Steel Corporation	Ministry of Economic Affairs	20.00%
	Employee Stock Ownership Trust of China Steel Corporation under custody of Mega International Commercial Bank	2.42%
	Transglory Investment Corporation	1.63%
	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF Securities Investment Trust Fund Account under the custody of Taishin International Bank	1.38%
	Fubon Life Insurance Co., Ltd.	1.36%
	Chunghwa Post Co., Ltd.	1.16%
	Labor Pension Fund (the Old Fund)	1.11%
	Vanguard Stock Index Account under custody of Taipei Branch, JPMorgan Chase Bank	1.08%
	Advanced Starlight Advanced Integrated International Stock Index under custody of Chase Bank	1.05%
	Labor Pension Fund (the New Fund)	1.03%
Chumpower Machinery Corp.	SAMPO CORPORATION	100.00%

Where the major shareholders of institutional shareholders are institutional shareholders, the information on the major shareholder(s)

April 30, 2024

Names of Institutional Shareholders	Dominant shareholders of institutional shareholders	Shareholding ratio
McLetti Investment Co., Ltd.	McLetti Investment Co., Ltd. (BVI)	99.91%
Nucom Investment Co., Ltd.	Nucom International Corporation	100.00%
Steffili Investment Co., Ltd.	McLetti Investment Co., Ltd. (BVI)	100.00%
Monteliso Development Co., Ltd.	CHEN, YI-HSIU	39.57%
	CHEN, SHENG CHIA	58.62%
	As it is a non-public company, the information on its major shareholders is not accessible	1.81%
Chumpower Machinery Corp.	SAMPO CORPORATION	100.00%
Husen Development Co., Ltd.	LIN, SHU-CHEN	0.17%
Yamannier Investment Co., Ltd.	McLetti Investment Co., Ltd. (BVI)	100.00%
The American branch of JPMorgan Chase Bank Taipei was entrusted with the custody of Vanguard's emerging market stock index fund investment account	As it is a non-public company, the information on its major shareholders is not accessible	
HON HAI PRECISION IND.CO.,LTD.	Gou, Tai-ming	12.56%
	New Labor Pension Fund	2.06%
	Citibank Hosting Government of Singapore Investment Account	1.88%
	LGT Bank AG	1.19%
	JPMorgan Chase Bank Hosting Vanguard STAR Developed Markets Index Fund	1.18%
	JPMorgan Chase Hosting Vanguard Developing Markets Index Fund	1.15%
	Citibank Hosting Norges Bank Investment Account	1.13%
	Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depositary Receipts Account	0.91%
	Standard Chartered Bank's iShares Emerging Markets ETF Investment Account	0.81%
	HSBC (Taiwan) Commercial Bank Co., Ltd. in custody for Morgan Stanley International Limited investment account	0.67%
Custody Bank of Japan, Ltd.	Sumitomo Mitsui Trust Holdings	33.3%
	Mizuho Financial Group, Inc.	27.0%
	Resona Bank, Limited	16.7%
	First Life Insurance Co., Ltd.	8.0%
	Asahi Mutual Life Insurance Company	5.0%
	Meiji Yasuda Life Insurance Company	4.5%
	Japan Post Insurance Co., Ltd.	3.5%
	Fukoku Mutual Life Insurance Company	2.0%

Names of Institutional Shareholders	Dominant shareholders of institutional shareholders	Shareholding ratio
Fubon Life Insurance Co., Ltd.	Fubon Financial Holdings	100%
Transglory Investment Corporation	China Steel Express Corporation	49.89%
	Chung Hung Steel Corporation	40.91%
	China Steel Chemical Corporation	9.20%

Profiles of Directors (II)

1. Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors

Condition Name By identity		Professional Qualification Requirements	Independence	Number of public companies that Independent Directors also hold positions
Director	CHEN, SHENG TIEN	Please refer to p. 7-9 on (I) Profiles of Directors for director's professional qualification and experience. Not been a person of any conditions defined in Article 30 of the Company Law.	N/A	0
Director	YANG, CHENG MING			0
Director	FENG, MING FA			0
Director	CHEN, SHENG CHUAN			0
Director	CHENG, CHI CHAO			0
Director	ICHIJU, MIYO			0
Independent Director and Audit Committee member	SU, CHING YANG		All independent directors confirming their independence pursuant to the following: 1. Pursuant to regulations in Article 14(2) of the "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Director and Compliance Matters for Public Companies". 2. Themselves (or under the name of another person) or spouses or minor children thereof, held none of the Company's shares. 3. Receives no compensation from the company or related companies for providing business, legal, financial, accounting, and other related services in the past two years.	2
Independent Director and Audit Committee member	CHEN, SHENG WANG			0
Independent Director and Audit Committee member	Huang, Pao-Hui			0

2 Diversity and Independence of the Board:

Management objectives: Directors concurrently serving as company executives shall not exceed one-third of the director seats; more than half of the director seats shall not have spousal or close blood relationships within the second degree of kinship; cross-industry directors should be increased; at least one female director shall be a member of the board of directors.

(I) Board Diversity: For the 14th session of the board of directors, there are a total of 9 members, including one Japanese director (11.11%); one director with an

executive position (11.11%); one female director (11.11%); directors' industry experience covers finance, technology, biotechnology, trade, logistics, etc. Independent directors account for 33.33% (including one independent director with a tenure of 1 to 3 years, one independent director with a tenure of 7 to 9 years, and one independent director with a tenure of 9 to 12 years). They are good at leadership, business management, operational judgment, and crisis management with international perspectives, and the diversity of the board of directors is fully implemented.

- (II) Board Independence: The Company's 14th Session of the Board comprises 9 members, of whom 33.3% are independent directors. Of the Board members, except the 2 directors (22.22%) who are relatives of 2nd-degree kinship, the rest of the other directors are compliant with regulations in paragraphs 3 and paragraph 4, Article 26-3 of the "Securities and Exchange Act".

2. Profiles of President, Executive Vice Presidents, Asst. VP, and supervisors of the various departments and branches April 30, 2024

Title	Nationality	Name	Gender	Date of (elected to) office	Shareholding		Shareholding by spouse or dependents		Shareholding by nominee arrangement		Major (academic degree) experience	Holding positions in other companies at present	Spouse or kin within the second pillar under the Civil Code and who is a manager			Remarks (Note 1)
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
President	R.O.C.	FENG, MING FA	Male	2017/06/22	259,879	0.05%	120,000	0.02%	0	0%	(Experience) Vice President of RECHI PRECISION CO., LTD. (Education) Doctoral Degree, Virginia Polytechnic Institute and State University	Director/President of Rechi Investments Co., Ltd. Director of Rechi International Holdings Co., Ltd. Director of Rechi Investments Holdings Co., Ltd. Chairman of GR Holdings (Hong Kong) Limited Director of Rechi Refrigeration Dongguan Co., Ltd. Director of Dongguan Rechi Compressor Co., Ltd. Director of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited Director of Rechi Precision (Huizhou) Mechanism Company Chairman of Qingdao Rechi Electric Machinery Sales Company Director of Dyna Rechi Co., Ltd. Director of Ablek Technology Co., Ltd.	None	None	None	
Vice President	R.O.C.	WU, YI WEN	Male	2009/12/01	418,957	0.08%	0	0%	0	0%	(Experience) Assistant VP of RECHI PRECISION CO., LTD. (Education) Mechanical Engineering, National Taipei University of Technology	Chairman of Rechi Refrigeration Dongguan Co., Ltd. Chairman of Dongguan Rechi Compressor Co., Ltd. Vice Chairman of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited Vice Chairman of Rechi Precision (Huizhou) Mechanism Company Director of Rechi Precision (Qingdao) Electric Machinery Limited Director of Qingdao Rechi Electric Machinery Sales Company Director of Dyna Rechi Co., Ltd. Chairman of Dyna Rechi Jiujiang Co., Ltd. Chairman of Rechi Precision (Jiujiang) Electric Machinery Limited	None	None	None	
Vice President	R.O.C.	KO, CHIH CHENG	Male	2017/01/01	187,783	0.04%	0	0%	0	0%	(Experience) Assistant VP of RECHI PRECISION CO.,	Supervisor of Rechi Investments Co., Ltd. Director of GR Holdings (Hong Kong) Limited Director of Rechi Refrigeration Dongguan Co.,	None	None	None	

											LTD. (Education) Master of International Business Administration at National Taiwan University.	Ltd. Director of Dongguan Rechi Compressor Co., Ltd. Supervisor of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited Supervisor of Rechi Precision (Huizhou) Mechanism Company Chairman of Rechi Precision (Qingdao) Electric Machinery Limited Director of Qingdao Rechi Electric Machinery Sales Company Director of Dyna Rechi Co., Ltd. Director of Dyna Rechi Jiujiang Co., Ltd. Supervisor of Rechi Precision (Jiujiang) Electric Machinery Limited Director of Qingdao China Steel Precision Metal Co., Ltd. Supervisor of Ablek Technology Co., Ltd. Supervisor of Ablek Technology Ltd.				
Vice President	China	NIU, YONG GUANG	Male	2019/01/01	67,000	0.01%	0	0%	0	0%	(Experience) President of Rechi Precision (Qingdao) Electric Machinery Limited (Education) Qingdao University of Science and Technology	Director of Rechi Precision (Qingdao) Electric Machinery Limited Director of Qingdao Rechi Electric Machinery Sales Company Supervisor of Qingdao China Steel Precision Metal Co., Ltd.	None	None	None	
Assistant VP	R.O.C.	LIU, SHIH CHIEH	Male	2018/11/05	52,193	0.01%	0	0%	0	0%	(Experience) President of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited (Education) Mechanical Engineering, Oriental Institute of Technology	Director of RECHI Precision (Jiujiang) Electric Machinery Limited Director of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited Director of Rechi Precision (Huizhou) Mechanism Company	None	None	None	
Assistant VP	R.O.C.	CHIEN, CHENG CHUNG	Male	2019/01/01	25,823	0.01%	3,000	0%	0	0%	(Experience) Manager of Quality Assurance Department and Director of Quality Control Center, RECHI PRECISION CO., LTD. (Education) Master's degree in Mechanical Engineering, National Sun Yat-sen University	Director of Ablek Technology Co., Ltd. Director of Ablek Technology Ltd. Supervisor of Magnpower Corporation	None	None	None	

Assistant VP	R.O.C.	CHEN, SHUN FANG	Male	2020/03/01	0	0%	0	0%	0	0%	(Experience) RECHI PRECISION CO., LTD. Manager, Business Dept. (Education) Mechanical Engineering, Taichung Municipal Sha-Lu Industrial High School	None	None	None	2023/08/31 Retirement	
Assistant VP	R.O.C.	LO, PEI CHOU	Male	2021/01/01	30,000	0.01%	0	0%	0	0%	Director of Operation Strategy Development Center/(Experience) RECHI PRECISION CO., LTD. (Education) Mechanical Engineering, Ta Hwa University of Science and Technology	None	None	None		
Assistant VP	R.O.C.	HSIEH, MING-FENG	Male	2022/07/01	50	0.00%	0	0%	0	0%	(Experience) President of Ablek Technology Ltd. (Education) Graduate School of Mechanical Engineering, National Chiao Tung University	None	None	None		
Chief financial officer Chief Accounting Officer	R.O.C.	WU, CHIN MEI	Female	2009/01/07	32,767	0.01%	266	0%	0	0%	(Experience) Section Chief in Accounting, RECHI PRECISION CO., LTD. (Education) Business Administration, Minghsin University of Science and Technology	Chief Accounting Officer of Rechi Holdings Co., Ltd. Supervisor of Rechi Refrigeration Dongguan Co., Ltd. Supervisor of Dongguan Rechi Compressor Co., Ltd. Supervisor of Rechi Precision (Qingdao) Electric Machinery Limited Supervisor of Qingdao Rechi Electric Machinery Sales Company	None	None	None	

Note 1: Where the President or the person with equivalent position (the top-level manager) and the Chairman of the Company are the same person, each other's spouse, or relatives, the reason, reasonableness, necessity, and countermeasures shall be disclosed: N/A.

III. Remuneration paid to directors, the President, and the Vice Presidents in the most recent year

1. Remuneration of the President and independent directors

Unit: NTD thousand

Title	Name	Remuneration to directors								The sum of A, B, C, and D in proportion to after-tax net income (%)		Remuneration for performance of works as employees								The sum of A, B, C, D, E, F, and G in proportion to after-tax net income (%)		Remuneration received from the invested companies other than the subsidiaries and the parent company
		Director fees (A)		Severance payment and pension (B)		Remuneration to directors (Note 1)		Fees for performance of works (D)				Salaries, bonus, and special allowance (E)		Severance payment and pension (F) (Note 2)		Remuneration to employees (G)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
																Amount in cash	Amount in stock	Amount in cash	Amount in stock			
Institutional Director	SAMPO CORPORATION	2,400	2,400	0	0	8,161	8,161	0	0	10,561 1.4063%	10,561 1.4063%	-	-	-	-	-	-	-	-	10,561 1.4063%	10,561 1.4063%	0
Chairman	Representative of SAMPO CORPORATION CHEN, SHENG TIEN	0	0	0	0	0	0	42	42	42 0.0056%	42 0.0056%	3,600	3,600	0	0	0	0	0	0	3,642 0.4850%	3,642 0.4850%	0
Director	Representative of SAMPO CORPORATION YANG, CHENG MING	0	0	0	0	0	0	48	48	48 0.0064%	48 0.0064%	2,500	2,500	0	0	0	0	0	0	2,548 0.3393%	2,548 0.3393%	0
Director	Representative of SAMPO CORPORATION CHEN, CHIAO MING	0	0	0	0	0	0	18	18	18 0.0024%	18 0.0024%	2,887	2,887	50	50	0	0	0	0	2,954 0.3934%	2,954 0.3934%	0
Director	Representative of SAMPO CORPORATION FENG, MING FA	0	0	0	0	0	0	30	30	30 0.0040%	30 0.0040%	8,156	8,156	113	113	2,275	0	2,275	0	10,574 1.4080%	10,574 1.4080%	
Institutional Director	Sharp Corporation	360	360	0	0	1,360	1,360	0	0	1,720 0.2291%	1,720 0.2291%	-	-	-	-	-	-	-	-	1,720 0.2291%	1,720 0.2291%	0
Director	Representative of Sharp Corporation ICHIJU, MIYO	0	0	0	0	0	0	24	24	24 0.0032%	24 0.0032%	0	0	0	0	0	0	0	0	24 0.0032%	24 0.0032%	0
Institutional Director	China Steel Corporation	360	360	0	0	1,360	1,360	30	30	1,750 0.2331%	1,750 0.2331%	-	-	-	-	-	-	-	-	1,750 0.2331%	1,750 0.2331%	0
Director	Representative of China Steel Corporation CHENG, CHI CHAO	0	0	0	0	0	0	0	0	0 0%	0 0%	0	0	0	0	0	0	0	0	0 0%	0 0%	0
Institutional Director	Chumpower Machinery Corp.	0	0	0	0	1,360	1,360	0	0	1,360 0.1811%	1,360 0.1811%	-	-	-	-	-	-	-	-	1,360 0.1811%	1,360 0.1811%	0
Director	Representative of Chumpower Machinery Corp. CHEN, SHENG CHUAN	360	360	0	0	0	0	36	36	396 0.0527%	396 0.0527%	0	0	0	0	0	0	0	0	396 0.0527%	396 0.0527%	0
Independent director	SU, CHING YANG	720	720	0	0	1,000	1,000	48	48	1,768 0.2355%	1,768 0.2355%	0	0	0	0	0	0	0	0	1,768 0.2355%	1,768 0.2355%	0
Independent director	CHEN, SHENG WANG	720	720	0	0	1,000	1,000	36	36	1,756 0.2339%	1,756 0.2339%	0	0	0	0	0	0	0	0	1,756 0.2339%	1,756 0.2339%	0
Independent director	Huang, Pao-Hui	332	332	0	0	549	549	24	24	905 0.1206%	905 0.1206%	0	0	0	0	0	0	0	0	905 0.1206%	905 0.1206%	0
1. Please specify the policy, system, standards, and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on their responsibilities, risks, time contributed, and other factors: According to the																						

1. Please specify the policy, system, standards, and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on their responsibilities, risks, time contributed, and other factors: According to the

Company's Articles of Incorporation, the board of directors is authorized to determine their basic monthly remuneration according to the usual level of the industry. According to the directors' remuneration payment regulations, if there is a profit, the directors' remuneration may be provided in the case of earnings distribution, and the relevant amount calculation will be implemented in accordance with the directors' remuneration distribution regulations. The requirements for attendance, participation, and continuing education of independent directors are implemented in accordance with the rules of the scope of duties of independent directors. The annual performance is also included in the board's assessment of compliance with relevant laws and regulations and the degree of participation in the Company's operations.	
2.	Except as disclosed in the table above, the remuneration received by the directors of the Company for providing services (such as serving as a consultant in a non-employee capacity) to the parent company, all companies in the financial statements, or investee in the most recent year: 0

Note 1: The amount of remuneration distributed to directors as approved by the Board during the most recent year. Note 2: Contributions to pension as compensation for the Company's non-full-time employees.

Payment scale

Payment scale of remuneration to the Directors of the Company	Name of director			
	Sum of the said four types of remunerations (A+B+C+D)		Sum of the said seven types of remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Less than NTD 1,000,000	CHEN, SHENG TIEN; YANG, CHENG MING; CHEN, CHIAO MING; FENG, MING FA ICHIJU, MIYO; CHENG, CHI CHAO; CHEN, SHENG CHUAN; Huang, Pao-Hui	CHEN, SHENG TIEN; YANG, CHENG MING; CHEN, CHIAO MING; FENG, MING FA ICHIJU, MIYO; CHENG, CHI CHAO; CHEN, SHENG CHUAN; Huang, Pao-Hui	ICHIJU, MIYO; CHENG, CHI CHAO; CHEN, SHENG CHUAN; Huang, Pao-Hui	ICHIJU, MIYO; CHENG, CHI CHAO; CHEN, SHENG CHUAN; Huang, Pao-Hui
1,000,000 (inclusive)–2,000,000 (exclusive)	Sharp Corporation; China Steel Corporation; Chumpower Machinery Corp.; SU, CHING YANG; CHEN, SHENG WANG	Sharp Corporation; China Steel Corporation; Chumpower Machinery Corp.; SU, CHING YANG; CHEN, SHENG WANG	Sharp Corporation; China Steel Corporation; Chumpower Machinery Corp.; SU, CHING YANG; CHEN, SHENG WANG	Sharp Corporation; China Steel Corporation; Chumpower Machinery Corp.; SU, CHING YANG; CHEN, SHENG WANG
NTD 2,000,000 (inclusive)–NTD 3,500,000 (exclusive)			YANG, CHENG MING; CHEN, CHIAO MING	YANG, CHENG MING; CHEN, CHIAO MING
NTD 3,500,000 (inclusive)–NTD 5,000,000 (exclusive)			CHEN, SHENG TIEN	CHEN, SHENG TIEN
5,000,000 (inclusive)–10,000,000 (exclusive)				
NTD 10,000,000 (inclusive)–NTD 15,000,000 (exclusive)	SAMPO CORPORATION	SAMPO CORPORATION	SAMPO CORPORATION; FENG, MING FA	SAMPO CORPORATION; FENG, MING FA
NTD 15,000,000 (inclusive)–NTD 30,000,000 (exclusive)				
NTD 30,000,000 (inclusive)–NTD 50,000,000 (exclusive)				
NTD 50,000,000 (inclusive)–NTD 100,000,000 (exclusive)				
More than NTD 100,000,000				
Total	14	14	14	14

2. Remuneration to the President and Vice President

Unit: NTD thousand

Title	Name	Salaries (A)		Severance payment and pension (B)		Salaries, bonus, and special subsidy (C)		Remuneration to employees (D) (Note 1)				The sum of A, B, C, and D in proportion to after-tax net income (%)		Remuneration received from the invested companies other than the subsidiaries and the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	FENG, MING FA	3,056	3,056	113	113	5,100	5,100	2,275	0	2,275	0	10,544 1.40%	10,544 1.40%	0
Vice President	WU, YI WEN	1,903	1,903	81	81	6,153	6,153	1,517	0	1,517	0	9,654 1.29%	9,654 1.29%	0
Vice President & Corporate Governance Officer	KO, CHIH CHENG	1,797	1,797	108	108	2,904	2,904	1,517	0	1,517	0	6,325 0.84%	6,325 0.84%	0
Vice President	NIU, YONG GUANG	0	1,908	0	16	0	334	0	0	1,517	0	0 0%	3,785 0.50%	0

Note 1: The amount of remuneration distributed to general manager and vice president as approved by the Board during the most recent year.

Payment scale

Payment scale of remunerations paid to the President and Vice Presidents of the Company	Names of the President and Vice Presidents	
	The Company	All companies included in the financial statements
Less than NTD 1,000,000	NIU, YONG GUANG	
1,000,000 (inclusive)–2,000,000 (exclusive)		
NTD 2,000,000 (inclusive)–NTD 3,500,000 (exclusive)		
NTD 3,500,000 (inclusive)–NTD 5,000,000 (exclusive)		NIU, YONG GUANG
5,000,000 (inclusive)–10,000,000 (exclusive)	WU, YI WEN; KO, CHIH CHENG	WU, YI WEN; KO, CHIH CHENG
NTD 10,000,000 (inclusive)–NTD 15,000,000 (exclusive)	FENG, MING FA	FENG, MING FA
NTD 15,000,000 (inclusive)–NTD 30,000,000 (exclusive)		
NTD 30,000,000 (inclusive)–NTD 50,000,000 (exclusive)		
NTD 50,000,000 (inclusive)–NTD 100,000,000 (exclusive)		
More than NTD 100,000,000		
Total	4	4

3. Top five executives with the highest remuneration: Not applicable

4. Names of managers with remuneration as employees and the status of payment

Unit: NTD thousand

Item	Title	Name	Amount in stock	Amount in cash	Total	As a percentage of net profit after tax (%)
Managerial officers	President	FENG, MING FA	0	9,858	9,858	1.3628
	Vice President	WU, YI WEN				
	Vice President & Corporate Governance Officer	KO, CHIH CHENG				
	Vice President	NIU, YONG GUANG				
	Assistant VP	LIU, SHIH CHIEH				
	Assistant VP	CHIEN, CHENG CHUNG				
	Assistant VP	LO, PEI CHOU				
	Assistant VP	HSIEH, MING-FENG				
	Chief financial officer Chief Accounting Officer	WU, CHIN MEI				

5. Analysis of the total remuneration paid to the directors, supervisors, the President, and Vice Presidents of the Company in the most recent two years by the Company and all companies in the consolidated financial statements as a percentage of the net profit after tax of the standalone or individual financial reports and description of the remuneration policy, standards, and combinations, procedures for setting remuneration, and their correlation with the operating performance and future risks.

Year	Total remuneration paid to directors, supervisors, the President, and Vice Presidents (in thousands of NTD)		As a percentage of net profit after tax (%)	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
2022	53,968	56,083	7.84	8.15
2023	57,455	59,723	7.65	7.95

- (1) 2023 operating performance indicators of the board of directors and managers:
 - A. Pursue the maximization of corporate value; total net profit after tax achieves the budgeted targets.
 - B. In response to the global carbon neutrality trend, emphasizing ESG, actively pursuing energy conservation and carbon reduction, with the target of reducing carbon emissions from each compressor unit by 1%.
- (2) In 2023, the achievement rate of the operating indicators was 108.8%.
- (3) The remuneration of directors and the managerial officers' variable pay are adjusted based on the achievement rate of the operating indicators with consideration for the net profit before tax for the year.

IV. Status of Corporate Governance

(I) Information on the operations of the board of directors:

The board of directors held 8 [A] times in the most recent year (2023), and the attendance of directors is as follows:

Title	Name	Actual attendance (times) [B]	Attendance by proxy	Actual attendance (%) [B/A]	Remark
Chairman	SAMPO – CHEN, SHENG TIEN	7	1	88%	Reelected The re-election on June 15, 2023 requires 8 attendances.
Vice chairman	SAMPO – YANG, CHENG MING	8	0	100%	Reelected The re-election on June 15, 2023 requires 8 attendances.
Director	SAMPO – FENG, MING FA	5	0	100%	Newly elected The re-election on June 15, 2023 requires 5 attendances.
Director	Chumpower Machinery – CHEN, SHENG CHUAN	6	2	75%	Reelected The re-election on June 15, 2023 requires 8 attendances.
Director	China Steel Corporation – CHENG, CHI CHAO	4	2	50%	Reelected The re-election on June 15, 2023 requires 8 attendances.
Director	Sharp Corporation – ICHIJU, MIYO	4	2	50%	Reelected The re-election on June 15, 2023 requires 8 attendances.
Independent director	SU, CHING YANG	8	0	100%	Reelected The re-election on June 15, 2023 requires 8 attendances.
Independent director	CHEN, SHENG WANG	6	2	75%	Reelected The re-election on June 15, 2023 requires 8 attendances.
Independent director	Huang, Pao-Hui	4	1	80%	Newly elected The re-election on June 15, 2023 requires 5 attendances.
Director	SAMPO – CHEN, CHIAO MING	3	0	100%	Formerly elected The re-election on June 15, 2023 requires 3 attendances.

Additional disclosure:

- I. Where any of the following circumstances occurs to any meeting of the Board of Directors, the date, term and proposal of the meeting as well as the opinions of all the independent directors and actions taken by the Company on the opinions shall be specified:
 - (I) Matters listed in Article 14-3 of the Securities and Exchange Act: Please refer to pages 73–75 (XII) Important resolutions of the board of directors.
 - (II) In addition to said matters, other board meeting decisions with dissenting or reserved opinions from independent directors, for which there is a record or declaration in writing: none.
- II. For the implementation of the director's recusal from proposals with conflicts of interest, the name of the director, the content of the proposal, the reason for the recusal, and the situation of participation in the voting shall be specified: The directors recused themselves from of participating in the discussion and voting on their remuneration
 1. Temporary Board of Directors Meeting on June 15, 2023:
 - A. Subject: The remuneration to the Company's Chairman.
Resolution: The Chairman appointed Mr. YANG, CHENG MING, the Vice Chairman, to act as the acting chair; except for the director who recused himself because of conflicts of interest, all the other directors present passed the proposal without objection.
 - B. Subject: The remuneration to the Company's Vice Chairma.

	Resolution: Except for the director who recused himself because of conflicts of interest, all the other directors present passed the proposal without objection.
C.	Subject: The remuneration to the Company's President Resolution: Except for the director who recused himself because of conflicts of interest, all the other directors present passed the proposal without objection.
III.	The publicly listed company shall disclose the evaluation cycle and period, evaluation scope, method, and evaluation content of the board of directors' self (or peer) evaluation, and fill out the attached table 2--(2) Implementation status of evaluation of the board of directors. The Company passed the "Rules for Evaluating the Performance of the Board of Directors" on March 18, 2016 with approval of all the members of the board of directors present without objections. Since 2017, the performance evaluation of the board of directors has been carried out every year. The implementation status of the evaluation of the board of directors has been described in (2) Implementation status of evaluation of the board of directors and disclosed on the Company's website (www.rechi.com) at the same time.
IV.	The objective of fortifying the functions of the Board in current year and the most recent year (e.g. the establishment of the Auditing Committee, and enhancement of the transparency of information) and the assessment of the result of execution: 1. The Company's board of directors has established two functional committees, the Audit Committee (established in 2017) and the Remuneration Committee (established in 2011) to assist the board of directors in fulfilling their supervisory duties. The resolutions of the board of directors and functional committees, and the communication status between independent directors, internal audit officer, and CPAs are announced on the Company's website. 2. In order to establish a good corporate governance system, protect shareholders' rights and interests, and strengthen the functions of the board of directors, the Company has established a Corporate Governance and Sustainable (ESG) Committee under the board of directors. On March 20, 2020, the board of directors approved the appointment of KO, CHIH CHENG, Vice President of the Company, as the Corporate Governance Officer with approval of all the board members present.

(II) Implementation status of evaluation of the board of directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method (Note 4)	Evaluation content (Note 5)
Evaluation performed once a year	For the Year Ended December 31, 2023	Board of directors	Internal self-evaluation by the board of directors	1. Compliance with relevant laws and regulations 2. Level of participation in company operations

2023 performance evaluation of board of directors

Aspect	Item No.	Specific indicators	Weight	Average score
Compliance with relevant laws and regulations (60%)	1	Compliance with the matters discussed by the board of directors according to law	10%	10.0
	2	Whether the board of directors convenes at least six meetings a year	10%	10.0
	3	Compliance with the recusal system	10%	10.0
	4	Achieving the number of hours of continuing education required for directors each year	10%	8.0
	5	Board attendance rate	10%	10.0
	6	Shareholders' meeting attendance rate	10%	10.0
Level of participation in company operations (40%)	7	Review of the Company's accounting system, financial position, financial reports, audit reports, and follow-up status	10%	9.2
	8	Communication with the Company's CPAs	10%	9.4
	9	Assessment and supervision of the Company's existing or potential risks	10%	9.1
	10	Communication and interaction with the Company's management	10%	9.3
Total score			100%	95.0
Results of performance evaluation of the board of directors (smooth operations, aspects/items that still need to be improved, and next year's improvement plans or actions for the aforementioned items, etc.): - The performance assessment this time achieved the director's continuing education hours (8 points), and all other indicator items scored above 9 points. This shows that the overall operation of the company's board of directors is quite sound, conforming to corporate governance. - For this year's performance assessment, ESG-related courses will continue to be organized and provided in the fiscal year 2024. At the same time, in response to future trends, our company will continue to implement and improve corporate governance.				

(III) The operation of the Auditing Committee

The Audit Committee held 6[A] times in the most recent year (2023), and the attendance of independent directors is as follows:

Title	Name	Actual attendance (times) [B]	Attendance by proxy	Actual attendance (%) [B/A] (Note)	Remark
Convener and chair	SU, CHING YANG	6	0	100%	Reelected The re-election on June 15, 2023 requires 6 attendances.
Committee member	CHEN, SHENG WANG	5	1	83%	Reelected The re-election on June 15, 2023 requires 6 attendances.
Committee member	Huang, Pao-Hui	3	0	100%	Newly elected The re-election on June 15, 2023 requires 3 attendances.

Additional disclosure:

I. (I) Implementation of the current year:

Date of meeting	Agenda	Issues listed in the Securities Exchange Act, Article 14-5	All independent directors' opinions and the Company's response thereto.
2023.03.07	1. Approved the Company's 2022 Final Accounting Statements and Records.	✓	All independent directors passed the resolutions without objection
	2. Approved the Company's internal audit reports for September to December 2022.		
	3. Approved the report on the Company's earnings distribution as cash dividends for 2022.		
	4. Approved the issuance of the Company's Statement on Internal Control Systems.		
	5. Approval of the assessment of independence and suitability of the certified public accountants for the fiscal year 2023.		
	6. Approved the credit lines provided by the Company's financial institutions and the credit lines of the subsidiaries endorsed and guaranteed by the Company.	✓	
2023.04.17	1. Approved the Company's internal audit reports for January to February 2023.		
	2. Approved the Company's subsidiary Rechi Holdings Co., Ltd. plans to dispose of its equity in Jiangxi Baida Precision Manufacturing Corp.	✓	
2023.05.04	1. Approved the Company's internal audit report for Feb. 2023.		
	2. Approved the issuance of 2022 Audit Committee's Review Report.		
	3. Approved the credit lines provided by the Company's financial institutions.	✓	
2023.06.15	1. Approved the proposal for election of the convener of the Audit Committee of the Company		
	2. Approval of the "Audit Principles for Pre-approval of Non-assurance Services Provided by Certified Public Accountants" for the company.		
2023.08.09	1. Approved the Company's internal audit reports for April to May 2023.		
	2. Approved the credit lines provided by the Company's financial institutions and the credit lines of the subsidiaries endorsed and guaranteed by the Company.	✓	
	3. Approved the loan to Rechi Precision (Jiujiang) Electric Machinery Limited	✓	

2023.11.07	1. Approved the Company's internal audit reports for June to August 2023.		
	2. Approved the Company's 2024 audit plan.		
	3. Approval of the company's proposal to acquire the entire 23.45% stake held by China Steel Corporation in Dyna Rechi Co., Ltd.	✓	
	4. Approved the credit lines provided by the Company's financial institutions and the credit lines of the subsidiaries endorsed and guaranteed by the Company.	✓	
	5. Approved the proposal for loan to Dyna Rechi Jiujiang Co., Ltd. by the Company.	✓	
(II) Other matters that have not been approved by the Audit Committee but have been agreed by more than two-thirds of all directors: None.			
II. For the implementation of the independent director's recusal from proposals with conflicts of interest, the name of the independent director, the content of the proposal, the reason for the recusal, and the situation of participation in the voting shall be specified: In 2023, there was no such situations as mentioned above.			
III. The communication between the Independent Directors and the Chief Internal Auditor and the certified public accountants (including the communications related to the financial position and state of operation of the Company, in materiality, the means of communications, and the result).			
1. The internal audit officer of the Company regularly communicates the results of audit reports with members of the Audit Committee, and reports on the internal audits at the quarterly Audit Committee meeting. If there are special circumstances, the officer will also report to the members of the Audit Committee immediately. In 2023, there was no such circumstances as mentioned above. The communication between the Audit Committee and the internal audit officer of the Company is good.			
2. The Company's CPAs report on the audit or review results of the financial statements and engage in other communication required by relevant laws and regulations at the Audit Committee meeting. If there are special circumstances, they will immediately report to the Audit Committee members. In 2023, there was no such circumstances as mentioned above. The communication between the Audit Committee of the Company and the CPAs is good.			
3. The communication between independent directors and the internal audit officer is as follows:			
Date of meeting		Matters communicated with the internal audit officer	Communicate results
2023/03/07		- The Company's internal audit reports for September to December 2022. - The Company's Statement on Internal Control Systems for 2022.	No objection.
2023/04/17		The Company's internal audit reports for January to February 2023.	No objection.
2023/05/04		The Company's internal audit reports for March 2023.	No objection.
2023/08/09		The Company's internal audit reports for April to May 2023.	No objection.
2023/11/07		- The Company's internal audit reports for June to August 2023. - The Company's 2024 audit plan	No objection.
4. The communication between independent directors and CPAs is as follows:			
Date of meeting		Matters communicated with CPAs	Communicate results
2023/03/07		Discussed the 2022 standalone financial reports of the Company and its subsidiaries and the review of the Company's and its subsidiaries' 2022 consolidated financial statements, including any problems or difficulties encountered in the audit, and the management's response.	The Audit Committee passed the annual financial reports and submitted them to the board of directors for approval of the scheduled announcement and reporting to the competent authority.
Result: The matters above were reviewed by the Audit Committee and approved by the board of directors.			

(IV) The Company's corporate governance operation and the deviation with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies," and the reasons thereof:

Items for assessment	State of operation			The variation with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies," and the reasons for the variation
	Yes	No	Summary	
I. Will the Company, based on the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies," set up and disclose the Company's corporate governance best-practice principles?	✓		The Company has formulated the Corporate Governance Best-Practice Principles to strengthen the corporate governance system and structure, and the implementation status is disclosed on the Company's website and the Market Observatory Post System (MOPS).	All the above is compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. The Equity Structure and Shareholders Equity of the Company				
(I) Will the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	✓		(I) In addition to the spokesperson and acting spokesperson engaged by the Company, the Company has set up a stock affairs agency to deal with shareholders' suggestions or disputes. If legal issues are involved, the Company will appoint professional attorneys or request personnel from relevant units to handle them.	All the above is compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Will the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders?	✓		(II) The Company possesses the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders, and discloses them in accordance with the laws and regulations.	
(III) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	✓		(III) The Company has established the internal measures for supervision of subsidiaries, measures for endorsement/guarantees, measures for loan to others, and rules for acquiring or disposing of assets to establish and implement appropriate risk control mechanisms and firewalls in accordance with the law.	

Items for assessment	State of operation			The variation with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
(IV) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	✓		(IV) The Company has formulated the Procedures for Handling Material Inside Information to expressly prohibit the Company’s insiders from using undisclosed information on the market to buy and sell securities.	
III. The Organization and Function of the Board of Directors (I) Does the Company have and implement a policy of diversification for the composition of the Board of Directors?	✓		(I) The Company has formulated the Corporate Governance Best-Practice Principles and has set out a diversity policy in the third chapter “Strengthening the Functions of the Board of Directors.” The nomination and election of members of the Company’s board of directors is in accordance with the Company’s Articles of Incorporation with a candidate nomination system adopted. In addition to the assessment of the academic qualifications of each candidate, the “Rules of Elections of the Board of Directors and the Corporate Governance Best-Practice Principles are followed to ensure the diversity and independence of the members of the board of directors. Management objectives: Directors concurrently serving as company executives shall not exceed one-third of the director seats; more than half of the director seats shall not have spousal or close blood relationships within the second degree of kinship; cross-industry directors should be increased; at least one female director shall be a member of the board of directors. The Company’s 14th Board of Directors has 9 members (including 3 independent directors), and each has a term of 3 years and the term may be renewed once reelected. Among them, one is a Japanese director (11.11%); one	All the above is compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Items for assessment	State of operation			The variation with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
(II) In addition to the Remuneration Committee and the Audit Committee established in accordance with the law, does the company voluntarily establish other types of functional committees? (III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining	✓ ✓		director serves as a manager (11.11%); two have relatives within the second degree of kinship (22.22%); one is a female director (11.11%); directors’ industry experience spans finance, technology, biotechnology, trade, logistics, etc. The proportion of independent directors is 33.33% (including one independent director with a tenure of 1 to 3 years, one with a tenure of 6 to 9 years, and one with a tenure of 9 to 12 years). They are good at leadership, business management, operational judgment, and crisis management with international perspectives, and the diversity of the board of directors is fully implemented. The board of directors formulates a diversity policy based on the composition of the board and is disclosed on the Company’s website and MOPS. (II) In addition to the Remuneration Committee, the company has established a Corporate Governance Committee, a Risk Management Committee, and an Audit Committee in accordance with the law, which are all composed of all independent directors. In addition, other functional committees will be evaluated and established as needed in the future. (III) In accordance with the “Rules for Evaluating the Performance of the Board of Directors” as approved by all the members of the board of directors present on March 18, 2016, every year, the members of the board of directors and the board of directors meeting unit will conduct internal self-evaluation on the five major aspects (including participation in the Company’s operations, improvement of the quality of board decisions, composition and structure of the board, election and continuing education of directors, and internal control)	

Items for assessment	State of operation			The variation with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
salary/compensation for individual directors and their nomination and additional office terms? (IV) Will the Company have the independence of the public accountant evaluated regularly?	✓		for the annual performance evaluation of the board of directors. The Company’s board of directors conducted an individual director’s performance evaluation on December 21, 2023. The evaluation results are as follows: In compliance with relevant laws and regulations of the board of directors, communication with internal auditors and CPAs, supervision of the Company’s existing or potential risks, and the Company’s operations and levels, the score was 95.0 points, which indicated that the overall operations of the Company’s board of directors was still sound. The Company uses the results as one of the references for future selection or nomination of directors and individual directors’ remuneration. (IV) The Company regularly (once a year) evaluates the professionalism and independence of CPAs. Evaluation items included “CPA and his/her family members do not hold direct or indirect significant financial interests of the Company,” “During the audit, CPA’s family members did not serve as directors, supervisors, managerial officers, or positions that have a direct and significant influence on the audit work,” and “CPA has implemented necessary independence/conflicts of interest procedures, and has not violated independence or did not have unresolved conflicts of interest.” This year, the proposal for independence assessment of the Company’s 2024 CPAs was passed on March 12, 2024, and it was passed without objection by all the directors present.	
IV. Have Exchange-listed and/or OTC-listed companies staffed eligible in appropriate number personnel for	✓		1. In order to establish a good corporate governance system, protect shareholders’ rights and interests, and strengthen the functions of the board of directors, the Company has established a Corporate	All the above is compliant with the Corporate

Items for assessment	State of operation			The variation with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
corporate governance to take charge of corporate governance related issues (including but not limited to providing directors and supervisors with the data required for the performance of their duties, assisting directors and supervisors in law compliance, handling of the relevant issues in the board of directors’ and shareholders’ meeting, production of the minutes of board of directors’ meeting and shareholders’ meeting and the like)			Governance and Sustainable (ESG) Committee under the board of directors. On March 20, 2020, the board of directors approved the appointment of KO, CHIH CHENG, Vice President, as the Corporate Governance Officer. Vice President KO, CHIH CHENG has more than three years of management experience in legal affairs, finance, stock affairs, and deliberation in public companies. 2. Matters related to corporate governance include the following: (1) Coordinate the goals and formulation of the Company’s corporate social responsibility and sustainable development direction. (2) Assisting communication with stakeholders. (3) Preparing the Sustainability Report. (4) Handling matters relating to board meetings and shareholders’ meetings according to law. (5) Preparation of the minutes of the board of directors’ meetings and the shareholders’ meetings. (6) Assisting directors in taking office and continuing education. (7) Provision of information necessary for directors to perform their duties. (8) Assisting directors in complying with the law. (9) Other matters stipulated in accordance with the Company’s articles of incorporation or contracts. (10) Maintenance of relations with investors. (11) Implementation of ethical corporate management. 3. The implementation status of the business in 2023 is as follows: (1) Preparing and releasing the Sustainability Report.	Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Items for assessment	State of operation			The variation with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
			(2) Notified the board of directors regularly of the latest amendments to and development of regulations in the fields of the Company’s operations and corporate governance. (3) If the independent directors in accordance with the “Corporate Governance Best-Practice Principles” need to meet with the internal audit officer or the certified public accountant individually to understand the Company’s financial business, assist in arranging relevant meetings. (4) Assisted directors in drawing up annual training plans and arranging courses. (5) Assisted and reminded directors to comply with laws and regulations when performing duties or passing formal board resolutions, and was responsible for reviewing the release of material information of important board resolutions after each meeting to ensure the legality and correctness of the material information to protect investors’ right to access correct trading information in real time. (6) Arranged exchanges between directors and shareholders as needed, so that investors could obtain sufficient information to evaluate and determine the Company’s reasonable capital market value, and to ensure that shareholders’ rights and interests were well protected. (7) Drafted the board of directors’ meeting agenda and notified the directors seven days in advance, convened board meetings, provided them with meeting materials, reminded directors in advance to recuse themselves from any issue with their personal	

Items for assessment	State of operation			The variation with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
			interest involved, and completed the meeting minutes within 20 days after each meeting. (8) Handled the pre-registration of the date of a shareholders’ meeting in accordance with the law, prepared the meeting notice, the meeting handbook, and the meeting minutes within the specified time limit, and handled the change registration for the amendments to the Articles of Incorporation or the reelection of directors. (9) Provided the company insiders with regulations and advocacy every month on a regular basis to ensure that insiders can clearly understand the latest laws and regulations to avoid violations, with contents including advocacy of prohibiting an insider from trading his/her shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. 4. Corporate governance officers are required to take at least 12 hours of continuing education each year. Please refer to page 71 for the continuing education in 2023.	
V. Has the Company established channels for communications with the stakeholders (including but not limiting to shareholders, employees, customers, and suppliers), and set up a section for stakeholders at the official website of the Company with proper response to the concerns of the stakeholders on issues related to corporate social	✓		Based on the five major principles of the AA1000 Stakeholder Engagement Standard, namely dependency, responsibility, influence, diverse perspectives, and tension, the Company has identified the main stakeholders as shareholders, banks, employees, customers (distributors), and suppliers (contractors), government authorities, other professional groups, etc. The Company has set up a dedicated section for stakeholders on its website to understand the issues of concern through appropriate communication channels and to respond appropriately.	All the above is compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Items for assessment	State of operation			The variation with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
responsibility?				
VI. Has the Company commissioned a professional share registration and investor service institution for providing services for shareholders?	✓		The Company has commissioned the Registrar & Transfer Agency Department, Yuanta Securities Co., Ltd. to handle such matters.	All the above is compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VII. Disclosure of Information				
(I) Does the Company have a website set up and the financial business and corporate governance information disclosed?	✓		(I) The Company has set up a website (www.rechi.com), and adopts the MOPS to regularly disclose the Company’s financials, material information, and corporate governance-related information.	All the above is compliant with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company’s website)?	✓		(II) The Company also has a spokesperson/acting spokesperson system, the stock affairs department, and other relevant departments responsible for disclosing relevant information in accordance with regulations.	
(III) Does the Company announce and report the annual financial report within two months after the end of each fiscal year, and announce and report the financial report for the first, second, and third		✓	(III) The Company’s 2023 consolidated and standalone financial reports were announced and filed on March 12, 2024; the financial reports for the first, second, and third quarters of 2023 and the revenue of each month were also announced and filed to MOPS before the specified deadline.	

Items for assessment	State of operation			The variation with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
quarters and the operating conditions of each month before the prescribed deadline?				
VIII. Is there any further information that may help to understand the status of corporate governance of the company better (including but not limited to employees’ rights, employee care, investor relation, supplier relation, stakeholders’ rights, the continuing education of the directors and supervisors, risk management policy and risk assessment in action, the pursuit of customer policy, and the protection of the directors and supervisors with professional liability insurance)?	✓		The Company has set up a ESG section on its website. 1. Employee rights and interests: The Company treats employees with integrity, protects their legal rights and interests in accordance with the Labor Standards Act, and holds labor–management meetings regularly to actively establish communication bridges with employees. 2. Employee care: The Company has set up an Employee Welfare Committee and allocates employee welfare funds in accordance with the law, while emphasizing employee welfare. Employees enjoy a number of benefit measures, while the Company contributes employee pensions in accordance with regulations. The labor-employment relationship is harmonious. 3. Investor relations: The Company has set up a spokesperson/acting spokesperson mechanism to respond to shareholders’ suggestions. 4. Supplier relationship: The Company has always maintained a good relationship with its suppliers. 5. Stakeholder’s rights: Stakeholders can communicate with the Company and make suggestions to protect their legitimate rights and interests. 6. Directors’ continuing education: The status of the Company’s directors’ attendance at the board meetings, and the situation of their continuing education have been disclosed on MOPS. 7. Implementation of risk management policies and risk measurement standards: The implementation of the Company’s risk management	All the above is compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Items for assessment	State of operation			The variation with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
			and measurement standards is handled in accordance with the requirements of corporate governance operations. 8. Implementation of customer policy: The Company maintains a stable and good relationship with customers to create profits. 9. The Company’s purchase of liability insurance for directors: The Company purchased directors’ liability insurance from Mingtai Fire & Marine Insurance Co., Ltd. on May 1, 2024, with an insured amount of US\$5,000,000. The insurance period was one year. Relevant matters have been reported to the board of directors’ in May 2024. Relevant information can be found on the Company’s website (www.rechi.com).	
IX. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures: - The Company’s final score of the 10th Corporate Governance Evaluation is 78.91 points, and its ranking in the evaluation by the Taiwan Stock Exchange falls within the range of 36-50%. The Company’s score of the 9th Corporate Governance Evaluation is 80.79 points. We have based on the evaluation data to disclose the status of implementation, to promote plans and implementation effectiveness, and to actively carry out improvement continuously this year. - The items that require continuous improvement are as follows: - Fit into the schedule for promoting the “Corporate Governance 3.0 - Sustainable Development Roadmap” launched by the Financial Supervisory Commission - Promotion of succession planning for board members and key management personnel. - Provision of quarterly financial reports in English.				

(V) The foundation, responsibilities, and functionality of the Remuneration Committee

1. Information on the members of the Remuneration Committee

April 30, 2024

Condition By identity	Name	Professional Qualification Requirements	Independence	Number of other public companies where the member is also a member of their remuneration committees
Independent director Convener	SU, CHING YANG	The Company's remuneration committee is composed of 2 independent directors, please refer to p. 7-9 on (I) Profiles of Directors for members' professional qualification and experience.	All remuneration committee members compliant with the following: 1. Pursuant to regulations in Article 14(6) of the "Securities and Exchange Act" and "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Taiwan Stock Exchange of the Taipei Exchange". 2. Themselves (or under the name of another person) or spouses or minor children thereof, held none of the Company's shares. 3. Receives no compensation from the company or related companies for providing business, legal, financial, accounting, and other related services in the past two years.	2
Independent director	CHEN, SHENG WANG			0
Independent director	Huang, Pao-Hui			0

2. Information on the operation of the Remuneration Committee

- (1) The Remuneration Committee of the Company consists of 3 members.
- (2) The term of office of the current committee members: From June 15, 2023 to June 14, 2026, the Remuneration Committee met twice in the most recent year (2023) [A]. The qualifications and attendance of the members are as follows:

Title	Name	Attendance in person [B]	Attendance by proxy	Actual attendance (%) [B/A]	Remark
Convener	SU, CHING YANG	2	0	100%	Reelected The re-election on June 15, 2023 requires 2 attendances.
Committee member	CHEN, SHENG WANG	1	1	50%	Reelected The re-election on June 15, 2023 requires 2 attendances.
	Huang, Pao-Hui	1	0	100%	Newly elected The re-election on June 15, 2023 requires 1 attendances.
	Kuan, Chang Ching	1	0	100%	Formerly elected The re-election on June 15, 2023 requires 1 attendances.

Additional disclosure:

If the board of directors did not adopt or amended the suggestions of the Remuneration Committee, the date of the board meeting, the session, the content of the proposal, the results of the resolutions by the board of directors, and the Company's response to the opinions of the Remuneration Committee shall be specified (if the salary and remuneration approved by the board of directors are better than what is suggested by the Remuneration Committee, the difference and reasons shall be specified): N/A.

1. For the resolutions by the Remuneration Committee, if any member had dissenting or reserved opinions, for which there is a record or declaration in writing, the meeting date, session, content of the proposal, all members' opinions, and the response to such opinions shall be specified: N/A.

(3) The reasons for discussion and the resolution results of the Remuneration Committee, and the Company's response to the members' opinions:

Date	Agenda	Committee members' opinions and resolution results	The company's response to the opinions of the members:
2023/3/7	The Company's distribution of remuneration to directors and employees' compensation for 2022	Adopted without objection from all the members present	Submitted to the board of directors and approved by all directors present
2023/6/15	The remuneration to the Company's Chairman		Submitted to the board of directors and approved by all directors present
	- The remuneration to the Company's Vice Chairman - The remuneration to the Company's President		

(VI) Implementation status of evaluation of the functional committee

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method (Note 4)	Evaluation content (Note 5)
Evaluation performed once a year	For the Year Ended December 31, 2023	Functional committees	Internal self-evaluations by the functional committees	1. Compliance with relevant laws and regulations 2. Level of participation in company operations

2023 Performance evaluation of functional committees

Aspect	Item No.	Specific indicators	Weight	Average score
Compliance with relevant laws and regulations (40%)	1	Each functional committee is regularly convened for meetings.	10%	10.0
	2	Committee members comply with the recusal requirement to avoid conflict of interest.	10%	10.0
	3	How good is every individual committee member's attendance at the functional committee meeting.	10%	10.0
	4	Members of function committee have diligently maintained their independence during their tenure.	10%	10.0
Level of participation in company operations (60%)	5	Functional committee is capable of truthfully evaluating and supervise existing or potential risks of various nature in the company.	10%	9.3
	6	The audit committee regularly evaluates the independence and adequacy of appointed CPAs.	10%	9.7
	7	The audit committee is capable of effectively review and supervise the effectiveness of various internal control systems and risk management.	10%	8.7
	8	The audit committee maintains understanding of and performs supervision on the company's accounting system, financial condition and financial reports, audit reports and their follow-up.	10%	9.0
	9	Makeup of functional committee is appropriate and the functional committee has the expertise necessary for decision making.	10%	9.0
	10	Resolutions of the meetings of functional committee have been properly followed up on their implementation.	10%	9.3
Total score			100%	95.0
Results of performance evaluation of the functional committee (smooth operations, aspects/items that still need to be improved, and next year's improvement plans or actions for the aforementioned items, etc.): - In this performance assessment, compliance with relevant laws and regulations scored a perfect 10. Other indicators, except for the Audit Committee's effective evaluation and supervision of internal control systems and risk management, scored above 9. This demonstrates that the company's functional committees are operating quite effectively. - In 2024, ongoing internal and external communications will be strengthened, and internal control systems will be fortified and continuously monitored to achieve various risk management and supervisory objectives.				

(VII) The promotion of sustainable development and the variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
I. Does your company set any dedicated (or designate any existing) unit for the task of sustainability development promotions? Does the Board of Directors of your company authorize the top management to handle relevant matters and report to the Board?	✓		1. For enhancing the management efficiency of corporate social responsibility and integrate resources to conform to the expectation of stakeholders regarding the corporate governance, environmental protection, and social caring, by integrating businesses related to the environment, society, and corporate governing, the Company established the CSR Promoting Committee under the Corporate Governance Committee in December 2014. In response to the Corporate Governance Plan 3.0 by the Financial Supervisory Commission (FSC) in October 2021, the committee was expanded and renamed “Corporate Governance and Sustainable (ESG) Committee” that was in charge to implement corporate governing, improve corporate sustainability, evaluate sectors affected by ESG, and to make improvement of that. 2. The general manager was served as the chairman of the committee, the officer of corporate governance was appointed to serve as the deputy chief, and the factory manager was served as the council. Established according to functions: (1) Operation Planning team: Focuses on issues related to climate change and the risks, provides strategical plans in response; plans for energy-saving products developing schemes; set up the performance indexes for the objective	All the above is compliant with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
			of emission-free, and the goal for the short and medium run. (2) Environment protection and occupational health team: Promotes measures for environmental protection, continues to enhance the efficacy of utilization of different resources provided; looks for alternative green energy for achieving the goal of emission-free and low carbon; creates a safe and friendly workplace. (3) Social welfare team: Continued attention to the operation and development target of communities and provide resources as needed; promote social caring and charitable actions to take care of disadvantaged groups; improve various benefits for staff; remain keenly focused on delivering training resources for the development of human resources. (4) Corporate Governance Team: Enhance the Board’s function, and improve the value of corporate sustainability; provide information transparency, and promote sustainable operation; enhance communication among stakeholders, and create channels for better interaction. (5) Continuously provide advocacy of stock trading control measures before disclosure of financial statements for insiders 3. The Corporate Governance and Sustainable (ESG) Committee meets regularly to discuss relevant tasks and report on the ESG implementation of each unit at the	

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
			meeting. The committee prepares and publishes a sustainability report every year in accordance with regulations, discloses the operation status, and reviews the effectiveness of implementation, while reporting to the board of directors quarterly. 4. Annually, the Board of Directors is regularly informed about stakeholder communications, and stakeholder concerns are included in the ESG report. This report, after being drafted and verified by a third party, is reviewed and issued by the Board of Directors.	
II. Does the company follow the principle of materiality to conduct risk assessments on environmental, social, and corporate governance issues related to the Company’s operations, and formulate relevant risk management policies or strategies?	✓		The Company conducts relevant risk assessments on important issues in accordance with the materiality principle of corporate social responsibility (for the aspects of environmental/social/corporate governance), and has formulated relevant risk management policies or strategies based on the risks assessed. Please refer to the “Risk Management” section on the Company’s website (www.rechi.com) for details. Additionally, on March 20, 2020, the Board of Directors approved the “Risk Management Policy and Procedures,” which clearly define the organizational structure and responsibilities for risk management within the company. Based on their significance, these are incorporated into relevant policies or operational objectives. Audits are conducted annually by the Audit Office on various business units, and reports are issued to effectively manage any potential risks.	All the above is compliant with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
III. Environmental issues				
(I) Does the Company have an appropriate	✓		(I) The Company has passed ISO14001 certification(acquired	All the above is compliant with the

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
environmental management system established in accordance with its industrial character? (II) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	✓		on April 9, 2021, and due to expire on April 9, 2023), declares relevant data regularly in accordance with the Occupational Safety and Health Act, and has formulated four major policies for environmental management: 1. Comply with environmental regulations and protect the Earth’s environment. 2. Research and develop green products to prevent pollution effectively. 3. Strengthen environmental protection awareness and encourage all employees to participate in environmental protection. 4. Promote continuous improvement and create a high-quality environment. (II) In terms of shipping, the Company mainly uses recyclable pallets for containers. If there is carton packaging, the Company actively collects all the suppliers’ cartons and requires them to recycle and reuse them. At the feeding end, the Company works together with suppliers to minimize the impact on the environment. The Company also continues to miniaturize its products to save resources, energy, and reduce carbon emissions, and engages in recycling (such as recycling of tailings of silicon steel sheets), while trying to simplify packaging design and recycling and reusing shipping containers. The Company adopts the concept of “resource recycling” at the design stage for the products. The products are designed for easy disassembly and recycling. The Company selects	Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
(III) Does the Company assess the potential risks and opportunities of climate change to the Company now and in the future, and take measures to respond to climate-related issues?	✓		materials that are recyclable and reusable as much as possible. Plastics are also marked with recycling signs to facilitate recycling. The average recyclable ratio of the Company’s product materials is more than 80%, which greatly reduces the impact on the environment. (III) The Company’s mission is to fulfill the corporate responsibility of caring for the Earth. While pursuing business growing, it actively takes into account environmental protection. The use of environmentally friendly coolant (R32, R290, and R454B accounted for 67% in 2023) has been expanded continuously and the energy-saving and environmentally friendly products has been developed since 2013.	
(IV) Does the company prepare statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or other waste management?	✓		(IV) Based on ISO 14001, the Company implements an environmental management system to integrate business operations and environmental protection, establish a specific environmental management system, set environmental goals and target policies, and perform reviews accordingly. The Company’s energy saving and carbon reduction goals: The Company will reduce paper consumption by 0.2% per year, water consumption by 2% per year, electricity consumption by 2% per year, and increase the waste recycling rate by 5% per year to achieve the goal of energy conservation and carbon reduction. The relevant achievements are as follows: 1. The Company has committed to take action for climate change, using 2022 as the base year, will start to get basic information on greenhouse gas inventory each year	

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
			from 2023, and set the goal for reduction. The 2024 target is proposed as: a 1% decrease based on the performance achieved in 2023. 2. The Company is located in the Guanyin Industrial Park in Taoyuan. The industrial water source in this area is tap water. Since underground water is strictly prohibited in this area, tap water is the only choice for water supply. Since the establishment of the factory, energy resources have been conserved to create greater profits and reduce carbon emissions, aligning with the production goal of protecting environmental resources. For instance, in 2023, the use of tap water was 54.744 million liters compared to 51.431 million liters in 2022, an increase of 3.313 million liters due to a leak in the water intake pipe, which has been repaired and is now functioning normally. In terms of water resource control, the inexpensiveness of energy is never a criterion taken into consideration by the Company, as it values its responsibility as a corporate, would do its best to save energy and deduct carbon, and is committed to loving and protecting the Earth with the expectation to save and leave more energy to the later generations, to date, the Company has not violated any regulations against environmental issues. 3. The company primarily manufactures compressors. Given the industry’s nature, waste output includes general trash, inorganic sludge, waste oil, etc. In 2023,	

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
			new categories of waste plastic and waste cloth were added, with no hazardous industrial waste produced. All waste is legally transported and treated, mostly by incineration. According to the characteristics of resources recycled, most of them are mainly scrap metal and paper, and they are ultimately recycled and reused by the resource recycling service providers. The total weight of waste in 2023 was 333.6 tons, a decrease of 23.6 tons compared to 357.2 tons in 2022. The company does not import or export foreign waste.	
IV. Social issues (I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	✓		(I) In order to fulfill corporate social responsibility and implement human rights protection, the Company has referred to internationally recognized human rights standards, such as the Universal Declaration of Human Rights, the United Nations Global Compact, and the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, and complied with local labor and environmental laws and regulations, formulated human rights policies, and promoted and implemented internal management laws and internal control procedures to prevent infringement and violations of human rights, and enable in-service employees in the Group to be treated in a reasonable and dignified manner. The implementation guidelines are as follows: ● Respect diversity in the workplace and ensure equal employment.	All the above is compliant with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
(II) Does the Company formulate and implement reasonable employee benefit measures (including salary, leave, and other benefits), and appropriately reflect operating performance and results in employee compensation?	✓		● Provide reasonable and fair working conditions. ● Develop a safe and healthy work environment. ● Maintain an unobstructed communication and grievance channel. ● Respect privacy and the right to freedom of association. ● Insist on ethical management and fair transactions. ● Prohibit forced labor and child labor. ● Regularly review and evaluate policy implementation. (II) The Company’s overall salary includes base pay, bonuses, and employee remuneration. Each year, the salary adjustment plan is formulated in accordance with operating performance and the market benchmark standards, and production bonuses, operating bonuses, performance bonuses are determined based on the operating performance. It also stipulates that part of the Company’s net profit shall be distributed as employee remuneration in the Company’s Articles of Incorporation. The Company’s leave system is stipulated in accordance with the “Labor Standards Act” and “Act of Gender Equality in Employment”. The Company has set up an Employee Welfare Committee in accordance with the Employee Welfare Fund Act, and holds regular meetings to discuss issues, such as the amendment to the committee’s charter and the distribution of employee benefits. Budgets are drawn up according to the activities and events each year. In accordance with the annual activity/event plan, it regularly organizes employee	

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	✓		travel, autumn family day activities, and ball games, and provides allowances for weddings and funerals, child scholarship, foreign employees activity fees, gifts for three major festivals (Lunar New Year, Labor Day, Mid-Autumn Festival), and sports equipment for employees to use. In addition to labor and health insurance, comprehensive group insurance and travel safety insurance are purchased to provide employees with better protection. Please refer to page 100 for employee benefit measures. (III) In order to improve the Company’s safety and health system and management performance, the Company has been implementing the Taiwan Occupational Safety and Health Management System (TOSHMS) since 2012. In order to effectively operate the requirements of the management system, a Labor Safety and Health Management Committee is established in accordance with the law, of which labor representatives account for one-third of the total as required by law. The top-level manager of the labor safety and health management committee is the Plant Manager, and the labor representatives can directly communicate to the top-level manager. The Safety and Health Management Committee convenes quarterly and prepares statistics on occupational injuries. In order to effectively monitor the health status of employees, in addition to pre-employment physical examinations, the Company arranges health examinations in compliance with the regulations for in-service employees,	

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
(IV) Has the company established an effective career development and training program for employees?	✓		and informs them of the examination results, while organizing general and special health examinations in accordance with the law and health promotion activities, and sending health information summary to all employees from time to time. The total number of occupational accidents in 2023 was 0, excluding traffic accidents. There was no fire incident occurred to the Company in 2023. We have a dedicated fire prevention manager appointed who is to report relevant fire prevention information in accordance with the prescribed schedule, and have the fire protection equipment testing and fire prevention and drills outsourced regularly. (IV) The Company divides training into core value as well as basic and professional and management training. The core value includes understanding of Rechi’s environment and various systems to recognize its spirit and culture; the basic training cover on-the-job training (OJT) and qualifications; professional and management training are to enhance employees’ professional and management capabilities. In terms of systems, in addition to the ISO quality system for training standards, there are “employee education and training measures” and “internal lecturers measures” for each job level to organize relevant training every year, and to continue the training to cultivate internal lecturers. Furthermore, the Company has formulated the rewards measures to motivate employees to obtain certificates and to	

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
(V) With regard to customer health and safety, customer privacy, marketing, and labeling of products and services, does the Company follow relevant laws and international standards, and formulate relevant consumer protection policies and complaint procedures?	✓		learn independently, and rewards will be given when employees obtain specific job certificates. In addition, in order to ensure the quality and performance of training, the Company passed the review of Talent Quality-management System (TTQS) in 2023, and established R&D learning maps for R&D personnel, and revised them at any time according to the Company’s development status, to provide career development training for R&D personnel systemically, which is include as a reference for employee promotion. (V) In order to protect consumers’ rights and interests, the information on product specifications, power supply, refrigerant, and certification agencies is correctly labeled, to provide customers with correct information and safety for purchase and use. The Company’s heat pump of the water heater is the end product that directly enters into the consumer end, whereas the R & D for improving the product to conform with the requirement for energy label is taking place, and has continued to receive energy label for 3.5KW, 6.5KW and 10KW machines. Compliant with criteria required by ISO9001, ISO14001, ISO 17025, IATF 16949, and RoHS accreditation to control raw materials and product quality. The Company has also formulated the 0800 customer service hotline management measures, to not only provide 24-hour free customer service hotline but regulate the management of information (customer calls or messages received) and the response to unusual events.	

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
(VI) Does the Company formulate supplier management policies that require suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor human rights, and the implementation?	✓		(VI) The Company’s supplier management has been switched from focusing on quality, products, and lead time for delivery towards the direction of jointly establishing social responsibilities. Regarding the investigation and evaluation criteria for introducing new suppliers, in addition to providing supplier information in the “Vendor Profile Form,” vendors are also required to fill out the “ESG/Management Survey Self-Evaluation Form” truthfully. The said questionnaire covers the two major aspects of “health and safety” and “environment,” of which, “health and safety” includes the subjects of occupational safety and health and labor human rights; “environment” includes the subjects related to environmental protection. With that, the Company can understand the current status of suppliers’ implementation of CSR while they are encouraged to establish an ISO environmental management system (ISO14001), and all suppliers are invited to work together to fulfill their corporate responsibilities for society, workers, and the planet.	
V. Does the Company refer to internationally accepted reporting standards or guidelines to prepare sustainable reports and other reports that disclose its non-financial information? Have the aforesaid reports been assured or certified by a third-party verification agency?	✓		In 2023, the Company compiled the 2022 Sustainability Report with reference to the internationally accepted reporting standards including GRI, SASB, and TCFD., and engaged a limited assurance of the independent third-party British Standards Institution. For the Corporate Social Responsibility Report and Sustainability Report, please visit the “ESG” section on the Company’s website (www.rechi.com).	All the above is compliant with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
	Yes	No	Summary	
VI. If the Company has established its own Sustainable Development Best-Practice Principles in accordance with the Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies, please specify its current implementation and any deviation from the Best-Practice Principles: The Company has formulated its Corporate Social Responsibility Best-Practice Principles (renamed in the most recent shareholders’ meeting as Sustainable Development Best Practice Principles) in accordance with the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies established by the competent authority (please refer to the “Corporate Governance” section of the MOPS and the “ESG” section of the Company’s website (http://www.rechi.com)). There is no difference between the actual operations and the regulations of the principles.				
VII. Further information that may help to understand the status of sustainable development of the company better: (I) Social participation: Based on the spirit of “giving back what it has taken to society,” Rechi has been actively involved in social participation for a long time. The efforts can be specifically divided into education and counseling, social welfare system, and friendly community. I. In order to support outstanding students and accompany children’s growth with love and care, the Company promotes learning guidance and counseling services: 1. RECHI PRECISION CO., LTD. cooperates with National Yunlin University of Science and Technology, National Pingtung University of Science and Technology, National Ilan University, and other schools to establish an industry-academia cooperation platform and to provide students with summer internship opportunities through special projects. 2. A donation of NTD 1,479,890 was made to National Ilan University for a “Fully Automated Air Volume and Pressure Measurement Device,” for which the Ministry of Education awarded a “Silver Medal.” 3. The Company cooperates closely with schools to formulate the “Rules Governing Rekhi Elite Scholarship” in order to fulfill corporate social responsibilities and to retain talents. The scholarship is intended for the students of universities and graduate schools who have an industry-academia cooperation agreement signed with the Company, in particular, students who are from financially disadvantaged families or low-income households are prioritized. The scholarship program has been set up for the second year in 2023 with an accumulated amount of NTD 760,000 granted to 45 students so far. 4. In 2023, the company organized an employee participation in a beach cleaning activity, with 60 managers and colleagues cleaning up the garbage on the Zhuwei Fishing Port beach, improving the coastal area’s ecological environment. II. Through the collaboration with reputable social welfare organizations and schools, the Company sent personnel to the institutions that lacked				

Items for assessment	State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation								
	Yes	No	Summary									
hot water supply facilities to study the situation and provided installation service of heat pump water heaters for free: In 2018, the Company donated one set of heat pump water heaters to SOS Children’s Village of Taiwan and two sets of heat pump hosts to the National United University. In 2019, the Company donated a set of heat pump water heaters to Taoyuan City Guanyin Kindergarten, Taoyuan City Kangfu Intelligent Development Center, Taoyuan City Shuren Foundation Affiliated Care Home, Taoyuan City Ankang Care Home, and Taoyuan City Tin Fun Care Home, respectively. Donated one heat pump to the Happiness Foundation of Taoyuan City in 2020. In 2023, assistance was provided to the “Taiwan International Children’s Village” for maintenance of heat pump water heaters, repainting projects, and dormitory electrical redistribution, helping to build a happy home and enhancing the overall environmental quality of the children’s village. III. The Company has provided small amounts of funding to local volunteer fire brigades, temples, or patrol teams near the factory to support and care for the local residents, and give back to the residents so as to promote more positive actions in the society: a small amount of NTD 5,000 to the patrol team in Fulin Village, Guanyin District, and another small amount of NTD 5,000 to sponsor the volunteer fire brigade’s year-end review meeting in Caota, Guanyin District. IV. In 2022, the Company adopted 0.47 hectares of state-owned forest land located in Fuxing District, Taoyuan under jurisdiction of the Hsinchu Forest District Office and planted the Formosan Sweet Gum which can reduce carbon and increase oxygen to slow down the impact of global warming. V. In 2023, a total of 294 people received charity cakes (totaling NTD 67,620). The company also invited the “Love Without Fuss Chang Gung Sheltered Workshop” to set up a charity stall at the factory to promote food, gifts, and handicrafts while providing unique job opportunities and venues for individuals with disabilities. All products displayed for sale that day (totaling NTD 20,000) were sold out. (II) For corporate governance, please refer to the ESG section on our company website (www.rechi.com). (III) Management structure for climate-related risks and opportunities <table><tr><th>Category</th><th>Corporate Governing Strategies and the Actions</th></tr><tr><td rowspan="2">Governance</td><td>Directors review climate related issues each season</td></tr><tr><td>The Corporate Governance and Sustainable Development Committee meets regularly and report on the ESG implementation of each unit at the meeting (please refer to p. 31 for function each unit)</td></tr><tr><td rowspan="2">Strategy</td><td>Through the cross-department study, to verify the short, medium, and long-run climate risks and opportunities.</td></tr><tr><td>Evaluate significant climate change and opportunities that would bring the Company potential operational and financial impacts.</td></tr></table>					Category	Corporate Governing Strategies and the Actions	Governance	Directors review climate related issues each season	The Corporate Governance and Sustainable Development Committee meets regularly and report on the ESG implementation of each unit at the meeting (please refer to p. 31 for function each unit)	Strategy	Through the cross-department study, to verify the short, medium, and long-run climate risks and opportunities.	Evaluate significant climate change and opportunities that would bring the Company potential operational and financial impacts.
Category	Corporate Governing Strategies and the Actions											
Governance	Directors review climate related issues each season											
	The Corporate Governance and Sustainable Development Committee meets regularly and report on the ESG implementation of each unit at the meeting (please refer to p. 31 for function each unit)											
Strategy	Through the cross-department study, to verify the short, medium, and long-run climate risks and opportunities.											
	Evaluate significant climate change and opportunities that would bring the Company potential operational and financial impacts.											

Items for assessment		State of operation			The variation with the Sustainable Development Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and the reasons for the variation
		Yes	No	Summary	
Risk Management		Implement scenario analysis, evaluate science-based objectives, and net-zero emission.			
		Uses TCFD structure to establish the RECHI’s procedure for distinguishing climate risk.			
		Develop the responding scheme in accordance with the result of climate change verification and the order arranged.			
		Integrate the verification and evaluation of climate risk into the process of risk management (please refer to Risk Management of the Company’s website)			
Index and Goal		Establish the index of management for climate change.			
		Interrogate and disclose greenhouse gas emissions with ISO 14064-1 each year, investigate impacts on the operation aspect of the Company, and evaluate risks in categories 1, 2, and 3.			
		Established the goal for management of climate change, and investigated the achievement of the goal and the actual performance.			

(VIII) Implementation of climate-related information

Item	Implementation			
1. Describe the supervision and governance of the Board or Directors and management over the climate-related risks and opportunities.	The Sustainability Development Committee shall review and manage the Company’s climate change-related discussion and management. The climate change-related resolutions are to be approved by the Board of Directors. The Sustainability Development Committee has working groups setup to serve. The Strategic Planning Group shall organize and coordinate all working groups to report the TCFD climate governance in response to the Board of Directors every year for reference in decision-making.			
2. Describe how the identified climate risks and opportunities impact the company’s business, strategy, and finance (short-term, medium-term, and long-term).	Identify the climate risks and opportunities related to the Company’s operating scope in accordance with the scenario analysis; also, refer to the TCFD report related to the manufacturing industry: The company’s long-term operational development is for a period of ten-year (a decade), and the short-term is for a period of 1-3 years, medium-term is for 3-5 years, and long-term is for 6-10 years.			
3. Describe the impact of extreme climate events and transformation actions on finance.		Short-term	Medium-term	Long-term
	Risks	● Replace existing	● Customers’	● Increase price of

	<table><tr><td></td><td> products and services with low-carbon products • The cost of low-carbon technology transformation • Customers' behavior changes • Uncertain market information • Increasing cost of raw material </td><td> behavior changes • Increasing cost of raw material </td><td> greenhouse gas emissions • Replace existing products and services with low-carbon products • Failure of investment in new technology • The cost of low-carbon technology transformation • Customers' behavior changes • Increasing cost of raw material • Stakeholders' increasing concerns and negative feedback </td></tr><tr><td>Opportunities</td><td> ✓ Adopt more efficient transportation methods ✓ Adopt more efficient production and distribution processes </td><td></td><td> ✓ Adopt more efficient production and distribution processes </td></tr></table>		products and services with low-carbon products • The cost of low-carbon technology transformation • Customers' behavior changes • Uncertain market information • Increasing cost of raw material	behavior changes • Increasing cost of raw material	greenhouse gas emissions • Replace existing products and services with low-carbon products • Failure of investment in new technology • The cost of low-carbon technology transformation • Customers' behavior changes • Increasing cost of raw material • Stakeholders' increasing concerns and negative feedback	Opportunities	✓ Adopt more efficient transportation methods ✓ Adopt more efficient production and distribution processes		✓ Adopt more efficient production and distribution processes
	products and services with low-carbon products • The cost of low-carbon technology transformation • Customers' behavior changes • Uncertain market information • Increasing cost of raw material	behavior changes • Increasing cost of raw material	greenhouse gas emissions • Replace existing products and services with low-carbon products • Failure of investment in new technology • The cost of low-carbon technology transformation • Customers' behavior changes • Increasing cost of raw material • Stakeholders' increasing concerns and negative feedback						
Opportunities	✓ Adopt more efficient transportation methods ✓ Adopt more efficient production and distribution processes		✓ Adopt more efficient production and distribution processes						
4. Describe how climate risk identification, evaluation, and management process are integrated into the overall risk management system.	Step1 •The Sustainability Development Committee members shall complete the evaluation on climate and environmental background information and climate risk and operational scope. Step2 •Prepare the list of climate risks and opportunities •Establish internal operational impact questionnaires. Step3 •The Sustainability Committee members conduct an analysis on climate risk & opportunity and operational impact •Determine the material risk categories. Step4 •Establish implementation strategies and goal setting. Step5 •Conduct annual rolling reviews on the effectiveness of implementation strategies and goals at the Sustainability Development Committee meeting								
5. If a scenario analysis is applied to evaluate the resilience against the risk of climate change, the scenarios, parameters, assumptions,	The Company discusses the 2°C Scenario (2DS) in the Sustainability Development Committee meeting, applies the tools provided by TCCIP								

analysis factors, and main financial impacts involved should be described.	(Taiwan Climate Change Projection and Information Platform) as a reference for the evaluation of physical risk scenarios of climate change simultaneously. At the last but not the least, the Company decides to adopt 2DS / RCP2 .6 scenario as the Company's physical risk scenario of climate change in order to describe the theme of climate change risks and opportunities in the said scenario, including physical risks, regulatory transformation risks, etc.
6. If there is a transformation plan in response to the management of climate-related risks, describe the content of the plan, including the indicators and goals for identifying and managing physical and transformation risks.	None.
7. If an internal carbon pricing is used as a planning tool, describe the pricing base.	None.
8. If there is a climate-related goal formed, the related activities, the scope of greenhouse gas emissions, the planning schedule, annual achievement progress, and other information should be described. If carbon offset credits or renewable energy certificates (RECs) are used to achieve the relevant goals, the source and quantity of carbon offset credits or the quantity of renewable energy certificates (RECs) should be described.	The Company has the goals set further based on the indicators stipulated by TCFD climate risks and opportunities: 1. Save more than 1% electricity consumption every year. 2. Turn off the ice water main unit during holidays for energy-saving, and reduce the energy intensity by 10% compared with the previous year. 3. Regularly promote greenhouse gas emissions inventory in accordance with ISO 14064-1, and complete greenhouse gas self-inventory reports voluntarily. 4. Reinforce waste sorting and promote waste reduction by 1%.
9. Greenhouse gas inventory and assurance, and reduction goals, strategies, and specific action plans (fill in 1-1 and 1-2 separately).	Described as follows:

8-1 The company's greenhouse gas inventory and assurance in the last two years

8-1-1 Greenhouse gas inventory

Describe the greenhouse gas emission (metric tons CO ₂ e), intensity (metric tons CO ₂ e/NTD 1 million), and data coverage in the past two years.
- The inspection scope is a single factory of RECHI PRECISION CO., LTD. (Address: No. 943, Section 2, Chenggong Road, Guanyin District, Taoyuan City). - The 2023 electricity emission factor of 0.495 kg of carbon dioxide/kWh is adopted. The Global Warming Potential (GWP) refers to the Global Warming Potential emission results verified in the IPCC 2021 6th Assessment Report as follows:
Unit: tCO ₂ e

Year	Category 1	Category 2	Total	Sales (NTD 1 million)	Intensity
2021	5857.25	5134.86	10992.11	11,346	0.97
2022	4207.20	5225.16	9427.28	9,338.5	1.01
2023	The assurance information has not yet been compiled. The complete assurance information will be disclosed in the sustainability report.				

Note 1: Direct emissions (Category 1, that is, from the emission sources directly owned or controlled by the company), indirect energy emissions (Category 2, that is, indirect greenhouse gas emissions from the input of electricity, heat, or steam), and other indirect emissions (Category 3, that is, emissions resulted from the company's activities, which is not indirect emissions from energy, but from emission sources owned or controlled by other companies).

Note 2: The scope of direct emissions and indirect energy emissions data shall be handled in accordance with the schedule specified in Paragraph 2 of Article 10 of these Guidelines. Other indirect emissions information may be disclosed voluntarily.

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

Note 4: The intensity of greenhouse gas emissions can be calculated as per unit of product/service or turnover, but at least the data calculated in terms of turnover (NTD 1 million) should be described.

8-1-2 Greenhouse gas assurance information

Describe the assurance information in the last two years as of the publication date of the annual report, including the assurance scope, the assurance institution, the assurance standard, and the assurance opinion.			
Year	Assurance scope	Assurance institution	Assurance standard and assurance opinion
2021	A single factory of RECHI PRECISION CO., LTD. (Address: No. 943, Section 2, Chenggong Road, Guanyin District, Taoyuan City).	Bureau Veritas Certification (Taiwan) Co., Ltd.	Meets the materiality requirements and it is a reasonable assurance level.
2022	A single factory of RECHI PRECISION CO., LTD. (Address: No. 943, Section 2, Chenggong Road, Guanyin District, Taoyuan City).	Metal Industries Research and Development Centre	Meets the materiality requirements and it is a reasonable assurance level.
2023	The assurance information has not yet been compiled. The complete assurance information will be disclosed in the sustainability report.		

Note 1: It is to be processed based on the schedule that is stipulated in accordance with the provision of Paragraph 2 of Article 10 of these Guidelines. If the company fails to obtain a complete greenhouse gas assurance opinion as of the publication date of the annual report, the wordings of "complete assurance information will be disclosed in the sustainability report" should be noted. If the company does not have a sustainability report prepared, the wordings of "complete assurance information will be disclosed on the Market Observation Post System" should be noted, and the said assurance information should be disclosed in the annual report of the following year.

Note 2: Assurance institutions shall comply with the relevant requirements for assurance institutions on sustainability reports stipulated by TWSE/TPEX of the Republic of China.

Note 3: Please refer to the samples of disclosure content on the website of the TWSE Corporate Governance Center.

8-2 Greenhouse gas reduction goals, strategies, and specific action plans

Describe the greenhouse gas reduction base year and its data, goals, strategies, specific action plans, and the achievement of emission reduction.
Start implementing greenhouse gas inventories starting from 2023 with the emission reduction goals set by taking the year of 2022 as the base year. The 2024 target is proposed as: 1% decrease based on the performance achieved in 2023.

Note 1: It should be handled based on the schedule stipulated in accordance with the provision of Paragraph 2 of Article 10 of these Guidelines.

Note 2: The base year should be the year in which the carbon border inventory completed on the consolidated financial report, for example, according to the provision of Paragraph 2 of Article 10 of these Guidelines, a company with a capital of more than NTD 10 billion should have the carbon border inventory on the 2024 consolidated financial report completed in 2025. Therefore, the year of 2024 is the base year. If the company has completed the carbon boarder inventory on the consolidated financial reports ahead of schedule, the earlier year can be used as the base year. In addition, the data in the base year can be calculated based on the average of a single year or several years.

Note 3: Please refer to the samples of disclosure content on the website of the TWSE Corporate Governance Center.

(IX) Implementation of ethical management and deviation from the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies” and the reasons thereof:

Items for assessment	State of operation			Deviation From the “Ethical Corporate Management Best-Practice Principles for TWSE or TPEX Listed Company” and the Reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and proposal (I) Has the company established policies for ethical corporate management approved by the board of directors and stated such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies? (II) Has the company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing at least the preventive measures stated in paragraph 2, Article 7 of the “Ethical Corporate	✓ ✓		(I) The Company engages in business activities based on the principles of fairness, honesty, integrity, and transparency. In order to implement the ethical management policy and actively prevent dishonest behaviors, the board of directors approved the formulation of the Ethical Corporate Management Best-Practice Principles in accordance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX-Listed Companies on March 21, 2014, and passed the amendments thereto on March 17, 2017 and November 6, 2019, respectively. The principles have clearly defined the Company’s ethical management policies, approaches, and stipulate that the board of directors and the management shall actively implement the commitments of this management policy, and that they shall follow the principles of ethical management when performing business. (II) At the same time, the board of directors approved the formulation of the Procedures for Ethical Management and Guidelines for Conduct on November 6, 2019, and passed the amendments thereto on March 20, 2020. In accordance with the Ethical Corporate Management Best-Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct, the Company’s	All the above are compliant with Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.

Items for assessment	State of operation			Deviation From the “Ethical Corporate Management Best-Practice Principles for TWSE or TPEx Listed Company” and the Reasons
	Yes	No	Summary	
Management Best-Practice Principles for TWSE/TPEx-Listed Companies”? (III) Does the Company clearly define operating procedures, behavior guidelines, disciplinary actions, and grievance systems for violations in the unethical behavior prevention plan and implement them as required, and regularly review said plan?	✓		board of directors approved the formulation of the Risk Management Policies and Procedures without objection on March 20, 2020, to clearly define the Company’s risk management organizational structure and powers and responsibilities, and the Auditing Office conducts audits on each business unit every year while issuing reports to effectively control any potentially harmful risks. It also expressly prohibits bribery and receipt of bribes, provision of illegal political contributions, provision of improper charitable donations or sponsorships, unreasonable gifts, hospitality, or other improper benefits, infringement of intellectual property rights, engaging in unfair competition, or products or services that are detrimental to interested parties in the Ethical Corporate Management Best-Practice Principles. The Procedures for Ethical Management and Guidelines for Conduct specify the matters that shall be paid attention to in the execution of the business, and the Company organizes education sessions and awareness-raising events to implement the ethical management policy. (III) The Procedures for Ethical Management and Guidelines for Conduct not only regulate the specific matters that shall be paid attention to when performing the business but include the formulation of reporting regulations, internal awareness-raising events, establishment of rewards and disciplinary actions, and grievance systems. In order to promote ethical behavior, the Company not only publishes	

Items for assessment	State of operation			Deviation From the “Ethical Corporate Management Best-Practice Principles for TWSE or TPEx Listed Company” and the Reasons
	Yes	No	Summary	
			the Ethical Corporate Management Best-Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct on the Company’s internal website for employees to consult at any time, but it also requests new employees to read them on the first day of work and sign the statement on compliance with the Ethical Corporate Management Best-Practice Principles. In addition, it raises new employees’ awareness of the Company’s core values and compliance system, and provides them with relevant education and training courses on a regular basis.	
II. Implementation of Ethical Corporate Management (I) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?	✓		(I) Before the Company establishes a business relationship with others, it first evaluates the legality of its counterparties, their ethical management policy, and whether there has been a record of unethical conduct, to ensure that their business operations are fair and transparent and that they will not request, offer, or accept bribes. The contract signed between the Company and others covers the requirement that the counterparty of a transaction shall abide by the terms of ethical operations, and the Company will fully understand the counterparty’s status of ethical operations. If there is damage involved in the case of unethical conduct, it may request compensation for losses in accordance with the contract.	All the above are compliant with Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.

Items for assessment	State of operation			Deviation From the “Ethical Corporate Management Best-Practice Principles for TWSE or TPEx Listed Company” and the Reasons
	Yes	No	Summary	
(II) Does the Company set up a dedicated unit under the board of directors to promote ethical corporate management, which reports to the board of directors regularly (at least once a year) on its ethical management policies, plans for preventing dishonest behavior, supervision, and implementation?	✓		(II) The Company has set up the Corporate Governance and Sustainable (ESG) Committee, a dedicated (concurrent) unit, under the board of directors to implement ethical corporate management to ensure the implementation of the Ethical Corporate Management Best-Practice Principles based on the duties and scope of business of each unit, and to report on the implementation to the board of directors on a quarterly basis.	
(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	✓		(III) In order to prevent conflicts of interest and provide appropriate channels, the Company’s board of directors approved the formulation of the Ethical Corporate Management Best-Practice Principles on March 21, 2014, and the amendments thereto on March 17, 2017 and November 6, 2019, respectively. For conflicts of interest in business, employees shall inform their supervisors in advance according to the employment contract to prevent conflicts of interest. When there is a conflict of interest in various proposals of the board of directors, they will follow the principle of recusal to avoid the discussion, and leave the meeting without participating in the vote.	
(IV) Does the Company have established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit based on the assessed risk of unethical conduct to formulate relevant audit plans, and check the compliance with the unethical conduct preventive action or	✓		(IV) In accordance with the Ethical Corporate Management Best-Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct, the Company’s board of directors approved the formulation of the Risk Management Policies and Procedures without objection on March 20, 2020, to clearly define the Company’s risk management organizational structure and powers and	

Items for assessment	State of operation			Deviation From the “Ethical Corporate Management Best-Practice Principles for TWSE or TPEx Listed Company” and the Reasons
	Yes	No	Summary	
commission an accountant to perform the check?			responsibilities. The Company always pays attention to ensuring the correctness and completeness of its financial reporting process and its control. It designs relevant internal control systems for operating procedures with high potential risks of unethical conduct, and implements the annual audit plan drawn up by the internal audit based on the results of the risk assessment, and an audit report will be prepared submitted to the board of directors after the audit.	
(V) Has the Company organized corporate management internal and external education and training programs on a regular basis?	✓		(V) Ethical corporate management has been incorporated into the Company’s internal regular training in 2019. In 2023, 39 participants attended educational training, with a total of 78 training hours.	
III. The Function of the Reporting System of the Company				
(I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and responsible staff designated to handle the individual being reported?	✓		(I) On December 23, 2019, the Company’s Board of Directors unanimously approved the establishment of the “Procedure for Handling Reports of Illegal, Unethical, or Dishonest Conduct,” setting clear and effective reward, punishment, and grievance mechanisms. In cases of severe violations of integrity by company personnel, the individuals involved may be dismissed or terminated in accordance with relevant laws or personnel regulations. The Company has provided a reporting mailbox and hotline on its website for use by both internal and external personnel. (https://www.rechi.com/Stakeholder/connection) 1. Reporting Channels:	All the above are compliant with Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.

Items for assessment	State of operation			Deviation From the “Ethical Corporate Management Best-Practice Principles for TWSE or TPEX Listed Company” and the Reasons
	Yes	No	Summary	
(II) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms?	✓		2. Reporting Hotline: 03-4837201#171 3. Reporting Mailbox: justin@rechi.com 4. Reporting Cases Handling Unit: Company’s Corporate Governance Committee. (II) On December 23, 2019, the Company’s Board of Directors unanimously approved the establishment of the “Procedure for Handling Reports of Illegal, Unethical, or Dishonest Conduct,” which includes principles for handling reports, investigation procedures, follow-up measures for investigation reports, and protection for whistleblowers. Handling Procedure: ● Anonymous Reporting: Anonymous reporting is permitted; however, if no evidence sufficient for investigation is provided, the report cannot be processed. If the reported content is deemed necessary for investigation, it may still be handled as a separate case for internal review. ● Identified Reporting: The whistleblower must submit a report with their name via the channels listed in Article 3 of this procedure and provide sufficient information for verification. The whistleblower should provide at least the following information: 1. Whistleblower's name, ID number, and contact information (address, phone, email). 2. The name or identifiable information of the individual being reported. 3. Specific evidence that can be investigated.	

Items for assessment	State of operation			Deviation From the “Ethical Corporate Management Best-Practice Principles for TWSE or TPEX Listed Company” and the Reasons
	Yes	No	Summary	
			● Internal Personnel: 1. If the reported issue involves general employees, it should be reported to the department head. If it involves directors or senior management, it should be reported to the independent directors. If no specific evidence is found, the case will be closed and archived. 2. The Company’s designated unit and the relevant personnel or supervisors who received the report should promptly investigate the related facts. If necessary, assistance from the Compliance or other relevant departments should be sought. To protect the rights of the reported individual, they should be given the opportunity to present their views. 3. If it is confirmed that the reported individual has violated relevant laws or the Company’s policies on integrity management, they should be immediately required to cease the related behavior and appropriate actions should be taken. If necessary, legal procedures should be pursued to claim damages and protect the Company’s reputation and interests. The relevant authorities may also be informed or the case transferred to judicial authorities for investigation. 4. All documents related to the handling, investigation process, and results of the report must be retained in writing and preserved for five years. They may be preserved electronically. If a lawsuit related to the	

Items for assessment	State of operation			Deviation From the “Ethical Corporate Management Best-Practice Principles for TWSE or TPEX Listed Company” and the Reasons
	Yes	No	Summary	
(III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	✓		report is initiated before the preservation period expires, the relevant documents should be kept until the litigation is concluded. 5. If the reported matter is verified, the relevant internal control systems and procedures should be reviewed and improved to prevent recurrence of similar behavior. 6. The Company’s designated unit should report the reported matter, its handling process, and subsequent review and improvement measures to the Board of Directors. ● External Personnel: If Company personnel encounter dishonest behavior from others towards the Company, and the behavior involves illegal activities, the Company should notify judicial or prosecutorial authorities of the relevant facts. If the behavior involves a public agency or public officials, the relevant government anti-corruption agencies should also be notified. (III) The Company has formulated the “Rules for the Prosecution of Illegal and Unethical or Dishonest Conducts” upon unanimous approval from all attending directors at the board meeting on December 23, 2019. In the Rules it is clearly stated that the Company is committed to protecting the whistleblower from improper treatment as a result of the whistleblowing.	

Items for assessment	State of operation			Deviation From the “Ethical Corporate Management Best-Practice Principles for TWSE or TPEX Listed Company” and the Reasons
	Yes	No	Summary	
IV. Intensification of Disclosure Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	✓		The Company has set up the “Ethical Corporate Management” section on its website (www.rechi.com) and has disclosed information and promotion related to ethical corporate management on the MOPS for inquiry at any time. It has also disclosed information related to ethical corporate management on the external website.	All the above are compliant with Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.
V. If the Company has established its own corporate management principles in accordance with “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX-Listed Companies,” please describe its current practices and any discrepancies from the Best-Practice Principles: The Company has established its “Ethical Corporate Management Best-Practice Principles.” All employees, managerial officers, and board members shall abide by these Principles. There are no discrepancies between the current practices and the Best-Practice Principles.				
VI. Other information relevant to understanding the Company’s business integrity (e.g., reviews of business integrity principles): The Company pays close attention to the development of the domestic and overseas regulations related to ethical corporate management, and encourages its directors, managerial officers, employees to give suggestions. Based on the suggestions, the Company may review, improve and promote the ethical corporate management policies it has formulated, in order to improve the effectiveness of the company’s ethical corporate management.				

(X) If the Company has formulated its corporate governance principles and relevant regulations, the inquiry methods should be disclosed:

Please refer to “Corporate Governance” sector in the MOPS, or the Company’s website.

(XI) Other information that facilitates the understanding in the Company’s corporate governance should also be disclosed together:

1. Important information of the Company is disclosed on the MOPS and the Company’s website in accordance with the laws and regulations of the competent authorities.

Company website: <http://www.rechi.com/>

MOPS: <http://mops.twse.com.tw/mops/web/index>. Stock Code: 4532

2. Education training of the Board in 2023:

Title	Name	Date of (elected to) office	Training date		Organizer	Course name	Training hours	Whether the training had complied with policies	Remark
			Start	End					
Corporate Director representative	CHEN, SHENG TIEN	2023/6/15	2023/05/04	2023/05/04	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Business Management	3.0	Yes	
			2023/11/09	2023/11/09	Taiwan Corporate Governance Association	Sustainable Talent Development	3.0	Yes	
Corporate Director representative	YANG, CHENG MING	2023/6/15	2023/05/04	2023/05/04	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Business Management	3.0	Yes	
			2023/11/09	2023/11/09	Taiwan Corporate Governance Association	Sustainable Talent Development	3.0	Yes	
Corporate Director representative	CHEN, SHENG CHUAN	2023/6/15	2023/05/04	2023/05/04	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Business Management	3.0	Yes	
			2023/11/09	2023/11/09	Taiwan Corporate Governance Association	Sustainable Talent Development	3.0	Yes	

Title	Name	Date of (elected to) office	Training date		Organizer	Course name	Training hours	Whether the training had complied with policies	Remark
			Start	End					
Corporate Director representative	FENG, MING FA	2023/6/15	2023/05/04	2023/05/04	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Business Management	3.0	Yes	
			2023/11/09	2023/11/09	Taiwan Corporate Governance Association	Sustainable Talent Development	3.0	Yes	
			2023/12/05	2023/12/05	Taiwan Corporate Governance Association	2024 Global Economic Outlook and Industry Trends	3.0	Yes	
			2023/12/13	2023/12/13	Securities and Futures Development Foundation	Protection of Trade Secrets	3.0	Yes	
Corporate Director representative	CHENG, CHI CHAO	2023/6/15	2023/05/04	2023/05/04	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Business Management	3.0	Yes	
			2023/08/11	2023/08/11	Taiwan Investor Relations Association	Insights from Actual Cases, Understanding Company Fraud Risks and Prevention Measures	3.0	Yes	
			2023/11/27	2023/11/27	Taiwan Investor Relations Association	Net Zero Carbon Emissions, Cross-Domain Management Practices	3.0	Yes	
Corporate Director representative	ICHIJU, MIYO	2023/6/15	2023/05/04	2023/05/04	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Business Management	3.0	Yes	

Title	Name	Date of (elected to) office	Training date		Organizer	Course name	Training hours	Whether the training had complied with policies	Remark
			Start	End					
Independent director	SU, CHING YANG	2023/6/15	2023/05/04	2023/05/04	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Business Management	3.0	Yes	
			2023/07/04	2023/07/04	Taiwan Stock Exchange Corporation	2023 Cathay Sustainable Finance and Climate Change Summit	6.0	Yes	
Independent director	CHEN, SHENG WANG	2023/6/15	2023/02/10	2023/02/10	Taiwan Corporate Governance Association	Competition and Consumer Protection Issues in the Digital Economy	3.0	Yes	
			2023/05/04	2023/05/04	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Business Management	3.0	Yes	
Independent director	Huang, Pao-Hui	2023/6/15	2023/05/11	2023/05/11	Taiwan Academy of Banking and Finance	Corporate Governance Seminar - How to Understand Financial, A Lesson for Directors and Supervisors Without a Financial Background	3.0	Yes	
			2023/09/15	2023/09/15	Taiwan Corporate Governance Association	How to Conduct a Board Meeting? Common Practical Shortcomings in the Operation of Board Meetings for Listed Companies	3.0	Yes	

Title	Name	Date of (elected to) office	Training date		Organizer	Course name	Training hours	Whether the training had complied with policies	Remark
			Start	End					
			2023/09/26	2023/09/26	Taiwan Corporate Governance Association	Risks and Management of Trade Secrets in Digital Transformation	3.0	Yes	
			2023/10/13	2023/10/13	Securities and Futures Development Foundation	2023 Insider Trading Prevention and Awareness Seminar	3.0	Yes	

3. 2023 Continuing training regarding Corporate Governance participated by managerial officers:

Title	Name	Training date		Organizer	Course name	Training hours	Remark
		Start	End				
Vice President/CFO/Chief Corporate Governance Officer	KO, CHIH CHENG	2023/05/04	2023/05/04	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Business Management	3.0	
		2023/09/19	2023/09/19	Taiwan Corporate Governance Association	Enterprise Management of Carbon Rights and Carbon Assets Under the Global Carbon Trading Mechanism	3.0	
		2023/11/09	2023/11/09	Taiwan Corporate Governance Association	Sustainable Talent Development	3.0	
		2023/12/05	2023/12/05	Taiwan Corporate Governance Association	2024 Global Economic Outlook and Industry Trends	3.0	
Chief Financial Officer/Chief Accounting Officer	WU, CHIN MEI	2023/08/21	2023/08/22	Accounting Research and Development Foundation	Continuing Training for Chief Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12.0	

(XII) Execution status of internal control systems:

1. Statement on Internal Control Systems

RECHI PRECISION CO., LTD.
Statement on Internal Control Systems

Date: March 12, 2024

The Company hereby states the results of the self-evaluation of the internal control system for 2023 as follows:

- I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities The Company's board of directors and managerial officers. These policies were implemented throughout The Company. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
- II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievement of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
- IV. The Company adopted the aforementioned criteria to evaluate the effectiveness of its policy design and execution.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2023, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This declaration forms part of the main contents of the company's annual report and prospectus, and shall be disclosed to the public. Any misrepresentation or concealment of the aforementioned disclosures shall be liable to violation of Articles 20, 32, 171 and 174 of the Securities and Exchanges Act and the legal consequences thereof.
- VII. This statement of declaration has been unanimously approved by all nine attending board members at the board meeting on Mar. 12, 2024.

RECHI PRECISION CO., LTD.

Chairman: CHEN, SHENG TIEN Signature

President: FENG, MING FA Signature

2. For the CPAs specifically commissioned to review the internal control system, the Independent Auditor's Report should be disclosed: None

(XIII) Punishment of the Company and its internal personnel by law, punishment of the internal personnel of the Company for violation of the internal control system in the most recent year to the date this report was printed, and the major defects and state of corrective action taken: None.

(XIV) Important resolutions of the Shareholders' Meeting and Board Meeting during the most recent fiscal year and as of the printing date of this annual report.

1. Important resolutions and implementation of 2023 Shareholders' Meeting

Session	Date of meeting	Important resolutions and implementation of the shareholders' meeting
2023 Shareholders' Meeting	2023/6/15	- Recognition of the 2022 Business Report and Financial Statements ◎ Implementation: Approved as proposed. - Recognition of the Company's 2022 profit distribution. ◎ Implementation: Ex-Dividend Date: April 21, 2023. Distribution Date: May 5, 2023. (Cash dividend: NTD 0.9 per share.) - Proposal for re-election of all directors of the Company ◎ Implementation Status: After re-election at the shareholders' meeting, the change of registration was completed on August 14, 2023. - Approved the proposal for canceling the non-compete restriction for new directors and their representatives ◎ Implementation: Effective upon approval.

2. Details of the important resolutions of Board of directors meeting in 2023/01/01 - 2024 and as of the publication date of the annual report

Session	Time	Important resolutions	Issues listed in the Securities Exchange Act, Article 14-3	Independent Directors' opinions and the Company's response thereto.
18 th meeting of the 13 th Board of Directors	2023.03.07	1. Approved the Company's 2022 Final Accounting Statements and Records.		Approved by all attending Independent Directors
		2. Approved the proposal for the Company's 2022 earnings distribution		
		3. Approved the Company's distribution of remuneration to directors and employees' compensation for 2022		
		4. Approved the report on the Company's earnings distribution as cash dividends for 2022.		
		5. Approved the relevant matter on the date of cash dividends distribution		
		6. Approved the issuance of the Company's Statement on Internal Control Systems		
		7. Approved the independence evaluation of the 2023 CPAs		
		8. Approved the proposal for re-election of all directors of the Company		
		9. Approved the proposal for canceling the non-compete restriction for new directors and their representatives.		
		10. Approved the personnel adjustment to the senior-level		

		managerial employees		
		11. Approved the proposal for canceling the non-compete restriction for the managerial officers		
		12. Approved the partial amendment to the Company's "Code of Corporate Governance Practice"		
		13. Approved the partial amendments to the Company's "Sustainable Development Best-Practice Principles"		
		14. Approved the convening the 2023 Regular Shareholders' Meeting		
		15. Approved the credit lines provided by the Company's financial institutions and the credit lines of the subsidiaries endorsed and guaranteed by the Company.	✓	
19 th meeting of the 13 th Board of Directors	2023.04.17	1. Approved the Company's subsidiary Rechi Holdings Co., Ltd. plans to dispose of its equity in Jiangxi Baida Precision Manufacturing Corp.	✓	
20 th meeting of the 13 th Board of Directors	2023.05.04	1. Approved the 2023 Q1 consolidated financial report of the Company and its subsidiaries		Approved by all attending Independent Directors
		2. Approved the roster of the Company's 14th director (independent director) candidates nominated and reviewed by the board of directors.		
		3. Approved the credit lines provided by the Company's financial institutions.	✓	
1 st meeting of the 14 th Board of Directors	2023.06.15	1. Approved the election of the 14th chairman and vice chairman of the Board.		Approved by all attending Independent Directors
		2. Approval of the appointment of our company's manager, please discuss.		
		3. Approved the appointment of the Company's 3 rd audit committee members.		
		4. Approved the appointment of the Company's 5 th salary remuneration committee member.		
2 nd meeting of the 14 th Board of Directors	2023.06.15	1. Approved the remuneration to the Company's Chairman.		Approved by all attending Independent Directors
		2. Approved the remuneration to the Company's Vice Chairman.		
		3. Approved the remuneration to the Company's President.		
		4. Approval of the "Audit Principles for Pre-approval of Non-assurance Services Provided by Certified Public Accountants" for the company.		
3 rd meeting of the 14 th Board of Directors	2023.08.09	1. Approved the 2023 Q2 consolidated financial report of the Company and its subsidiaries		Approved by all attending Independent Directors
		2. Approved the credit lines provided by the Company's financial institutions and the credit lines of the subsidiaries endorsed and guaranteed by the Company.	✓	
		3. Approved the loan to Rechi Precision (Jiujiang) Electric Machinery Limited	✓	
4 th meeting of the 14 th Board of Directors	2023.11.07	1. Approved the 2023 Q3 consolidated financial report of the Company and its subsidiaries		Approved by all attending Independent Directors
		2. Approved the Company's 2024 audit plan.		
		3. Approval of The personnel adjustment to the senior-level managerial employees		
		4. Approval of the company's proposal to acquire the entire 23.45% stake held by China Steel Corporation in Dyna	✓	

		Rechi Co., Ltd.		
		5. Approved the credit lines provided by the Company's financial institutions and the credit lines of the subsidiaries endorsed and guaranteed by the Company.	✓	
		6. Approved the proposal for loan to Dyna Rechi Jiujiang Co., Ltd. by the Company.	✓	
5 th meeting of the 14 th Board of Directors	2023.12.21	1. Approved the Company's 2024 Business Plan		Approved by all attending Independent Directors
6 th meeting of the 14 th Board of Directors	2024.03.12	1. Approved the Company's 2023 Final Accounting Statements and Records.		Approved by all attending Independent Directors Approved by all attending Independent Directors
		2. Approved the proposal for the Company's 2023 earnings distribution		
		3. Approved the Company's distribution of remuneration to directors and employees' compensation for 2023		
		4. Approved the report on the Company's earnings distribution as cash dividends for 2023.		
		5. Approved the relevant matter on the date of cash dividends distribution		
		6. Approved the issuance of the Company's Statement on Internal Control Systems		
		7. Approval of the assessment of independence and suitability of the certified public accountants for the fiscal year 2024.		
		8. Approved the proposal for canceling the non-compete restriction for new directors and their representatives		
		9. Approved the proposal for canceling the non-compete restriction for current independent directors		
		10. Approved the personnel adjustment to the senior-level managerial employees		
		11. Approved the proposal for canceling the non-compete restriction for the managerial officers		
		12. Approved the partial amendments to the Company's "Rules of Procedure for Board of Directors Meeting"		
		13. Approved the convening the 2024 Regular Shareholders' Meeting		
		14. Approval of the proposal for Rechi International Holdings Co., Ltd., a subsidiary of our company, to jointly establish a company with El-Araby Company for Home Appliances Industry and El-Araby International Limited (HK).	✓	
		15. Approval of the proposal for our company to acquire a total of 28.77% of the shares held by Taiwan Sanyo Electric Co., Ltd., Richtek Technology Co., Ltd., AccessTop Ltd., Director Xu Yongfu, and his first-degree relatives in Dyna Rechi Co., Ltd.	✓	
		16. Approved the credit lines provided by the Company's financial institutions and the credit lines of the subsidiaries endorsed and guaranteed by the Company.	✓	

(XV) Adverse opinions from the Directors or the Supervisors against major resolutions of the Board on record or in written declaration in the most recent year to the date this report was printed. The key content: None.

(XVI) In the most recent fiscal year and as of the publication of the annual report, the summary of the resignation or dismissal of the Chairman, President, Chief

Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance and Chief R&D Officer.

Summary of the Resignation or Dismissal of the Company-Related Personnel

April 30, 2024

Title	Name	Date of (elected to) office	Date of dismissal	Reason for resignation or dismissal
Chief R&D Officer	CHIEN, CHENG CHUNG	2021/06/28	2023/11/07	Internal Job Adjustments
Chief Marketing Officer	NIU, YONG GUANG	2019/01/01	2024/01/30	Internal Job Adjustments

Note: The persons related to as referred to in this context are the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance and Chief R&D Officer.

V. Disclosure of the accountant's fee:

(I) Disclosure of the CPA's fee:

Unit: NTD thousand

Name of CPA firm	Name of CPA	CPA inspection period	Auditing fee	Non- auditing fee	Total	Remark
Deloitte & Touche	CHANG, CHING Hsia	2023/01/01-2023/12/31	7,350	0	7,350	
	CHENG, CHIN TSUNG	2023/01/01-2023/12/31				

Note: If the Company changes CPA or its accounting firm, shall list the date of auditing, and specify the reason for the change in the note filed.

- (I) When the Company changes its accounting firm and the amount of fees paid for auditing services during the year in which the change is made are lower than for the previous year, the amount by which the fees decreased, the proportionate decrease, and the reasons therefor shall be disclosed: None.
- (II) In the event that the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof shall be disclosed: The audit fee in 2023 has decreased by 2% from 2022.

VI. Change of CPA

(I) On the predecessor CPAs:

2022

Date of replacement	March 16, 2022		
Reason for replacement and note	Due to internal job rotation of Deloitte & Touche, the original CPAs of TSAI, CHEN TSAI and CHANG, CHING Hsia were replaced by CHANG, CHING Hsia and CHENG, CHIN TSUNG, starting 2022 Q1.		
The commissioner or CPA terminates or declines the commission	Counterparty	CPAs	Commissioner
Appoint terminated	Reason	N/A	
Declined further engagement	Decided to terminate the appointment		
	Decided to not to (continue the) appointment		
Opinions and reasons of audit reports issued during the most recent two years, excluding those issued with unqualified opinion	N/A		
Disagreement with the issuer (Yes/No)	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedure
			Others
	None	N/A	
	Explanation		
Other disclosures (Matters covered in Item 1-4, Subparagraph 5, Article 10 of the Regulations should be disclosed)	N/A		

(II) On the successor CPAs: N/A

(III) Reply letter from the predecessor CPAs regarding Item 1 and 2-3, Subparagraph 5, Article 10 of the Regulations: N/A

VII. The Chairman, president, or manager responsible for finance or accounting holding a position at a firm belonging to a certifying CPA firm or any affiliated enterprise within the preceding year: None.

VIII. The transfer of shares and changes in pledges of the Directors, managerial officers, and shareholders holding more than 10% of the shares in the most recent year and as of the printing date of this annual report.

(I) Changes in shareholding of Directors, managerial officers, and major shareholders

Title	Name	2023		As of Apr. 30, 2024		Remark
		Increase (decrease) in no. of shares held	Increase (decrease) in no. of pledged shares	Increase (decrease) in no. of shares held	Increase (decrease) in no. of pledged shares	
Institutional Director	SAMPO CORPORATION	0	0	0	0	Major shareholder
Chairman & Corporate Director representative	CHEN, SHENG TIEN	0	0	0	0	
Vice Chairman & Corporate Director representative	YANG, CHENG MING	0	0	0	0	
Corporate Director representative	FENG, MING FA	0	0	0	0	
Institutional Director	Sharp Corporation	0	0	0	0	
Corporate Director representative	ICHIJU, MIYO	0	0	0	0	
Institutional Director	China Steel Corporation	0	0	0	0	
Corporate Director representative	CHENG, CHI CHAO	0	0	0	0	
Institutional Director	Chumpower Machinery Corp.	0	0	0	0	
Corporate Director representative	CHEN, SHENG CHUAN	0	0	0	0	
Independent director	SU, CHING YANG	0	0	0	0	
Independent director	CHEN, SHENG WANG	0	0	0	0	
Independent director	Huang, Pao-Hui	0	0	0	0	
President	FENG, MING FA	0	0	0	0	
Vice President	WU, YI WEN	0	0	0	0	
Vice President & Corporate Governance Officer	KO, CHIH CHENG	0	0	0	0	
Vice President	NIU, YONG GUANG	0	0	0	0	
Assistant VP	LIU, SHIH CHIEH	0	0	0	0	
Assistant VP	CHIEN, CHENG CHUNG	0	0	0	0	
Assistant VP	LO, PEI CHOU	0	0	0	0	
Assistant VP	HSIEH, MING-FENG	0	0	0	0	
Chief financial officer Chief Accounting Officer	WU, CHIN MEI	0	0	0	0	

(II) Information on transfer of shares: N/A

(III) Information on pledged shares: N/A

IX. The top ten shareholders who are spouses or relatives within the second degree of kinship of one another:

Date: April 15, 2024

Name	Shareholding		Shareholding by spouse or dependents		Shareholding by nominee arrangement		The name and relationship of the top ten shareholders who are spouses or relatives within the second degree of kinship		Remark
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Company name	Relation	
SAMPO CORPORATION	138,160,160	27.36%	-	-	-	-	None	None	
SAMPO CORPORATION Rep.: CHEN, SHENG TIEN	0	0%	733	0%	-	-	None	None	
SAMPO CORPORATION Representative: YANG, CHENG MING	0	0%	0	0%	-	-	None	None	
SAMPO CORPORATION Rep.: FENG, MING FA	259,879	0.05%	120,000	0.02%	-	-	None	None	
China Steel Corporation	23,002,022	4.56%	-	-	-	-	None	None	
China Steel Corporation Representative: Cheng, Chi-Chao	0	0%	0	0%	-	-	None	None	
Mega Bank in custodian for Sharp Corporation Investment Account	22,771,289	4.51%	-	-	-	-	None	None	
Mega Bank in custodian for Sharp Corporation Investment Account Representative: ICHIJU, MIYO	0	0%	0	0%	-	-	None	None	
Taiwan Life Insurance Co., Ltd. Representative: Cheng, Tai-Ko	12157762	2.41%	-	-	-	-	None	None	
LIU, MAO SUNG	9,103,754	1.80%	4,227,700	0.84%	-	-	LIU LU, HSIU-CHIN	Spouse	
National Electronic Appliance Co., Ltd. Representative: Hung, Min-Hung	8,005,731	1.59%	-	-	-	-	None	None	
HSBC Hong Kong Shanghai is the custodian of a Morgan Stanley International Limited investment account	7,187,293	1.42%					None	None	
Jianhong International Investment Co., Ltd. Representative: Hung, Min-Hung	5,662,353	1.12%	-	-	-	-	None	None	
HSBC Bank Taipei Branch is the custodian of a Merrill Lynch International investment account	4623524	0.92%	-	-	-	-	None	None	
LIU LU, HSIU-CHIN	4,227,700	0.84%	9,103,754	1.80%			LIU, MAO SUNG	Spouse	

- X. The total number of shares and total equity stake held in any single enterprise by the company, its directors, managerial officers, and any companies controlled either directly or indirectly by the company: (Unit: thousand shares)

Investee	The Company		Investment by an entity controlled directly or indirectly by the Company, the Company's Director, managerial officers		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Dyna Rechi Co., Ltd.	68,980	65.65%	5,109	4.86%	74,089	70.51%

IV. Capital Overview

I. Shares and Dividends

(I) Sources of shares and dividends

April 30, 2024

Year and month	Issuing price	Authorized capital		Paid-up capital		Remark		
		Shares (in thousand shares)	Amount (NTD thousand)	Shares (in thousand shares)	Amount (NTD thousand)	Sources of shares and dividends (in thousand shares)	Paid in properties other than cash	Others
2002/10	10	260,000	2,600,000	189,165	1,891,657	Capitalization of earnings 189,472	—	2002/07/25 pursuant to Zheng-Qi-Hui-Tai-Cai-Zheng (I) Letter No. 0910141754.
2003/07	10	287,000	2,870,000	198,396	1,983,965	Capitalization of earnings 92,308	—	2003/03/08 pursuant to Zheng-Qi-Hui-Tai-Cai-Zheng (I) Letter No. 0920133431.
2004/10	10	300,000	3,000,000	250,646	2,506,461	Capitalization of earnings 125,305	—	2004/07/09 Jin-Guan-Zheng-1-Zi Letter No. 0930130588.
2006/04	10	426,000	4,260,000	307,991	3,079,914	Capitalization of earnings 31,864	—	2006/03/07 Jin-Guan-Zheng-1-Zi Letter No. 0950107188.
2006/08	10	426,000	4,260,000	342,062	3,420,620	Capitalization of earnings 34,070	—	2006/08/28 Jin-Guan-Zheng-1-Zi Letter No. 09501189590.
2006/10	10	426,000	4,260,000	342,087	3,420,872	Capitalization from bonds 25	—	2006/10/16 Jing-Shou-Shang-Zi Letter No. 09501232940.
2006/12	10	426,000	4,260,000	344,350	3,443,502	Capitalization from employee share options 2,263	—	2006/12/28 Jing-Shou-Shang-Zi Letter No. 09501291520.
2007/01	10	426,000	4,260,000	345,274	3,452,745	Capitalization from bonds 924	-	2007/01/15 Jing-Shou-Shang-Zi Letter No. 09601009150.
2007/03	10	426,000	4,260,000	346,221	3,462,215	Capitalization from employee share options 947	—	2007/03/06 Jing-Shou-Shang-Zi Letter No. 09601042860.
2007/07	10	426,000	4,260,000	348,196	3,481,963	Capitalization from bonds 1,974	—	2007/07/13 Jing-Shou-Shang-Zi Letter No. 09601164410.
2007/08	10	426,000	4,260,000	352,690	3,526,905	Capitalization from bonds 2,504 Capitalization from employee share options 1,990	—	2007/08/31 Jing-Shou-Shang-Zi Letter No. 09601215330.
2007/09	10	426,000	4,260,000	364,595	3,645,959	Capitalization of earnings 11,905	—	2007/09/14 Jing-Shou-Shang-Zi Letter No. 09601227630.
2008/09	10	426,000	4,260,000	384,665	3,846,652	Capitalization of earnings 20,069	—	2008/09/01 Jing-Shou-Shang-Zi Letter No. 09701223360.
2008/09	10	426,000	4,260,000	383,038	3,830,382	Retirement of treasury stock 1,627	—	2008/09/17 Jing-Shou-Shang-Zi Letter No. 09701234110.
2010/10	10	426,000	4,260,000	403,475	4,034,752	Capitalization from private placement 20,437	—	2010/10/01 Jing-Shou-Shang-Zi Letter No. 09901218390.
2010/11	10	426,000	4,260,000	393,492	3,934,922	Retirement of treasury stock 9,983	—	2010/11/08 Jing-Shou-Shang-Zi Letter No. 09901248870.
2011/05	10	486,000	4,860,000	416,171	4,161,712	Capitalization from private placement 22,679	—	2011/05/06 Jing-Shou-Shang-Zi Letter No. 10001087290.

2011/09	10	486,000	4,860,000	428,656	4,286,564	Capitalization of earnings 12,485	—	2011/09/01 Jing-Shou-Shang-Zi Letter No. 10001201250.
2012/09	10	486,000	4,860,000	441,516	4,415,161	Capitalization of earnings 12,859	—	2012/09/04 Jing-Shou-Shang-Zi Letter No. 10101181900.
2013/08	10	486,000	4,860,000	454,761	4,547,616	Capitalization of earnings 13,245	—	2013/08/01 Jing-Shou-Shang-Zi Letter No. 10201154700.
2014/08	10	486,000	4,860,000	468,404	4,684,044	Capitalization of earnings 13,643	—	2014/07/30 Jing-Shou-Shang-Zi Letter No. 10301156780.
2016/12	10	600,000	6,000,000	483,882	4,838,821	Capitalization from bonds 15,478	—	2016/12/01 Jing-Shou-Shang-Zi Letter No. 10501274930.
2017/04	10	600,000	6,000,000	486,062	4,860,623	Capitalization from bonds 2,180	—	2017/04/17 Jing-Shou-Shang-Zi Letter No. 10601044760.
2017/05	10	600,000	6,000,000	487,937	4,879,372	Capitalization from bonds 1,875	—	2017/05/26 Jing-Shou-Shang-Zi Letter No. 10601067790.
2017/09	10	600,000	6,000,000	490,157	4,901,578	Capitalization from bonds 2,220	—	2017/12/08 Jing-Shou-Shang-Zi Letter No. 10601166020.
2017/12	10	600,000	6,000,000	492,178	4,921,784	Capitalization from bonds 2,020	—	2018/01/15 Jing-Shou-Shang-Zi Letter No. 10701004880.
2018/04	10	600,000	6,000,000	492,662	4,926,627	Capitalization from bonds 484	—	2018/04/12 Jing-Shou-Shang-Zi Letter No. 10701038570.
2018/06	10	600,000	6,000,000	495,686	4,956,863	Capitalization from bonds 3,023	—	2018/06/13 Jing-Shou-Shang-Zi Letter No. 10701059300.
2018/08	10	600,000	6,000,000	506,013	5,060,131	Capitalization from bonds 10,326	—	2018/08/30 Jing-Shou-Shang-Zi Letter No. 10701112420.
2020/02	10	600,000	6,000,000	504,915	5,049,151	Retirement of treasury stock 1,098	—	2020/02/06 Jing-Shou-Shang-Zi Letter No. 10901009400.

Shares Type	Authorized capital			Remark
	Outstanding (listed) shares	Unissued Shares	Total	
Common shares	504,915,105	95,084,895	600,000,000	Treasury stock 4,920,000 shares

Information regarding self-registration: N/A

(II) Shareholder structure

April 15, 2024

Shareholder structure Quantity	Government agencies	Financial institutions	Other corporations	Individuals	Foreign institutions and foreign persons	Institutions and persons from China	Total
No. of person(s)	0	5	78	24,886	139	3	25,111
No. of Shares held	0	14,092,762	196,095,653	21,0271,385	84,246,305	209,000	504,915,105
Shareholding ratio	0%	2.79%	38.84%	41.65%	16.68 %	0.04%	100.00%

(III) Diversification of Shareholdings

NTD 10/share

April 15, 2024

Range of Shareholding	No. of Shareholders	No. of Shares held	Ratio of Shareholding (%)
1 to 999	4,883	880,851	0.17%
1,000 to 5,000	14,407	31,117,301	6.16%
5,001 to 10,000	2,644	21,420,291	4.24%
10,001 to 15,000	878	11,237,632	2.23%
15,001 to 20,000	655	12,273,294	2.43%
20,001 to 30,000	509	13,047,158	2.58%
30,001 to 40,000	271	9,812,839	1.94%
40,001 to 50,000	183	8,576,012	1.7%
50,001 to 100,000	387	27,523,592	5.45%
100,001 to 200,000	150	21,357,738	4.23%
200,001 to 400,000	62	17,562,966	3.48%
400,001 to 600,000	23	1,1179,085	2.21%
600,001 to 800,000	13	9,123,216	1.81%
800,001 to 1,000,000	8	7,415,181	1.47%
1,000,001 to 3,000,000	20	35,881,790	7.11%
3,000,001 to 10,000,000	14	70,414,926	13.95%
Over 10,000,001	4	196,091,233	38.84%
Total	25,111	504,915,105	100.00%

(IV) Names of principle shareholder

April 15, 2024

Names of principle shareholder	Shares	No. of Shares held	Shareholding ratio
SAMPO CORPORATION		138,160,160	27.36%
China Steel Corporation		23,002,022	4.56%
Sharp Corporation Investment Account under custody of Mega International Commercial Bank		22,771,289	4.51%
Taiwan Life Insurance Co., Ltd.		12,157,762	2.41%
LIU, MAO SUNG		9,103,754	1.80%
National Electronic Appliance Co., Ltd.		8,005,731	1.59%
HSBC Hong Kong Shanghai is the custodian of a Morgan Stanley International Limited investment account		7,187,293	1.42%
Jianhong International Investment Co., Ltd.		5,662,353	1.12%
HSBC Bank Taipei Branch is the custodian of a Merrill Lynch International investment account		4,623,524	0.92%
LIU LU, HSIU-CHIN		4,227,700	0.84%

(V) Information on market price, net value, earnings and dividends per share in the most recent 2 years

Item \ Year		2022	2023	As of March 31, 2024
Market price per share (Note 1)	Highest	20.45	27.45	25.65
	Lowest	15.00	15.95	20.40
	Average	17.30	19.4	22.79
Net value per (Note 2)	Before dividend distribution	18.80	19.09	19.38
	After dividend distribution	17.91	18.10	18.39
Earnings per share (Note 3)	Weighted average no. of shares		499,980,310	499,995,105
	Earnings per share	Before adjustment	1.38	1.5
		After adjustment	-	-
Dividends per share	Cash dividend		0.9	1.0
	Stock dividends	Stock dividend from retained earnings	-	-
		Stock dividend from capital reserves	-	-
	Accumulated undistributed dividends (Note 4)		-	-
Analysis of ROI	Price/Earnings ratio (Note 5)		12.54	12.93
	Price/Dividend ratio (Note 6)		19.22	19.40
	Cash dividend yield (Note 7)		0.05	0.05

* Where stock dividends were paid from earnings or capital reserves, the information on the market price and cash dividends adjusted retroactively according to the number of shares issued shall also be disclosed.

Note 1: The highest and lowest market prices of common stock each year are shown, and the annual average market price is calculated according to the strike price and the trading volume in each year.

Note 2: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved in the Board Meeting or next year's shareholders' meeting is presented in the table.

Note 3: If retroactive adjustments are required because of free share distribution, earnings per share before and after adjustments shall be shown.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up till the current year is disclosed separately.

Note 5: Price/Earnings ratio = Average closing price per share for the year/earnings per share.

Note 6: Price/Dividend ratio = Average closing price per share for the year/cash dividends per share.

Note 7: Cash dividend yield = cash dividends per share/average closing price per share for the year

Note 8: Net worth per share and earnings per share should be based on audited (auditor-reviewed) data as at the latest quarter before the publishing date of this annual report. For all other fields, data should be provided as at the end of their respective years.

(VI) The company's dividend policies and execution

1. Dividend policies

- (1) Conditions and occasions of dividends distribution: If the Company has profit after final accounting, the Company shall use the earning to pay for taxes, set off accumulated deficits, and appropriate 10% of the legal reserve, and appropriate to or reverse from special reserve pursuant to relevant laws and regulations. 25% to 99% of the remaining earnings, if any, shall be appropriated as shareholders' bonuses.
- (2) Appropriation to special reserve: The Appropriation shall be handled in accordance with the Company Act, and Paragraph 1 Article 41 of the Securities and Exchange Act. An amount (equal to the recognized deduction to the shareholders' equity) is appropriated to the special reserve from the after tax in the current year and undistributed earnings from the previous year. In cases of subsequent reversal of shareholders' equity, the reserved amount may be distributed.
- (3) Type and amount of dividends distributed: The Board of Directors shall prepare and submit a proposal for the distribution of dividends to the shareholders' meeting in accordance with the law in a yearly basis. Shareholders' dividends are distributed in two ways: cash dividends and stock dividends. The cash dividends must not be less than 10% of the total dividends distributed, and the rest are stock dividends.

2. The dividend distribution proposal resolved by the Board of Directors in 2024 is as follows: Cash dividends to shareholders: NTD 499,995,105.

(VII) Influence on the company business performance, and EPS by the proposal of stock grant in this shareholders' meeting: N/A

(VIII) Remuneration of employees, directors and supervisors

1. The percentage or scope of remuneration to the employees, Directors, and Supervisors as stated in the Articles of Incorporation:

The Company's Articles of Incorporation stipulate that, after annual earnings first offset any deficit, no more than 3% shall be allocated as remuneration of directors, and no less than 1% and no more than 8% shall be allocated to remuneration to employees. The remuneration to employees and directors shall be submitted to the shareholders' meeting for review.

However, profits must first be taken to offset against cumulative losses if any, then used for appropriation of remuneration to employees and directors based on the preceding percentage.

Remuneration to employees can be paid in the form of cash or shares to employees of affiliated companies that satisfy certain criteria. The criteria shall be determined by the Board of Directors or other authorized personnel.

2. The estimation basis of remuneration to employees, directors and supervisors for the current period, and the accounting process when there is discrepancy between the calculation basis and actual distribution amount of employee remuneration distributed by shares and the estimated value:

Based on the current year's pre-tax income before deduction of the remuneration to employees and directors, no less than 1% and no more than 8% of the balance is allocated as remuneration to employees, and no more than 3% for remuneration to directors. The remuneration to employees for the year 2023 is estimated to be NTD 47,332 thousand based on the preceding percentage of no less than 1% and no more than 8%. The remuneration to directors for the year 2023 is estimated to be NTD 14,791 thousand based on the preceding percentage of no more than 3%.

3. Remuneration proposals approved by the board of directors:

- (1) The amount of remuneration distributed in cash or stocks to employees and directors:

The Company's Board meeting resolved on Mar. 12, 2024 to distribute NTD 47,332 thousand of remuneration to employees and NTD 14,791 thousand of remuneration of Directors in the form of cash.

- (2) The amount of remuneration to employees paid in the form of stock as a percentage to the sum of the net income as stated in the individual financial statements, and the total remunerations to employees: N/A.

4. Actual distribution of remuneration to employees and directors in the previous year

Unit: NTD thousand

Item	Distributed to	Amount recognized in 2022	Actual distribution amount	Difference
Remuneration to employees	Employees of the Company	43,754	43,754	0
Remuneration of Directors	Directors of the Company	13,964	13,964	0

(IX) Share repurchases of the Company

Share repurchases (completed)

April 30, 2024

No. of repurchase	8 th repurchase	9 th repurchase
Purpose	Transfer to employees	Transfer to employees
Period of repurchase	2020/04/14 – 2020/06/13	2021/11/04 – 2022/01/03
Price range of the shares to be repurchased	NTD 11.35 – NTD 25.50	NTD 13.20 – NTD 28.20
Type and no. of shares repurchased	Common shares/20 thousand shares	Common shares/5,000 thousand shares
Monetary amount of shares repurchased	NTD 306,436	NTD 95,169,587
No. of repurchased shares as a percentage of proposed share repurchase (%)	0.4%	100%
No. of shares retired or transferred	0	100 thousand shares
Accumulated no. of shares held	4,920 thousand shares	
Accumulated no. of shares held as a percentage to the total issued share (%)	0.97%	

- II. Corporate bond: None.
- III. Preferred shares: None.
- IV. Global depository shares: None.
- V. The status of employee share option: None.
- VI. New restricted employee shares: None
- VII. Mergers and acquisitions or transfers (including mergers, acquisitions, and settlements): None.
- VIII. Implementation of the funds allocation plan: None.

[V. Operating Highlights]

I. Business Activities

(I) Business scope

1. The principal businesses of the Company

CB01990	Other Machinery Manufacturing
CC01010	Manufacture of Power Generation, Transmission and Distribution Machinery.
CC01030	Electrical Appliances and Audiovisual Electronic Products Manufacturing.
E601020	Electric Appliance Installation.
E603050	Automatic Control Equipment Engineering.
E801070	Kitchenware and Sanitary Fixtures Installation Engineering
F113020	Wholesale of Electrical Appliances.
IG03010	Energy Technical Services.
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Proportion of business

Unit: NTD thousand

Product \ Year	2022		2023	
	Sales volume	Proportion to total business amount	Sales volume	Proportion to total business amount
Compressor	17,381,909	94.62%	15,915,695	94.40%
Others	989,081	5.38%	944,000	5.60%
Total	18,370,990	100.00%	16,859,695	100.00%

3. The Company's current commodity (service) items

Main products	Scope of application
Rotary compressor	Applicable to domestic and overseas 330 kcal/hr – 8860 kcal/hr window A/C, split type A/C, unitary A/C, dehumidifiers, and heat pump applications including heat pump dryer, and water heater.
Heat-pump water heating equipment for household and commercial use	Applicable to domestic and foreign industrial, commercial or residential water heating equipment, with the host machine able to be functioned alone or in groups, providing the heat-pump water heating equipment from small scale for households with 2 people to large scale for commercial use with more than 1,000 people and for project planning.

4. New products (services) planned to be developed

Commodity	Future R&D
Rotary compressor	R&D of 2.2~5.0KW frequency-variable series R&D of horizontal inverter models conforming to EU new energy efficiency regulation of R290 for washer-dryers Development of 1-1.5HP super silent compressors Development of 2HP R32 double-cylinder inverter compressors Development of R290 refrigerant inverter compressors for air-conditioning Development of 39F fixed speed compressors with high cost performance ratio Development of 44F fixed speed compressors with high cost performance ratio
Home and commercial heat pump water heater equipment	Independent development or introduction from outside of heat-pump water heating equipment with high efficiency and multiple functions for household or industrial and commercial use

(II) Industry Overview:

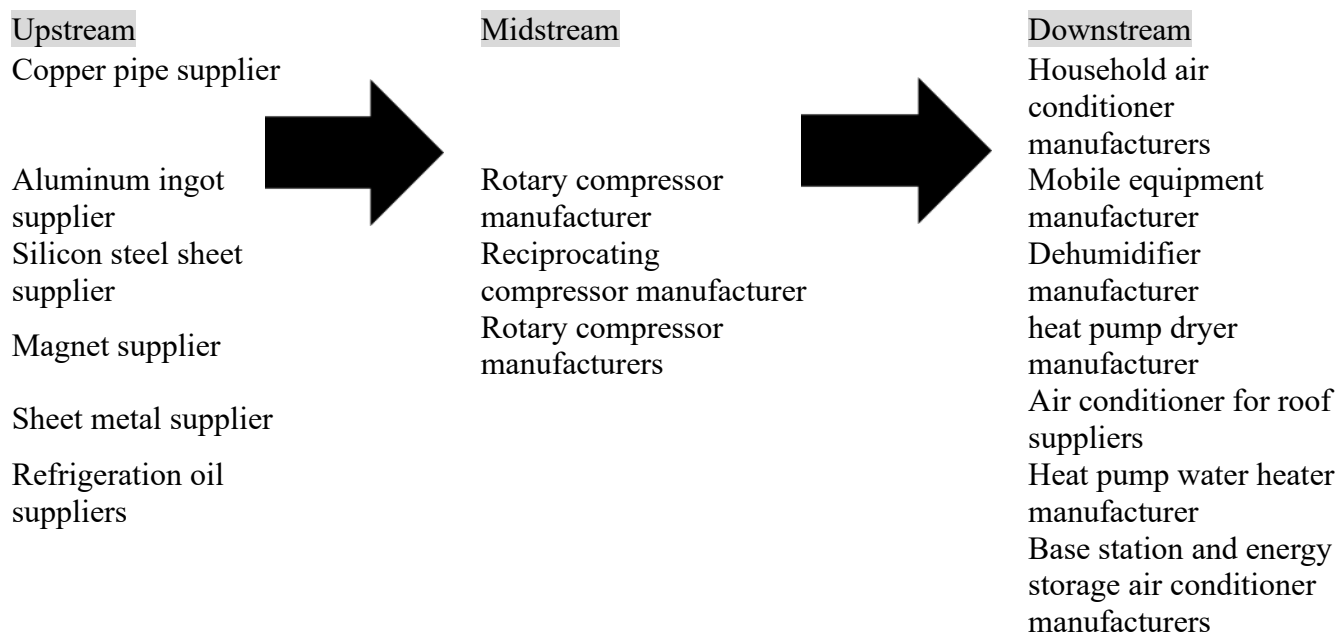
1. Current industry situation and development:

During the fiscal year 2023, as epidemic prevention and control measures were optimized in Mainland China, the domestic macroeconomic trend showed signs of recovery, industries gradually resumed operations, and consumer demand was progressively released, driving positive growth in the domestic rotary compressor market. For exports, due to inflation, geopolitical factors, and other impacts, the global economic recovery was sluggish. Additionally, some countries adopted a series of trade protectionist measures to protect their industries, impacting international trade and supply chains. However, with the advantage of exchange rates, export conditions also improved. In the rotary compressor industry itself, the cumulative production in the fiscal year 2023 reached 26.221 million units, up 12.7% year-on-year, with sales reaching 26.231 million units, up 12.5% year-on-year, setting a new peak in annual production and sales for the industry. The table below shows the production, sales, and inventory comparison data for the Chinese rotary compressor industry over the past three years.

(unit: million units)

Year	2021	2022	2023	Year-on-year growth
Production	23,825	23,262	26,221	12.7%
Sales	23,857	23,336	26,231	12.5%
In Stock	735	661	712	7.7%

2. Association between upstream, midstream, and downstream industry participants:



3. Development trend and competition of products:

(1) Development trend of products:

The main application of rotary compressors is in the household air conditioning sector, where sales increased by 11.2% year-on-year in 2023 (with domestic sales up 13.8% and exports up 7.8%). In addition to the traditional field of air conditioners for household use, applications of Rechi's products also grew rapidly in the fields of dehumidifiers, mobile equipment, heat pump dryers, and heat pump water heaters in recent years. Applications in these fields have accounted for 45% of the total sales volume. In addition, the company also focuses on developing new application areas such as vehicle (parking) air conditioning, base station air conditioning, heat pump dryers, swimming pool heat pumps, chillers, and refrigerated vehicles.

(2) Competition of products:

With the relative stability of bulk raw material prices, downstream customers compete on price to gain market share, requiring upstream suppliers to support price reductions. Rotary compressors, as core components of air conditioners, address this issue from the design perspective, continuously optimizing costs through miniaturization, standardization, and converting copper wires to aluminum wires to enhance competitiveness. With advantages of differentiation in miniaturization design for many years and the launch of aluminum wire products, Rechi is capable of keeping up with industry trends and maintaining reasonable profit margins.

(III) Technology and R&D

1. Research and development expenses:

Unit: NTD thousand

Item \ Year	2022	2023
Research and development expenses	505,438	549,969
Net operating value	18,370,990	16,859,695
Percentage	3%	3%

2. Major R&D results in the most recent year

- (1) Development of DC24V horizontal inverter compressor for truck parking air-conditioner
- (2) R&D of compressor for the US low GWP of new refrigerant for unitary air conditioner
- (3) R&D of the super high efficient inverter compressor for the Japan Top Runner 4.0~8.0KW air conditioning application
- (4) R&D of the Inverter compressor conforming to EU new energy efficiency regulation of 35F R290 for dryers
- (5) R&D of low-cost high-efficiency inverter compressor for China 2.0HP household air conditioning application
- (6) Preliminary study of the compressor with supplying air and increasing enthalpy for cooling
- (7) Development of a new high-efficiency pump body structure for the 39F/44F integrated machine
- (8) Development of a new low-noise, low-cost mold motor for the 35F 8P12S
- (9) Preliminary research on a 1–1.5HP split-type R290 Inverter compressor
- (10) Development of a new low-cost aluminum wire motor mold for the 39F fixed frequency

(IV) Short and long-term business development plan:

1. Long-term business development plan:

- (1) Strengthen our core technologies, utilize our product differentiation, expand medium and large scale and ground-breaking applications, and accelerate penetration into high value-added product markets.
- (2) Cultivate relationships with strategic customers, formulate the medium- and long-term plans for cooperation in product development and assurance of supply collaboratively, expand the global market in phases, and stabilize a certain operating ratio of strategic customers.

2. Short-term business development plan:

- (1) Adjust product distribution and continuously expand the application of compressors in different new fields.
 - Develop new miniaturized and low-cost products to cope with high prices of copper, and gradually replace copper wire with aluminum wire.
 - Foster and enhance product applications in energy-saving markets such as heat pump dryers, heat pump dishwashers and heat pump water heater, and expand the use of commercial air-conditioners and industrial fields.
- (2) Strive to reach new clients, new markets, and enhance the proportion of small and medium customers.
 - Under the pressure of high costs, seek more profitable small and medium-sized customers to deepen cooperation and increase the proportion.
 - In order to avoid operational risks, broaden the sales channels is necessary for preventing the risks brought about by the accident of cooperation with a single customer.
 - When profits allow, seek cooperation with customers who have concentrated and singular product demands to increase market share.

II. Analysis of the market as well as production and marketing situation

(I) Market analysis:

1. The regions for the sale of premium products

Unit NTD thousand

Regions \ Year	2023	
	Amount	Percentage
China	10,428,433	61.85%
U.S.	1,438,127	8.53%
Poland	1,220,196	7.24%
Thailand	987,524	5.86%
Brazil	617,612	3.66%
Malaysia	367,615	2.18%
Others	1,800,188	10.68%
Total	16,859,695	100.00%

2. Market share percentage

In 2023, the global market share of our compressors was about 8%, with a 25% share in the North American market, 8% in the Southeast Asian market, 17% in the South American market, 22% in the European market, 5% in the Mainland market, 8% in the East Asian market, and 5% in the Middle Eastern market. The products are marketed in 49 countries globally to over 221 customers.

3. Competitive niche, positive and negative factors for the prospects of our development, and our corresponding strategies:

(1) Competitive niche and, positive factors for the prospects of our development:

- Rechi has expanded the regions for sale to global major countries that manufacture air conditioners, and its production and sales volume of the industry ranks among the top four in the world, with high reputation in the industry.
- We have a wide range of customers in major air-conditioner manufacturers all over the world, with stable customer relationship.
- The product technology and quality are at the top tier in the industry, earning full recognition and trust from customers.

(2) Negative factors and our corresponding strategies:

- As the rotary compressor industry expands its capacity and product demand exceeds supply, downstream customers exert price pressure on some key products, negatively impacting overall profits.
- Innovative promotional strategies for air conditioning products require continuous product improvement.
- Shorter order cycles require faster in-house production lead times.

(3) Corresponding strategies:

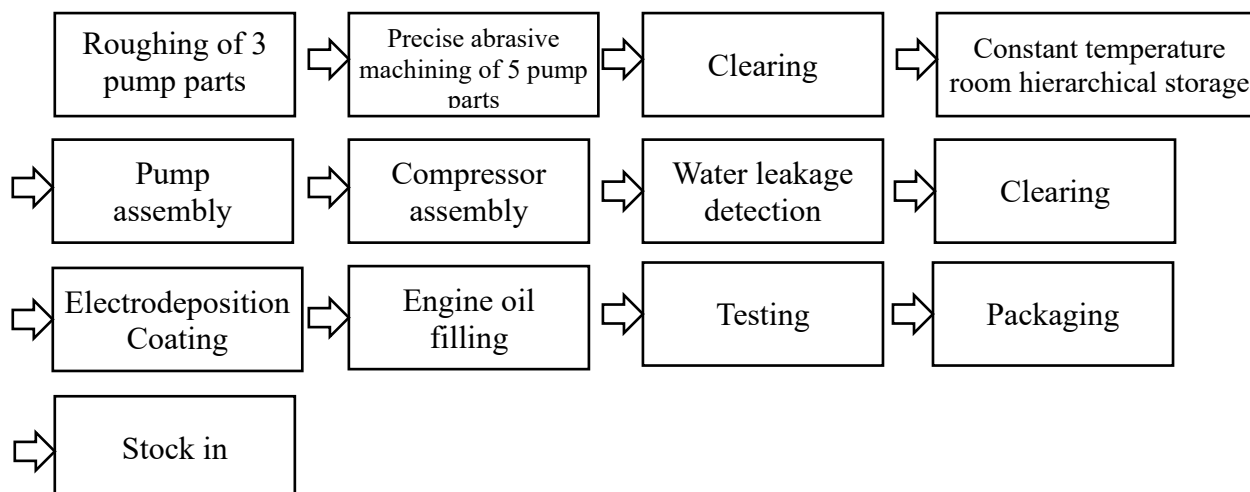
- Enhance customer service satisfaction and jointly develop competitive products with customers; develop new high-value-added products in new fields to maintain profit margins.
- Accelerate the market promotion of replacing copper wires with aluminum wire products, reduce design costs and improve product competitiveness.
- We enhance our communication with our customers to obtain timely order delivery information, and at the same time do advance planning to enhance our internal production mechanism and meet customer needs.

(II) Usage and manufacturing processes of the Company's main products:

1. Usage of the Company's main products

- Refrigerant compressor: Key component for home window air-conditioner, split style air-conditioner, heat pump dryer, and heat pump water heater.
- Pump: Key component for refrigerant compressor, for assembly of refrigerant compressor.

2. Production:



(III) Supply of main raw materials:

Our main raw materials are supplied from stable sources, and we have good relations with various suppliers. Details of suppliers are as follows:

Main raw materials	Suppliers
Silicon steel sheet	ChinaSteel, CHINA BAOWU STEEL GROUP CORPORATION LIMITED, and Shougang
Enameled wire	Jingda Rea, Dongguan Yulong Electrical Material Co. Ltd., and Lanzhou Great Wall Electrical Co., Ltd.
Roller	Mega International Commercial Bank, HUIZHOU DIANZHAN HARDWARE CO.,LTD, and Shanxi Huaxiang Group Co., Ltd
Powder metallurgy top & bottom flange	NBTM NEW MATERIALS GROUP Co., LTD, Zhejiang Baida Precision Manufacturing Corp., and Weida
Vane	Zhejiang Baida Precision Manufacturing Corp., China Chenglong Group Co., Ltd., AVIC Guizhou Southwest Tools (Group) Co., Ltd., and Yongwei
Accumulator	GuangZhou Dajin Electric Appliances CO., LTD., Dadian Hardware Product(Jiujiang) Co., Ltd., Jiepin, and Rizhao Huifeng
Motor overload protector	Foshan Tongbao Huaxing Control Co.,Ltd., NINGBO UBUKATA ELECTRIC CO.,LTD, Sensata, and JIANGSU CHANGRONG ELECTRIC CO.,LTD.
Terminal	CHAOZHOU SANHUAN(GROUP) CO.,Ltd, Rizhao Huifeng, Fusite, and Airuide
Casting (Cylinder, Shaft, Top & Bottom flange)	Shanxi Huaxiang Group Co.,Ltd. and HUIZHOU DIANZHAN HARDWARE CO.,LTD
Magnet (inverter)	Jinlong (China Xiamen Tunsten Group), Shougang, and JL MAG RARE-EARTH CO.,LTD., Kyocera
Engine oil	ENEOS, Zhejiang Baida Precision Manufacturing Corp., IDEMITSU LUBE CO.,LTD., Fluorez Technology, Rui Fu, Fuyansheng, Shu Ke Er

(IV) A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each:

1. Information of main suppliers in the most recent 2 years

Year	2022				2023				As of the previous quarter of 2024			
Item	Company name	Amount	Percentage in the net annual percentage of purchase (%)	Relation with the issuer	Company name	Amount	Percentage in the net annual percentage of purchase (%)	Relation with the issuer	Company name	Relation with the issuer	Percentage in the net percentage of purchase as of the previous quarter of the year (%)	Relation with the issuer
1	NA (Note 1)	-	-	-	NA (Note 1)	-	-	-	NA (Note 1)	-	-	-
	Others	12,955,939	100.00		Others	11,752,263	100.00		Others	3,842,827	100.00	
	Net procurement	12,955,939	100.00		Net procurement	11,752,263	100.00		Net procurement	3,842,827	100.00	

Note 1: The procurement amount does not reach 10% of the total procurement of the consolidated company.

2. Information of main customers in the most recent 2 years:

Unit: NTD thousand

Year	2022				2023				As of the previous quarter of 2024			
Item	Company name	Amount	Percentage in the net annual percentage of sales (%)	Relation with the issuer	Company name	Amount	Percentage in the net annual percentage of sales (%)	Relation with the issuer	Company name	Amount	Percentage in the net percentage of sale as of the previous quarter of the year (%)	Relation with the issuer
1	Customer A	2,114,766	11.51	-	Customer B	2,503,539	14.85	-	Customer C	562,634	11.41	-
	Others	16,256,224	88.49		Others	14,356,156	85.15		Others	4,368,613	88.59	
	Net sale	18,370,990	100.00		Net sales revenue Net	16,859,695	100.00		Net sale	4,931,247	100.00	

Note 2: The revenue amount does not reach 10% of the total revenue of the consolidated company.

(V) Production volume and value in the latest two years:

Unit: thousand units; NTD thousand

Year Production volume & value Main products (or by department)	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Compressor	21,000	14,667	15,362,913	21,000	15,475	13,891,045
Others	-	-	817,557	-	-	735,042
Total	21,000	14,667	16,180,470	21,000	15,475	14,626,087

Note 1: Production capacity refers to the output that a company can produce under normal operating conditions, using its existing production facilities, taking into account the necessary downtime, holidays and other factors.

Note 2: If the production of any products is substitutable, the production capacities should be consolidated, with special notes provided.

(VI) Sales volume and value in the latest two years:

Unit: thousand units; NTD thousand

Year Sales volume and value Main products (or by department)	2022				2023			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Compressor	7,869	8,254,144	7,282	9,127,765	10,015	9,595,477	5,487	6,320,218
Others	-	329,527	-	659,554	-	240,921	-	703,079
Total	7,869	8,583,671	7,282	9,787,319	10,015	9,836,398	5,487	7,023,297

III. Employee information in the last two years up to the publication date of this annual report (consolidated)

April 30, 2024

Year		2022	2023	As of April 30, 2024
No. of employees	Direct labor	2,027	2,497	3,071
	Indirect labor	1,325	1,338	1,357
	Total	3,352	3,835	4,428
Average age		36.88	35.85	35.31
Average seniority		5.62	5.59	4.22
Distribution of educational levels	Doctoral Degree	0.09%	0.08%	0.07%
	Master's Degree	1.95%	1.77	1.58%
	College	28.77%	25.74%	22.43%
	Below Senior High School	67.69%	72.41%	75.93%

IV. Information on spending on environmental protection

(1) Loss incurred due to environmental pollution:

Item \ Year	2022	2023	As of the publication date of this annual report in 2024
Situation of pollution (Type, level)	None	None	None
Disciplinary unit	None	None	None
Disciplinary situation	None	None	None
Other losses	None	None	None

Planned spending on environmental protection in the next three years

Year	2024	2025	2026
Proposed pollution prevention and control equipment or expenses	Maintenance of wastewater treatment equipment	Maintenance of wastewater treatment equipment	Maintenance of wastewater treatment equipment
Planned improvements	Minimize pollution	Minimize pollution	Minimize pollution
Amount of expense	NTD 800 thousand	NTD 805 thousand	NTD 805 thousand

(II) Information on the Company's response to the RoHS is as follows:

1. Our products are RoHS compliant.
2. Response to the impacts of RoHS on the Company's financial operations.

As the products of the Company are RoHS compliant and such matter is already known to the customers, there is no impact on the financial operations of the Company.

V. Work environment and employee safety protection measures:

(I) Organization of the Occupational Safety and Health Management Committee:

The Company has established an Occupational Safety and Health Committee with 6 labor representatives, 5 management representatives, 1 chairman, 1 executive secretary, 2 occupational safety personnel, and 1 occupational nurse for a total of 16 members appointed, of which, labor representatives accounted for 38%. Each year, the committee discusses various safety and health proposals and formulates annual labor inspection guidelines. Occupational Safety and Health meetings are held quarterly, and personnel are arranged to receive relevant machinery certifications. The working environment is monitored regularly, and safety and health education is implemented for colleagues, such as fire drills, health management, and health promotion measures, to ensure workplace safety and reduce occupational accidents.

(II) Important work related to environmental protection and safety and health management:

1. Formulating "Regulated Governing Safety and Health" and "Safety and Health Work Rules."
2. Organizing the self-defense fire organization and emergency response team, and carrying out disaster prevention drills regularly. (2 fire drills held in 2023)
3. Establishing a medical room staffed by professional doctors and delegated factory-base nurses providing medical consultation and services.
4. Organizing pre-duty safety training for new recruits, relocated staff. The current employees are inspected for general and special operations, and records are kept to track their health conditions. (In 2023, one general health check and special operation health checks were conducted for employees.)
5. Implementing work environment inspection, monitoring and improvement according to the annual plan. (2 inspections were carried out in 2023)
6. Implementing automatic operation inspection, checkpoint measurement and make records and review reports according to the annual automatic inspection plan.
7. Established a breastfeeding room to provide a friendly workplace environment for employees with needs.

8. Organizing domestic travels, in order to relieve the work pressure of our colleagues and to enhance the emotional exchange among their families.
9. Promoting the paper consumption reduction in order to protect the environment.

VI. Labor–management Relations

(I) Benefits measures:

- Salary:** There are various bonus including performance bonuses, production bonuses, and operating bonuses, and also remuneration to employees.
- Leave:** Marriage leave, maternity leave, accompanying maternity check & paternity leave, family leave, etc. are granted in accordance with the Labor Standards Act and the Act of Gender Equality in Employment.
- Insurance:** Labor insurance and national health insurance, group insurance, travel insurance, and other insurance systems that are more favorable than as required by the Labor Standards Act
- Transportation:** Designated transportation vehicle and staff parking are available.
- Accommodations:** Staff dormitories are available.
- Meals:** Staff canteen and meal subsidies are provided.
- Activities:** A staff social hall and regular family day activities for employees.
- Subsidies:** Subsidies for maternity, hospitalization, and funeral. Cash gifts or vouchers for birthdays, the three festivals, and New Year's Party lottery.
- Welfare Committee:** Annual travel and overseas travel subsidies and school subsidies for employees' children.

(II) Continuing training:

1. The Company's annual education and training is planned based on the operation strategy and the training needs proposed by each department. The training plan is implemented accordingly. In 2023, 763 participants attended educational training, with a total of 4,633 training hours, and total training expense of NTD 1,196,258 (not including new staff training).
2. Based on the functions, the training of the Company consists of three types, the general training, professional training and management training. The content and the training results are as follows:

By functions	Content of training	No. of participants	Training hours
General training	Basic training, such as on-board training and labor safety. These are mainly internal trainings and delivered through videos.	327 participants	1,581 hours
Professional training	Advanced job skills and knowledge training. These are mainly conducted through external training.	351 participants	2,457 hours
Management training	Supervisory skills and knowledge	85 participants	595 hours

(III) Post-employment policy:

1. In order to provide employees with a stable retirement life, the Company has established the Retirement Reserve Funds Supervising Committee in accordance with the Regulations Governing Retirement. The Company makes monthly contributions of 4% of the total salaries and wages to the pension fund and deposits it in the Bank of Taiwan to protect the rights and interests of employees. Starting July 1, 2005, the new labor retirement system was adopted. 6% of the total salary income is allocated to the employee's personal pension account. For employees who voluntarily submit pension, the voluntary submission amount shall be deducted from the employee's monthly salary and deposited to the employee's personal pension account with Bureau of Labor Insurance.

The Company's retirement application requirements are as follows:

- (1) Voluntary retirement: A worker may apply for voluntary retirement under any of the following conditions (the same shall apply for employees subject to the Labor Pension Act):
 - A. Workers who attain the age of 55 and have worked for more than 15 years.
 - B. Workers who have worked for more than 25 years.
 - C. Workers who attain the age of 60 and have worked for more than 10 years.
 - (2) Forced retirement: The Company shall not force a worker to retire unless any of the following situations has occurred:
 - A. Workers who attain the age of sixty-five.
 - B. A worker who is unable to perform his/ her duties due to disability.
In circumstances where a worker has reached the age as stated in the preceding subparagraph 1, and is not in good health to perform his/her duties, the workers' department chief may submit a request to the department's management higher than the President (incl.) for a forced retirement.
 - (3) Retirement by agreement: If both the conditions below are fulfilled.
 - A. A worker who has seniority in the old labor retirement system and at least 15 years of total seniority.
 - B. If there are no suitable positions available due to the transformation of the Company or technology upgrade of the original job position.
2. Pension payments:
 - (1) Employees who joined the Company before July 1, 2005 and selected the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds (old labor retirement system), the calculation of their pension under the old labor retirement system is governed by the relevant provisions of the Labor Standards Act. Upon retirement, the worker may apply for a payout under the Company's retirement reserve account in accordance with the regulations.
 - (2) After the Labor Pension Act comes into effect, workers who select the new labor retirement system will have their pensions paid in accordance with the Labor Pension Act and no additional payment will not be given upon retirement.
 - (3) A worker who is disabled due to the performing duties, and meets the condition in subparagraph 1, the pension shall be increased by 20% in accordance with the regulations. A worker who meets the condition of seniority in the new labor pension system in subparagraph 2 is paid in accordance with the calculation of severance pay set forth in the Labor Pension Act.
 3. Pension payments: The Company shall pay the employees' retirement benefits within 30 days from the date of retirement in accordance with the regulations.
 4. Important resolutions and implementation of 2023 Retirement Reserve Funds Supervising Committee Meeting

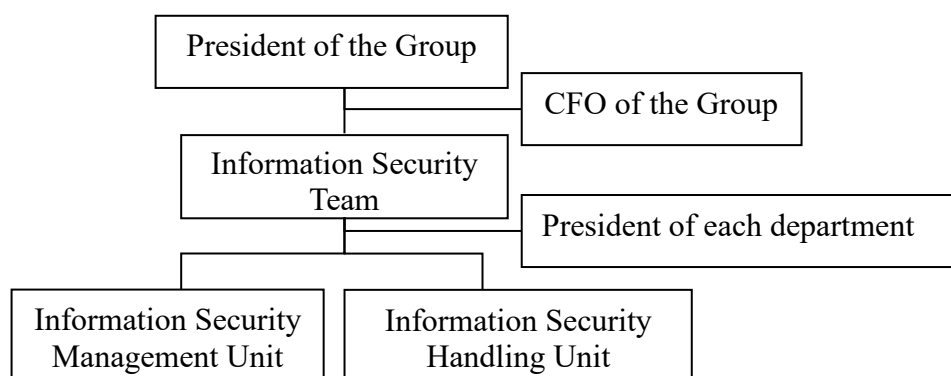
Date of meeting	Important resolutions
2023/03/30	Report on the application and appropriation for the retirement of 3 person in Jan. – Mar. 2023. Approved the contribution amount and verification of the old labor retirement system reserve as of as of 2022/03/30.
2023/06/30	Report on the application and appropriation for the retirement of 2 person in Apr. – Jun. 2023. Approved the contribution amount and verification of the old labor retirement system reserve as of as of 2023/06/30.
2023/09/27	Report on the application and appropriation for the retirement of 2 person in Jul. – Sep. 2023. Approved the contribution amount and verification of the old labor retirement system reserve as of as of 2023/09/27.
2023/12/27	Approved the contribution amount and verification of the old labor retirement system reserve as of as of 2023/12/27.

- (1) Old labor retirement system: According to the Statement of Retirement Reserve Funds as of Q1 2024, the total amount deposited in the name of the Retirement Reserve Funds Supervising Committee in the Bank of Taiwan was NTD 88,639,822.
 - (2) New labor retirement system: The Company contributes 6% of the employees' monthly salary to the accounts with Bureau of Labor Insurance.
- (IV) Labor-management agreements: The Company has established a Labor-management Committee and holds regular labor-management meetings to handle labor-management issues in accordance with the law.
- (V) Measures for preserving employees' rights and interests: The Company has established work rules and related regulations in accordance with the laws and regulations. The Company also holds labor-management meetings and set up the Employee Welfare Committee to protect the rights and interests of employees.
- (VI) Any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes: None.

VII. Cyber security management

(I) Cyber security organization:

The Company has established the Information Center to formulate and supervise information security policies, and the Information Center is responsible for supervising and promoting the information security policies.



- Information Security Team: Directs and promotes information security policies.
- Information Security Management Unit: Consists of chiefs of various operating departments of the Group, and implements information security policy and risk control.
- Information Security Handling Unit: Consists of information units of the Group's operating divisions, implements risk control and risk event management.
- President of each department, responsible for implementation of information security policies.

When an information security incident occurs, the source will be blocked according to the procedures and such matter will be reported to the Information Center immediately to minimize losses and control risks effectively. The incident will then be reported to the CFO of the Group and President after risk is under control, and the President will determine if to report to the Board of Directors base on the materiality of the incident.

(II) Cyber Security Policy and Management:

As the company's operations increasingly utilize information systems for daily accounting data, the business may face risks such as cyber attacks, viruses, network intrusions, or damage that could affect the company's operations. To reduce potential losses, our company has strengthened information security protection and adopted the following response measures:

1. We have joined the TWCERT/CC Taiwan Cyber Security Alliance to strengthen our intelligence system collection and continuously improve our mechanisms such as next-generation firewalls, intrusion detection, DDOS defense, anti-virus protection for devices, email protection, and network security across plants to achieve the purpose of information security protection.
2. Strictly control information assets, effectively classify and control these assets, and perform risk assessment; continuously upgrade or replace software and hardware information equipment to ensure the confidentiality, integrity and availability of information assets.
3. Regularly promote information security policies and relevant implementation regulations to colleagues, strengthen employees' awareness of information security, and establish the concept of "Information Security is Everyone's Responsibility".
4. Formulate the system recovery plan affected by man-made or natural disasters, and regularly hold emergency response drills every year to ensure that when the system fails and a disaster strikes without warning, the recovery operation can be carried out quickly, thereby ensuring the continuous operation of the core system and reducing losses to the minimum.

- (IV) In the most recent fiscal year and up to the date of printing of the annual report, there were no significant losses or impacts due to major information security incidents, and no corresponding measures were necessary.

VIII. Important Contracts

April 30, 2023

Nature of contracts	Counterparty	Commencement date and deadline of a contract	Subject	Restrictive clauses
Joint venture agreement (Note 1)	TCL Group	2001/01/03 – long term	Establishment of a compressor assembly plant through joint venture	None
Joint venture agreement	ChinaSteel Group	2012/11/06 – 2062/11/06	Establishment of a steel cutting logistics plant through joint venture	None
Technology Transfer Agreement	National Ilan University	2022/7/1-2027/6/30	Measurement of AC & DC compressor motor energy efficiency	None
Cooperation agreement	National Pingtung University of Science and Technology	2022/8/1-2024/7/31	Design and analysis of compressor system components based on structural vibration and sound field characteristics	None
Technology Transfer Agreement	National Ilan University	2023/5/1-2033/4/30	Analysis and Design of AC Compressor Motors	None
Cooperation agreement	National Yunlin University of Science and Technology	2023/10/1–2024/9/30	Industry-academia cooperation project with Rechi Precision CO., LTD	None
Joint venture agreement	Elaraby Group	2024/4/25–long term	Establishment of a compressor assembly plant through joint venture	None

Note 1: TCL Rechi (Huizhou) Refrigeration Equipment Company Limited approved on June 23, 2020 through board resolution to amend the Article 61 of the Articles of Incorporation to make the term of the joint venture long-term (the original joint venture contract starts and ends on 2001/01/03 – 2021/01/02).

IX. Management of Intellectual Property

(I) Intellectual property management

Rechi, as the fourth largest global brand in rotary compressors, aims to protect R&D resources and continuously promote product innovation, strengthen the core technology and competitiveness of products, increase corporate profits, achieve operational goals, and ensure sustainable operations. To prevent potential loss due to nepotism, our company has established an intellectual property management system. Through intellectual property management, we understand the quantity of intellectual property and its trends, enhance the effectiveness of the intellectual property management system, and effectively plan and assess new product intellectual property to protect the company's operational freedom and maintain the development of research and innovation, continuously accumulating intellectual property assets.

1. Patent Management

Patents are a means to protect innovation. To strengthen the management of intellectual property rights, our company follows the "Intellectual Property Rights Management Procedures" and the "Group Patent Management and Incentive Policies." Through a comprehensive proposal and review mechanism, evaluation, and reward system, we encourage employee contributions and innovative research, transforming research outcomes into protected intellectual property rights, thereby enhancing the company's self-patenting energy and other intangible intellectual assets. By strengthening the company's patent layout, we enhance Rechi's overall patent strength, ensuring competitiveness; simultaneously, we have established a "Patent Infringement Handling Procedure" to prevent infringement allegations and take measures respecting others' intellectual property, providing guidelines for relevant personnel to correctly handle operations to ensure the company's legitimate rights and reputation.

2. Trademark Management

Trademarks are used to maintain the brand, sustain goodwill, and prevent consumer confusion. Our company follows the "Intellectual Property Rights Management Procedures" to regulate the application, review mechanism evaluation, acquisition, and maintenance of trademarks, to protect Rechi's intangible assets, maintain Rechi's business reputation, and prevent others from registering our trademarks, thus safeguarding Rechi's brand rights.

3. Copyright management

In accordance with the "Regulations Governing Knowledge Document Management Implementation" formulated by the Company, which continues to encourage colleagues in the R&D center to write knowledge documents, and convert various professional knowledge, work processes, and work content into knowledge documents, which become the Company's intangible intellectual assets and are summarized in the works. Such works are also stored in the reading room and network hard disk enabling the relevant personnel of the company to read and learn to improve their professional skills and apply them in practice.

(II) Implementation

The Company adopted intellectual property management system in 2014. The implementation of the system is as follows:

2014

- Formulated the "Procedures for Intellectual Property Right Management" concerning applications and management operations related to patent, trademark and copyright.

2015

- Established the “Regulations Governing Patent Management and Awards” for the purpose of encouraging employees to contribute their knowledge, conduct innovative research, enhance R&D competitiveness, and apply for and obtain patents and awards at home and abroad.
- Established the “Regulations Governing Knowledge Document Management Implementation” to include knowledge document into in copyrights to enhance the Company’s intellectual property.

2018

- The Company’s intellectual property management attended a 30-hour course, “Patent Litigation Practice” organized by TIPA, in order to continuously enhance the management’s knowledge in intellectual property rights and improve the understanding and management of the Company’s intellectual property rights.
- Selected excellent knowledge documents and held a knowledge document presentation session. The Company’s personnel may attend the sessions to enhance their practical professional skills.

2019

- The Company’s intellectual property management attended a 24-hour course, “Introduction to Intellectual Property Rights” organized by TIPA, in order to continuously enhance the management’s knowledge in intellectual property rights and improve the understanding and management of the Company’s intellectual property rights.
- Formulated the “Regulations Governing Patent Infringement” to serve as the guidelines for the Company’s personnel to handle patent infringement and dispute, in order to ensure the Company’s right and goodwill.

2020

- Amended the “Regulations Governing Patent Management and Awards” by adding new measures to award for patents and their applicability, which is aimed to encourage employees’ contribution of their expertise, innovative research and improvement of patents from enhanced R&D competitiveness to obtain patents and awards both domestically and internationally.
- Amended the “Regulations Governing Knowledge Document Management Implementation ” by adding the requirement of knowledge document content evaluation and the level of authority as a result of that, for the relevant personnel of the Company to read and learn to improve their professional skills and apply them in practice.

2021

- The company’s intellectual property management personnel participated in the “Cross-Strait Frontline, New Patent Hotspot - The Patent Litigation Practice of Standard Essential Patents (SEPs) and Court Evidence Collection Procedures for the B2B Industry” 【Online Seminar】 hosted by the Beijing King & Wood Mallesons Law Firm and Lee and Li, Attorneys-at-Law, a total of 2 hours, in order to continuously improve the knowledge related to intellectual property rights and strengthen the protection, understanding, and management of intellectual property rights of the Company.

2022

- Company intellectual property management personnel participated in a one-hour online seminar organized by Lee and Li Attorneys-at-Law and co-hosted by the Taiwan Electrical and Electronic Manufacturers’ Association on “Strategic Thinking for Taiwanese Companies in Response to the Unified European Patent System – IP Application and Protection.” This seminar aimed to continuously improve the knowledge related to intellectual property rights and advance the intellectual property managers’ understanding of intellectual property application and protection strategies.

(III) List of intellectual property obtained and results

1. Patents: As of 2023, the company has filed approximately 939 patent applications in total, with over 807 patents approved, successfully obtaining 23 patent approvals in 2023, including one in Taiwan and 22 in Mainland China. For the quality of our patents, we have an approval rate of 85%.
2. Trademarks: As of 2023, the company has filed a total of 17 trademark applications, with 2 filed in 2023.
3. Copyright: As of December 31, 2023, the Company has completed a total of 219 knowledge document covering a wide range of professional knowledge regarding the Company's products.

(IV) Certification:

As of now, the Company has not applied for the certification of “Taiwan Intellectual Property Management System.”

[VI. Financial Information]

I. Condensed Balance Sheet and Income Statement of the last five years

(I) 1. Individual Condensed Balance Sheets – IFRS

Unit: NTD thousand

Item \ Year		Financial Analyses for the Past Five Fiscal Years					Financial information as of Mar. 31 2024
		2023	2022	2023	2020	2019	
Current assets		2,787,450	3,017,551	3,805,336	5,171,596	4,064,572	
Property, plant, and equipment		652,346	668,897	712,409	735,790	627,170	
Intangible assets		17,246	19,617	22,942	25,749	23,260	
Other assets		12,554,795	12,289,842	12,245,508	12,092,985	12,042,862	
Total assets		16,011,837	15,995,907	16,786,195	18,026,120	16,757,864	
Current liabilities	Before dividend distribution	5,357,932	3,371,832	4,132,448	4,210,561	3,147,819	
	After dividend distribution	5,857,927	3,821,828	4,482,375	4,563,988	3,400,277	
Non-current liabilities		1,015,011	3,132,442	3,651,315	4,977,316	5,685,184	
Total liabilities	Before dividend distribution	6,372,943	6,504,274	7,783,763	9,187,877	8,833,003	
	After dividend distribution	6,872,938	6,954,270	8,133,690	9,541,304	9,085,461	
Equity attributable to shareholders of the parent company		9,638,894	9,491,633	9,002,432	8,838,243	7,924,861	
Share capital		5,049,151	5,049,151	5,049,151	5,049,151	5,060,131	
Capital reserve		1,355,324	1,343,879	1,343,868	1,343,868	1,351,403	
Retained earnings	Before dividend distribution	4,425,400	4,121,164	3,780,844	3,188,752	2,746,961	
	After dividend distribution	3,925,405	3,671,168	3,430,917	2,835,325	2,494,503	
Other equity		(1,097,408)	(928,988)	(1,075,955)	(743,222)	(1,199,368)	
Treasury shares		(93,573)	(93,573)	(95,476)	(306)	(34,266)	
Non-controlling interests		-	-	-	-	-	
Total Equity	Before dividend distribution	9,638,894	9,491,633	9,002,432	8,838,243	7,924,861	
	After dividend distribution	9,138,899	9,041,637	8,652,505	8,484,816	7,672,403	

Note 1: The distribution of cash dividends from the profits of the year 2023 totaling NTD499,995 thousand has been resolved and approved by the Board of Directors.

Note 2: The above financial information for each year was audited by the CPAs.

2. Consolidated Condensed Balance Sheets – IFRS

Unit: NTD thousand

Item	Year	Financial Analyses for the Past Five Fiscal Years					Financial information as of Mar. 31, 2024 (Note 2)
		2023	2022	2023	2020	2019	
Current assets		18,147,320	16,633,506	18,167,184	20,337,012	17,304,310	19,718,219
Property, plant, and equipment		5,367,798	5,985,075	6,866,585	7,304,877	7,207,022	5,411,105
Intangible assets		52,183	50,781	37,655	41,629	43,448	56,135
Other assets		1,016,095	1,270,788	1,511,083	1,737,190	2,130,883	990,463
Total assets		24,583,396	23,940,150	26,582,507	29,420,708	26,685,663	26,175,922
Current liabilities	Before dividend distribution	12,697,074	9,875,572	12,186,895	13,594,789	10,982,594	13,683,928
	After dividend distribution	13,197,069	10,325,568	12,536,822	13,948,216	11,235,052	-
Non-current liabilities		1,085,231	3,193,521	3,982,672	5,546,112	6,253,485	1,499,989
Total liabilities	Before dividend distribution	13,782,305	13,069,093	16,169,567	19,140,901	17,236,079	15,183,917
	After dividend distribution	14,282,300	13,519,089	16,519,494	19,494,328	17,488,537	-
Equity attributable to shareholders of the parent company		9,638,894	9,491,633	9,002,432	8,838,243	7,924,861	9,786,807
Share capital		5,049,151	5,049,151	5,049,151	5,049,151	5,060,131	5,049,151
Capital reserve		1,355,324	1,343,879	1,343,868	1,343,868	1,351,403	1,355,324
Retained earnings	Before dividend distribution	4,425,400	4,121,164	3,780,844	3,188,752	2,746,961	4,175,093
	After dividend distribution	3,925,405	3,671,168	3,430,917	2,835,325	2,494,503	-
Other equity		(1,097,408)	(928,988)	(1,075,955)	(743,222)	(1,199,368)	(699,188)
Treasury shares		(93,573)	(93,573)	(95,476)	(306)	(34,266)	(93,573)
Non-controlling interests		1,162,197	1,379,424	1,410,508	1,441,564	1,524,723	1,205,198
Total equity	Before dividend distribution	10,801,091	10,871,057	10,412,940	10,279,807	9,449,584	10,992,005
	After dividend distribution	10,301,096	10,421,061	10,063,013	9,926,380	9,197,126	-

Note 1: The distribution of cash dividends from the profits of the year 2023 totaling NTD499,995 thousand has been resolved and approved by the Board of Directors.

Note 2: Financial information as of Q1 2024 was audited CPAs.

(II) 1. Individual Condensed Statement of Comprehensive Income – IFRS

Unit: NTD thousand, except Earnings Per Share (NTD)

Item \ Year	Financial Analyses for the Past Five Fiscal Years (Note 1)					Financial information as of Mar. 31 2024
	2023	2022	2023	2020	2019	
Operating revenue	6,491,162	9,338,516	11,346,292	8,729,536	8,483,558	
Gross profit	609,498	785,558	1,015,382	736,274	1,082,808	
Operating (loss) gain	58,574	261,208	359,421	193,233	266,676	
Non-operating incomes and expenses	860,062	605,603	338,405	696,722	556,185	
Net profit before tax	918,636	866,811	697,826	889,955	822,861	
Net income for the period from continuing operations	750,972	688,281	542,921	709,491	655,960	
Loss from discontinued operations	-	-	-	-	-	
Net income (loss) for the period	750,972	688,281	542,921	709,491	655,960	
Other comprehensive income for the current period (net, after-tax)	(165,160)	148,933	69,865	456,655	(336,009)	
Total comprehensive income in current period	585,812	837,214	612,786	1,166,146	319,951	
Net income attributable to the shareholders of parent company	750,972	688,281	542,921	709,491	655,960	
Net income attributable to uncontrolled equity	-	-	-	-	-	
Total comprehensive income attributable to the shareholders of parent company	585,812	837,214	612,786	1,166,146	319,951	
Total comprehensive income attributable to uncontrolled equity	-	-	-	-	-	
Earnings per share	1.50	1.38	1.08	1.41	1.30	

Note 1: The above financial information for each year was audited by the CPAs.

2. Consolidated Condensed Statement of Comprehensive Income – IFRS

Unit: NTD thousand, except Earnings Per Share (NTD)

Item \ Year	Financial Analyses for the Past Five Fiscal Years (Note 1)					Financial information as of Mar. 31, 2024 (Note 2)
	2023	2022	2023	2020	2019	
Operating revenue	16,859,695	18,370,990	22,601,601	19,319,962	20,132,944	4,931,247
Gross profit	2,505,838	2,245,692	2,352,478	2,300,075	2,739,886	734,885
Operating (loss) gain	931,202	582,145	586,790	819,805	865,948	305,202
Non-operating incomes and expenses	186,835	361,431	109,199	168,210	(64,682)	90,953
Net profit before tax	1,118,037	943,576	695,989	988,015	801,266	396,155
Net income for the period from continuing operations	801,018	702,382	518,114	722,644	646,849	265,338
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss) for the period	801,018	702,382	518,114	722,644	646,849	265,338
Other comprehensive income for the current period (net, after-tax)	(172,988)	167,271	63,616	471,130	(397,300)	440,323
Total comprehensive income in current period	628,030	869,653	581,730	1,193,774	249,549	705,661
Net income attributable to the shareholders of parent company	750,972	688,281	542,921	709,491	655,960	249,688
Net income attributable to uncontrolled equity	50,046	14,101	(24,807)	13,153	(9,111)	15,650
Total comprehensive income attributable to the shareholders of parent company	585,812	837,214	612,786	1,166,146	319,951	647,908
Total comprehensive income attributable to uncontrolled equity	42,218	32,439	(31,056)	27,628	(70,402)	57,753
Earnings per share	1.50	1.38	1.08	1.41	1.30	0.50

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: Financial information as of Q1 2024 was audited CPAs.

(III) CPA names and auditor's opinions

Item \ Year	Names of financial statement auditors in the last 5 years, and their audit opinions				
	2023	2022	2021	2020	2019
CPA	CHANG, CHING Hsia CHENG, CHIN TSUNG	CHANG, CHING Hsia CHENG, CHIN TSUNG	TSAI, CHEN TSAI CHANG, CHING Hsia	TSAI, CHEN TSAI CHANG, CHING FU	TSAI, CHEN TSAI CHENG, CHIN TSUNG
Audit opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion

II. Financial Analysis of the Past Five Years

1. Individual Financial Analysis of the Past Five Years – IFRSs

Item \ Year		Financial analysis for the latest 5 years (Note 1)					As of March 31, 2024
		2023	2022	2023	2020	2019	
Financial Structure (%)	Liabilities to assets ratio	39.80	40.66	46.37	50.97	52.71	
	Long-term capital to property, plant and equipment ratio	1,633.17	1,887.30	1,776.19	1,877.65	2,170.07	
Solvency ratio %	Current ratio	52.02	89.49	92.08	122.82	129.12	
	Quick ratio	45.55	74.91	70.05	112.13	116.25	
	Debt service coverage ratio	15.07	18.41	13.19	13.19	13.55	
Operating capacity	Account receivable turnover (times)	3.68	5.04	5.14	3.49	3.36	
	Average days of collection	99.18	72.42	71.01	104.58	108.63	
	Inventory turnover (times)	15.13	12.86	15.99	19.84	22.91	
	Account payable turnover (times)	3.46	3.21	3.65	3.42	3.44	
	Average days in sales	24.12	28.38	22.83	18.40	15.93	
	Rate of real estate, plant buildings and equipment turnover (times)	9.83	13.52	15.67	12.81	13.38	
	Total asset turnover (times)	0.41	0.57	0.65	0.50	0.52	
Profitability	Return on assets (%)	5.02	4.44	3.38	4.42	4.36	
	Return on shareholders' equity (%)	7.85	7.44	6.09	8.46	8.14	
	Income before tax as a percentage of paid-in capital (%)	18.19	17.17	13.82	17.63	16.26	
	Net profit margin (%)	11.57	7.37	4.79	8.13	7.73	
	Earnings per share (NTD)	1.50	1.38	1.08	1.41	1.30	
Cash flow (%)	Cash flow ratio (%)	(10.04)	(11.01)	29.77	5.00	11.68	
	Cash flow adequacy ratio (%)	31.22	67.57	64.18	42.67	37.69	
	Cash reinvestment ratio (%)	(8.73)	(5.42)	7.02	(0.29)	(1.62)	
Leverage	Operating leverage	18.64	5.03	4.07	7.58	8.34	
	Financial leverage	(8.73)	1.24	1.19	1.61	1.33	

Please explain the reasons for changes in various financial ratios over the last two fiscal years. (If the increase or decrease is less than 20%, analysis may be omitted.)

1. The current ratio decreased, mainly due to the increase in long-term liabilities due within one year this fiscal year.
2. The quick ratio decreased, primarily due to the increase in long-term liabilities due within one year this fiscal year.
3. The accounts receivable turnover decreased, mainly due to a reduction in net sales this fiscal year.
4. The average collection days increased, primarily due to a decrease in net sales this fiscal year.
5. The decrease in turn over rate of real property, plant and equipment is mainly due to the decrease of net sale in the current year.
6. The total asset turnover decreased, primarily due to a decrease in net sales this fiscal year.
7. The net profit margin increased, mainly because the group's strategy this period focused on gross margin, leading to an increase in after-tax profits this year.
8. The cash flow adequacy ratio decreased, mainly because the reduction in sales this year led to a negative net cash inflow from operating activities.
9. The cash re-investment ratio decreased, mainly due to an increase in short-term debt due within a year, resulting in decreased working capital this year.
10. The increase in operating leverage was mainly due to the decrease in export demand for the current year, which resulted in a decrease in operating revenue.
11. The financial leverage decreased, primarily because a decrease in sales this year led to a reduction in operating income.

Note 1: The above financial information for each year was audited by the CPAs.

2. Consolidated Financial Analysis of the Past Five Years – IFRSs

Item \ Year		Financial analysis for the latest 5 years (Note 1)					As of Mar. 31, 2024 (Note 2)
		2023	2022	2023	2020	2019	
Financial Structure (%)	Liabilities to assets ratio	56.06	54.59	60.83	65.06	64.59	58.01
	Long-term capital to property, plant and equipment ratio	221.44	234.99	209.65	216.65	217.89	230.86
Solvency %	Current ratio	142.93	168.43	149.07	149.59	157.56	144.10
	Quick ratio	124.93	140.82	116.74	127.16	124.77	126.07
	Debt service coverage ratio	16.62	12.71	9.99	7.64	4.20	23.52
Operating capacity	Account receivable turnover (times)	2.49	3.02	3.00	2.33	2.42	2.42
	Average days of collection	146.59	120.86	121.67	156.65	150.83	150.83
	Inventory turnover (times)	7.85	6.48	7.81	7.13	6.74	10.03
	Account payable turnover (times)	2.13	2.13	2.29	2.22	2.77	2.21
	Average days in sales	46.50	56.33	46.73	51.19	54.15	36.39
	Rate of real estate, plant buildings and equipment turnover (times)	2.97	2.86	3.19	2.66	2.83	3.66
	Total asset turnover (times)	0.69	0.73	0.81	0.69	0.76	0.78
Profitability	Return on assets (%)	3.54	3.04	2.07	3.00	3.18	4.40
	Return on shareholders' equity (%)	7.39	6.60	5.01	7.33	6.75	9.74
	Income before tax as a percentage of paid-in capital (%)	22.14	18.69	13.78	19.57	15.83	31.38
	Net profit margin (%)	4.75	3.82	2.29	3.74	3.21	5.38
	Earnings per share (NTD)	1.50	1.38	1.08	1.41	1.30	0.50
Cash flow (%)	Cash flow ratio (%)	5.86	8.72	20.10	31.70	19.86	1.41
	Cash flow adequacy ratio (%)	189.12	154.20	116.70	96.53	67.91	193.40
	Cash reinvestment ratio (%)	1.47	2.33	9.93	18.22	7.12	(1.46)
Leverage	Operating leverage	4.31	5.97	6.62	5.04	7.21	3.85
	Financial leverage	1.08	1.16	1.15	1.22	1.41	1.06

Please explain the reasons for changes in various financial ratios over the last two fiscal years. (If the increase or decrease is less than 20%, analysis may be omitted.)

1. The increase in times interest earned was mainly due to the repayment of long- and short-term loans for the current year, which resulted in a decrease in interest expense.
2. The average collection days increased, mainly due to an increase in accounts receivable at the end of the year.
3. The inventory turnover increased, mainly because the group's strategy focused on gross margin, reducing the year-end inventory amount and not stocking up in advance.
4. The increase in net profit margin was mainly due to the Group's strategy focusing on gross margin for the current period, which resulted in increases in profit and net income after tax for the current year.
5. The gross margin increased, primarily because the group's strategy this period focused on gross margin, leading to increased profits and after-tax benefits this year.
6. The cash flow ratio decreased, mainly due to the increase in long-term liabilities due within one year this fiscal year.
7. The cash flow adequacy ratio increased, mainly due to a decrease in capital expenditures over the past five years.
8. The cash re-investment ratio decreased, primarily because a decrease in sales income led to a reduction in net cash flow from operating activities this period.
9. The operating leverage decreased, primarily due to an increase in operating income this year.

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: Financial information as of Q1 2024 was audited CPAs.

Formulas for financial ratios and financial ratio analysis

1. Financial structure
 - (1) Debt-to-asset ratio = total liabilities/total assets
 - (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) /property, plant and equipment.
2. Solvency ratio
 - (1) Current ratio = current assets/current liabilities
 - (2) Quick ratio = (current assets – inventories – prepaid expense)/current liabilities
 - (3) Interest protection multiples = Pre-income tax and interest profits/interest expenditure of the term
3. Operating performance
 - (1) Receivables (including accounts receivable and bills receivable that are incurred as a result of business operation) = net sales/balance from average receivables of each term (including accounts receivable and bills receivable)
 - (2) Average collection days = 365/receivables turnover
 - (3) Inventory turnover = sales cost/average inventory value
 - (4) Payables (including accounts payable and bills payable that are incurred as a result of business operation) = sales cost/balance from average payables of each term (including accounts payable and bills payable)
 - (5) Average inventory turnover days = 365/inventory turnover
 - (6) Turnover of property, plant and equipment = net sales amount/ average net worth of property, plant and equipment
 - (7) Total assets turnover = net sales amount/average total assets
4. Profitability
 - (1) Return on assets = (after tax net profit + interest expenses x (1- tax rate))/average asset balance
 - (2) Return on equity = net income/average total equity
 - (3) EBIT margin = net income/net sales amount
 - (4) Earnings per share = (profits or loss attributable to owners of the parent company – preferred stock dividend)/weighted average stock shares issued
5. Cash Flow
 - (1) Cash flow ratio = Net cash flow from business activities/current liabilities
 - (2) Net cash flow adequacy ratio = net cash flow from operating activities for the most recent five years/(capital expenditures + inventory increase + cash dividend for the most recent five years)
 - (3) Cash reinvestment ratio = (net cash flow from operating activities – cash dividend)/gross property, plant and equipment value + long-term investment + other non-current assets + working capital)
6. Leverage:
 - (1) Operating leverage = (Net operating revenue – Changes in operating costs and expenses)/Operating profit
 - (2) Financial leverage = operating income / (operating income/interest expenses)

III. Audit Committee's Review Report on the Most Recent Fiscal Year's Financial Statement

RECHI PRECISION CO., LTD.
Audit Committee's Review Report

Approved

The board of directors prepared the Company's 2023 financial statements, proposal for earnings distribution, and business report that were audit by Deloitte Taiwan and reviewed by the Audit Committee without any discrepancy identified; therefore, a report is furnished in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Yours sincerely,
2024 General Shareholders' Meeting of the Company

RECHI PRECISION CO., LTD.

Convener of the Auditing Committee: SU, CHING YANG

June 13, 2024

IV. Most Recent Financial Reports

Statement of Affiliate's Consolidated Financial Report

Considering that the companies to be included into the consolidated financial statements of associates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2023 (from January 1, 2023 to December 31, 2023), and the relevant information to be disclosed in the consolidated financial statements of associates has already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliated enterprises were prepared separately.

Hereby declare

Company name: RECHI PRECISION CO., LTD.

Chairman: CHEN, SHENG TIEN

March 12, 2024

Auditor's Report

To RECHI PRECISION CO., LTD.:

Audit opinions

We have audited the accompanying consolidated balance sheet of RECHI PRECISION CO., LTD. (the “Company”) and subsidiary (collectively, the “Group”) as of December 31, 2023 and 2022, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and notes to the consolidated financial statements (including major accounting policy) for the years then ended.

In my opinion, the financial statements as referred to present fairly, in all material aspects the financial position of RECHI PRECISION CO., LTD. as of December 31, 2023 and 2022, and the results of its operations and cash flows for the years then ended in conformity with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, and applicable IFRS, IAS, SIC, and IFRIC as recognized by the Financial Supervisory Commission.

The basis for opinions

We are engaged to conduct our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of RECHI Group in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the consolidated financial statements of RECHI Group, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed 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 consolidated financial statements of RECHI Group in 2023. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

The key audit matters of the 2023 consolidated financial statements of RECHI PRECISION CO., LTD (RECHI Group) and its subsidiaries are described as follows:

The basis for recognition of the revenue on export sales

RECHI Group is mainly engaged in the business focused on the manufacturing and selling of refrigerant compressors, by exporting and importing the product, our market covers a wide range of areas globally, therefore, the terms and conditions apply to different clients might also vary.

The sales revenue from exported goods sold was recognized by the Group when transaction conditions were fulfilled in accordance with that applied to different clients as predetermined and the control over the goods sold was transferred to the buyers. The relatively longer transportation period needed for part of export transactions and the terms and conditions apply to specific clients required human judgment in the process of revenue recognition, which might result in an incorrect time record of sales revenue, thus we have made the timing of recognizing sales revenue from exported goods with specific transaction conditions as one of the most important audit matters of the year.

The main audit procedures that we have implemented for the above timing of sales revenue recognition are as follows:

1. Understand and evaluate the procedures for the timing of sales revenue recognition plus the policy for internal control, and test the effectiveness of such controls.
2. Terminate the above test on the sales transactions with specific clients within a certain period before and after the balance sheet date, which includes verification of transaction conditions of the specific transaction, papers like import/export declarations, and inquiry of shipping schedule, in order to be sure if revenue recognition was recorded with a proper period.
3. Obtain the shipment details of the manual operation summary for a specific period for inspection, and check the relevant vouchers randomly to confirm whether the adjustment of the time point of revenue recognition is correct.

Other information

The Company has also prepared the parent company only financial statements for the years ended December 31, 2023 and 2022, for which we have issued an unqualified opinion.

Responsibilities of Management and Those in Charge of Governance of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The responsibility of management is to prepare fairly presented consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reports Standards, International Accounting Standards interpretations, and announcements of interpretations recognized and published by the Financial Supervisory Commission and maintain necessary internal control related to the preparation of consolidation of financial statements in order to ensure the material misstatement caused by fraud or error does not exist in the consolidated financial statements.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The governing body of the Group (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's Responsibilities for the Audit of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

As part of an audit in accordance with the accounting principles of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to those risks, and obtain 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. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on RECHI Group and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause RECHI Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

We communicate with those in charge of 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 in charge of 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 the governing body, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2023. We describe these matters in our auditor's 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 communications.

Deloitte & Touche

CPACHANG, CHING Hsia

CPACHENG, CHIN TSUNG

Financial Supervisory Commission
Approval Document No.
Chin-Kuan-Cheng-Shen-Zi No.
1090347472

Financial Supervisory Commission
Approval Document No.
Chin-Kuan-Cheng-Shen-Zi No.
1010028123

March 12, 2024

RECHI PRECISION CO., LTD. and its subsidiaries

Consolidated Balance Sheet

December 31, 2023 and 2022

Unit: NTD 1 thousand

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 3,732,749	15	\$ 4,482,658	19
1110	Financial assets through profit and/or loss with measuring for the faire values – current (Note 4 & 7)	1,343,653	6	1,098,608	4
1136	Financial assets at amortized cost – current (Note 4, 9, and 31)	2,762,869	11	1,975,610	8
1150	Notes receivable – non-related parties (Note 4, 10 & 31)	4,460,920	18	2,704,266	11
1170	Notes receivable – non-related parties (Note 4 & 10)	3,405,755	14	2,980,031	12
1180	Accounts receivable – related parties (Note 4 & 30)	1,192	-	99	-
1200	Other receivables (Note 30)	128,433	1	647,313	3
130X	Inventory (Note 4 and 11)	1,580,295	6	2,078,533	9
1410	Prepayments (Note 16)	704,464	3	648,534	3
1470	Other current assets (Note 16)	26,990	-	17,854	-
11XX	Total current assets	<u>18,147,320</u>	<u>74</u>	<u>16,633,506</u>	<u>69</u>
	Non-Current assets				
1517	The financial assets measured for the fair values through other comprehensive income – non-current (Note 4 & 8)	8,190	-	10,680	-
1550	Investment under Equity method (Note 4 & 13)	166,586	1	490,048	2
1600	Real property, plant and equipment (Note 4, 14 & 31)	5,367,798	22	5,985,075	25
1755	Right-of-use assets (Note 4 & 15)	146,925	-	167,393	1
1821	Other intangible assets (Note 4)	52,183	-	50,781	-
1840	Deferred income tax assets (Note 4 & 23)	545,352	2	456,211	2
1990	Other non-current assets (Note 16)	149,042	1	146,456	1
15XX	Total non-current assets	<u>6,436,076</u>	<u>26</u>	<u>7,306,644</u>	<u>31</u>
1XXX	Total assets	<u>\$ 24,583,396</u>	<u>100</u>	<u>\$ 23,940,150</u>	<u>100</u>
Code	Liabilities and equity	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current liabilities				
2100	Short-term borrowings (Note 17)	\$ 570,000	2	\$ 1,093,555	5
2110	Short-term notes payable (Note 17)	399,204	2	319,647	1
2150	Notes payable – non-related party	4,953,478	20	4,378,966	18
2160	Payable notes – related parties (Note 30)	1,724	-	90,311	-
2170	Accounts payable – non-related parties	2,277,645	9	1,721,180	7
2180	Accounts payable – related parties (Note 30)	3,730	-	54,535	-
2200	Other payables (Note 18 & 30)	717,336	3	826,008	4
2230	Income tax liability (Note 4 & 23)	450,276	2	427,112	2
2250	Liability reserve – Current	126,854	1	106,172	1
2280	Lease liabilities – current (Note 4 & 15)	10,255	-	12,439	-
2320	Long-term borrowings and notes payable due within one year (Note 17)	2,421,588	10	282,469	1
2365	Refund liabilities – current (Note 21)	715,327	3	490,009	2
2399	Other current liabilities (Note 30)	49,657	-	73,169	-
21XX	Total of current liabilities	<u>12,697,074</u>	<u>52</u>	<u>9,875,572</u>	<u>41</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 17 & 31)	228,344	1	2,013,735	9
2542	Long-term notes payable (Note 17)	-	-	349,499	2
2570	Deferred tax liabilities (Note 4 and 23)	779,912	3	727,086	3
2580	Lease liabilities – non-current (Note 4 & 15)	5,813	-	17,754	-
2640	Net defined benefit liabilities (Note 4 & 19)	39,995	-	47,889	-
2670	Other non-current liabilities	31,167	-	37,558	-
25XX	Total non-current liability	<u>1,085,231</u>	<u>4</u>	<u>3,193,521</u>	<u>14</u>
2XXX	Total liabilities	<u>13,782,305</u>	<u>56</u>	<u>13,069,093</u>	<u>55</u>
	Equity of the company (Note 12 & 20)				
3110	Common shares	5,049,151	21	5,049,151	21
3200	Capital reserves	1,355,324	5	1,343,879	6
	Retained earnings				
3310	Statutory surplus reserves	1,156,333	5	1,087,308	5
3320	Special surplus reserves	928,988	4	1,075,955	4
3350	Undistributed earnings	2,340,079	9	1,957,901	8
3300	Total retained earnings	4,425,400	18	4,121,164	17
3400	Other equity	(1,097,408)	(5)	(928,988)	(4)
3500	Treasury shares	(93,573)	-	(93,573)	(1)
31XX	Total equity of the company	9,638,894	39	9,491,633	39
36XX	Non-controlling interests	1,162,197	5	1,379,424	6
3XXX	Total equity	<u>10,801,091</u>	<u>44</u>	<u>10,871,057</u>	<u>45</u>
	Total Liabilities and Equity	<u>\$ 24,583,396</u>	<u>100</u>	<u>\$ 23,940,150</u>	<u>100</u>

The notes attached shall constitute an integral part of this Consolidated financial statement.

Chairman: CHEN, SHENG TIEN

Manager: FENG, MING FA

Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD. and its subsidiaries

Consolidated Income Statement

For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand, except Earnings Per Share (NTD)

Code		2023		2022	
		Amount	%	Amount	%
4100	Sales revenue (Note 4, 21 & 30)	\$ 16,859,695	100	\$ 18,370,990	100
5000	Operating cost (Note 11, 22 & 30)	(14,353,857)	(85)	(16,125,298)	(88)
5900	Gross profit	<u>2,505,838</u>	<u>15</u>	<u>2,245,692</u>	<u>12</u>
	Operating expenses (Note 22 & 30)				
6100	Marketing expenses	(363,114)	(2)	(498,378)	(3)
6200	Administrative expenses	(659,053)	(4)	(647,780)	(3)
6300	Research and development expenses	(549,969)	(3)	(505,438)	(3)
6450	Expected credit impairment loss (Note 10)	(2,500)	-	(11,951)	-
6000	Total operating expenses	(<u>1,574,636</u>)	(<u>9</u>)	(<u>1,663,547</u>)	(<u>9</u>)
6900	Net Operating Income	<u>931,202</u>	<u>6</u>	<u>582,145</u>	<u>3</u>
	Non-operating income and expense (Note 22)				
7100	Interest revenue	105,791	1	116,326	1
7010	Other income	68,997	-	67,724	-
7020	Other profits and losses	81,804	-	281,833	2
7050	Financial costs	(75,576)	-	(86,775)	(1)
7060	The share of profit/loss on associates accounted for using the equity method (Note 13)	<u>5,819</u>	<u>-</u>	(<u>17,677</u>)	<u>-</u>
7000	Total non-operating revenues and expenses	<u>186,835</u>	<u>1</u>	<u>361,431</u>	<u>2</u>

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Code		2023		2022	
		Amount	%	Amount	%
7900	Net profit before tax	\$ 1,118,037	7	\$ 943,576	5
7950	Income tax expenses (Note 4 and 23)	(317,019)	(2)	(241,194)	(1)
8200	Net profits of the current year	<u>801,018</u>	<u>5</u>	<u>702,382</u>	<u>4</u>
	Other comprehensive income				
8310	Titles not reclassified as profit and loss accounts:				
8311	Determined Benefit Plan Reevaluation (Note 4 & 19)	4,075	-	2,457	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income (Note 20)	(2,490)	-	(7,440)	-
8349	Income tax related to titles not subject to reclassification (Note 23)	(815)	-	(491)	-
		<u>770</u>	<u>-</u>	<u>5,474</u>	<u>-</u>
8360	Accounts to be reclassified to profit or loss subsequently:				
8361	Exchange differences from the translation of financial statements of foreign operations (Note 4 & 20)	(213,738)	(1)	212,879	1
8399	Income tax related to titles that could be reclassified (Note 20 & 23)	<u>39,980</u>	<u>-</u>	<u>(40,134)</u>	<u>-</u>
		<u>(173,758)</u>	<u>(1)</u>	<u>172,745</u>	<u>1</u>
8300	Other comprehensive income of the current year (net amount after taxation)	<u>(172,988)</u>	<u>(1)</u>	<u>167,271</u>	<u>1</u>
8500	Total amount of comprehensive income of the current year	<u>\$ 628,030</u>	<u>4</u>	<u>\$ 869,653</u>	<u>5</u>

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Code		2023		2022	
		Amount	%	Amount	%
	Profit attributable to:				
8610	The company's shareholders	\$ 750,972	5	\$ 688,281	4
8620	Non-controlling interests	<u>50,046</u>	<u>-</u>	<u>14,101</u>	<u>-</u>
8600		<u>\$ 801,018</u>	<u>5</u>	<u>\$ 702,382</u>	<u>4</u>
	Total comprehensive income attributable to:				
8710	The company's shareholders	\$ 585,812	4	\$ 837,214	5
8720	Non-controlling interests	<u>42,218</u>	<u>-</u>	<u>32,439</u>	<u>-</u>
8700		<u>\$ 628,030</u>	<u>4</u>	<u>\$ 869,653</u>	<u>5</u>
	Earnings per share (Note 24)				
	Business units in continuing operation				
9710	Basic	<u>\$ 1.50</u>		<u>\$ 1.38</u>	
9810	Diluted	<u>\$ 1.49</u>		<u>\$ 1.37</u>	

The notes attached shall constitute an integral part of this Consolidated financial statement.

Chairman: CHEN, SHENG TIEN Manager: FENG, MING FA Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD. and its subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2023 and 2022

Unit: NTD 1 thousand

		Equity of the company											
							Other equity						
		Capital stock		Retained earnings			Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Treasury shares	Total	Non-controlling interests	Total equity	
Code		Shares (in thousand shares)	Amount	Capital reserves	Statutory surplus reserves	Special surplus reserves							Undistributed earnings
A1	Balance as of January 1, 2022	504,915	\$ 5,049,151	\$ 1,343,868	\$ 992,756	\$ 743,222	\$ 2,044,866	(\$ 1,014,075)	(\$ 61,880)	(\$ 95,476)	\$ 9,002,432	\$ 1,410,508	\$ 10,412,940
	Dividend allocation and distribution for 2021												
B1	Statutory surplus reserves	-	-	-	94,552	-	(94,552)	-	-	-	-	-	-
B3	Special surplus reserves	-	-	-	-	332,733	(332,733)	-	-	-	-	-	-
B5	Cash dividend to the Company’s shareholders	-	-	-	-	-	(349,927)	-	-	-	(349,927)	-	(349,927)
N1	Transfer of treasury shares to employees	-	-	11	-	-	-	-	-	1,903	1,914	-	1,914
O1	Cash dividend to the subsidiary’s shareholders	-	-	-	-	-	-	-	-	-	-	(63,523)	(63,523)
D1	Net profits of the 2022	-	-	-	-	-	688,281	-	-	-	688,281	14,101	702,382
D3	Other comprehensive net income in 2022	-	-	-	-	-	1,966	154,407	(7,440)	-	148,933	18,338	167,271
D5	Total profit and loss in 2022	-	-	-	-	-	690,247	154,407	(7,440)	-	837,214	32,439	869,653
Z1	Balance as of December 31, 2022	504,915	5,049,151	1,343,879	1,087,308	1,075,955	1,957,901	(859,668)	(69,320)	(93,573)	9,491,633	1,379,424	10,871,057
	Dividend allocation and distribution for 2022												
B1	Statutory surplus reserves	-	-	-	69,025	-	(69,025)	-	-	-	-	-	-
B3	Special surplus reserves	-	-	-	-	(146,967)	146,967	-	-	-	-	-	-
B5	Cash dividend to the Company’s shareholders	-	-	-	-	-	(449,996)	-	-	-	(449,996)	-	(449,996)
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	11,445	-	-	-	-	-	-	11,445	(259,445)	(248,000)
D1	Net profits of the 2023	-	-	-	-	-	750,972	-	-	-	750,972	50,046	801,018
D3	Other comprehensive net income in 2023	-	-	-	-	-	3,260	(165,930)	(2,490)	-	(165,160)	(7,828)	(172,988)
D5	Total profit and loss in 2023	-	-	-	-	-	754,232	(165,930)	(2,490)	-	585,812	42,218	628,030
Z1	Balance as of December 31, 2023	504,915	\$ 5,049,151	\$ 1,355,324	\$ 1,156,333	\$ 928,988	\$ 2,340,079	(\$ 1,025,598)	(\$ 71,810)	(\$ 93,573)	\$ 9,638,894	\$ 1,162,197	\$ 10,801,091

The notes attached shall constitute an integral part of this Consolidated financial statement.

Chairman: CHEN, SHENG TIEN

Manager: FENG, MING FA

Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD. and its subsidiaries

Consolidated Statements of Cash Flow

For the Years Ended December 31, 2023 and 2022

Unit: NTD 1 thousand

Code		2023	2022
	Cash flow from operating activities		
A10000	Current year net profit before taxation	\$ 1,118,037	\$ 943,576
A20010	Profits and loss		
A20100	Depreciation expenses	812,982	891,272
A20200	Amortization expenses	13,015	10,222
A20300	Expected credit impairment loss	2,500	11,951
A20400	Net gains on financial assets at fair value through profit or loss	(53,129)	(39,332)
A20900	Interest expenses	71,577	80,611
A21200	Interest revenue	(105,791)	(116,326)
A21300	Dividend income	-	(158)
A21900	Cost of treasury share options/remuneration	-	17
A22300	The shares of profit and/or loss at equity method over the associates	(5,819)	17,677
A22500	Net loss (income) from the disposal and obsolescence of property, plant, equipment and right-of-use assets	24,056	(125,222)
A23200	Gains on disposal of investment under the equity method	(22,420)	-
A23700	Inventory valuation and obsolescence losses	13,332	-
A23700	Goodwill impairment loss	-	55,725
A23700	Impairment loss of property, plant and equipment	796	3,278
A24100	Unrealized foreign currency exchange loss (gain)	49,516	(3,594)
A29900	Gains on lease modification	(1)	(372)
A30000	Net change in operating assets and liabilities		
A31115	Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	(215,321)	200,264
A31130	Decrease (increase) in notes receivable	(1,838,183)	339,148
A31150	Decrease (increase) in accounts receivable	(510,702)	543,934
A31160	Decrease (increase) in accounts receivable-related parties	(1,093)	667
A31180	Decrease in other receivables	8,753	31,952
A31200	Decrease in inventories	464,181	853,274
A31230	Decrease (increase) in prepayments	(55,376)	388,679
A31240	Decrease (increase) in other current assets	(9,136)	7,202

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Code		2023	2022
A32125	Refund liability – current	\$ 228,625	\$ 5,415
A32130	Increase (decrease) in notes payable	661,499	(1,479,636)
A32140	Increase (decrease) in notes payable – related parties	(88,587)	53,991
A32150	Increase (decrease) in accounts payable	597,094	(1,321,967)
A32160	Decrease in accounts payable – related parties	(50,805)	(88,070)
A32180	Decrease in other payables	(96,176)	(63,082)
A32200	Increase in provisions	20,682	7,025
A32230	Decrease in other current liabilities	(23,512)	(76,994)
A32240	Increase decrease in net defined benefit liability	(3,819)	(3,279)
A33000	Cash inflow from operating activities	1,006,775	1,127,848
A33100	Interest received	105,176	100,095
A33300	Interest payment	(74,780)	(77,998)
A33500	Income tax payment	(293,747)	(288,769)
AAAA	Net cash inflow from operating activities	<u>743,424</u>	<u>861,176</u>
Cash flow from investing activities			
B00040	Financial assets acquired on the basis of cost after amortization	(894,483)	(56,802)
B00050	Financial assets on the basis of cost after amortization	57,065	1,421,111
B01900	Net cash inflow from disposal of affiliated companies	362,198	-
B02700	Purchase of property, plant, and equipment	(343,207)	(253,053)
B02800	Proceeds from disposal of property, plant and equipment	653,610	15,954
B04500	Purchase of intangible assets	(15,002)	(17,610)
B06700	Increase of other non-current assets	(101,553)	(61,506)
B07600	Dividends received	-	6,587
B09900	Acquisition of government subsidies	<u>10,038</u>	<u>56,979</u>
BBBB	Net cash inflow (outflow) in investing activities	(<u>271,334</u>)	<u>1,111,660</u>
Cash flow from financing activities			
C00100	Increase of short-term loans	-	481,175
C00200	Decrease in short-term loans	(523,555)	-
C00500	Increase in short-term notes payable	79,557	-
C00600	Decrease in short-term notes payable	-	(30,051)
C01600	Proceeds from long-term loan	280,000	200,000
C01700	Repayments of long-term borrowings	(275,233)	(619,561)
C01900	Decrease in long-term notes payable	-	(300,000)
C03000	Collect the guarantee deposits received	-	682
C03100	Decrease in guarantee deposits received	(6,235)	-
C04020	Repayments of principal portion of the lease	(12,142)	(13,218)
C04500	Pay owners' dividends	(449,996)	(349,927)

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<u>Code</u>		<u>2023</u>	<u>2022</u>
C05100	Transfer of treasury shares to employees	\$ -	\$ 1,897
C05400	Acquisition of equity of subsidiaries	(248,000)	-
C05800	Cash dividends paid to non-controlling interests	-	(14,534)
CCCC	Net cash outflow from financing activities	(1,155,604)	(643,537)
DDDD	Impact of changes in exchange rate on cash and cash equivalents	(66,395)	108,261
EEEE	Net increase (decrease) in cash and cash equivalents	(749,909)	1,437,560
E00100	Cash and cash equivalents balance – beginning of year	<u>4,482,658</u>	<u>3,045,098</u>
E00200	Cash and cash equivalents balance – end of year	<u>\$ 3,732,749</u>	<u>\$ 4,482,658</u>

The notes attached shall constitute an integral part of this Consolidated financial statement.

Chairman: CHEN, SHENG TIEN Manager: FENG, MING FA Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD. and its subsidiaries
Consolidated Notes to financial statements
For the Years Ended December 31, 2023 and 2022
(Unless otherwise provided, Unit: NTD thousand)

1. Organization and operations

RECHI PRECISION CO., LTD. (formerly known as RECHI INDUSTRIAL CO., LTD., hereinafter referred to as the Company) was established in December 1989 in accordance with the Company Act of the Republic of China, mainly engaged in the assembly and processing, manufacturing and repairing, and trading of refrigerant compressors, and design services of relevant products, as well as import and export business.

The Company's shares had been listed for trading on the Taipei Exchange since February 2002, and have changed to be listed on the Taiwan Stock Exchange since August 2003.

The consolidated financial statements are presented in the Company's functional currency – New Taiwan dollars.

2. Financial reporting date and procedures

The consolidated financial statements were approved by the board of directors and authorized for issue on March 12, 2024.

3. Application of new and revised standards and interpretation

- (1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Group's accounting policies:

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

When applying these amendments, the Group determines the significant accounting policy information that shall be disclosed based on the definition of materiality. If accounting policy information can be reasonably expected to affect the decisions made by the main users of general-purpose financial statements based on these financial statements, the accounting policy information is significant. In addition:

- Accounting policy information related to non-material transactions, other matters, or circumstances is non-significant, and the Group does not need to disclose such information.
- The Group may determine that the relevant accounting policy information is significant based on the nature of transactions, other matters, or circumstances, even if the amount is not significant.
- Not all accounting policy information related to material transactions, other events, or circumstances are significant.

If the accounting policy information is related to material transactions, other matters, or circumstances while in line with the following circumstances, the information may be significant:

- (1) The Group changed its accounting policies during the reporting period, and the change resulted in a significant change in financial statement information;
- (2) The Group selects its applicable accounting policies from the options allowed by the standards;
- (3) Due to the lack of specific standards, the Group has formulated accounting policies in accordance with IAS 8 “Accounting Policies, Changes and Errors in Accounting Estimates”;
- (4) The Group discloses relevant accounting policies that it must adopt significant judgments or assumptions to determine; or
- (5) Complicated accounting treatment requirements are involved and users of financial statements rely on such information to understand such material transactions, other matters, or circumstances.

Please refer to Note 4 for the disclosure of relevant accounting policies.

- (2) The IFRSs endorsed by the FSC for application starting from 2024

<u>The new/amended/revised standards or interpretation</u>	<u>IASB publication effective date (Note 1)</u>
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The seller and lessee shall apply the amendments to IFRS 16 retrospectively to the sale and leaseback carried out after the date of initial application of IFRS 16.

Note 3: Upon the initial application of this amendment, a partial exemption from disclosure requirements is granted.

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

The amendments in 2020 are to clarify that when determining whether a liability is classified as non-current, the Group shall assess whether it has the right to defer payment of its liabilities to at least 12 months after the reporting period at the end of the reporting period. If the Group has the right at the end of the reporting period,

regardless of whether the Group expects to exercise the right, the liabilities are classified as non-current.

The amendments in 2020 have also clarified that if the Group must comply with certain conditions before it has the right to defer payment of its liabilities, the Group must have complied with said conditions at the end of the reporting period, even if the lender is testing whether the Group complies with said conditions at a later date. The amendments in 2022 further clarify that only the terms of the contracts to be observed before the end of the reporting period affect the classification of liabilities. Although the terms of the contracts to be observed within 12 months after the reporting period do not affect the classification of liabilities, relevant information shall be disclosed to enable users of financial reports to understand that there is a risk that the Group may not be able to comply with the terms of the contracts and shall make repayments within 12 months after the reporting period.

The amendments in 2020 stipulate that, for the purpose of classification of liabilities, the aforementioned settlement refers to the elimination of liabilities due to the transfer of cash, other economic resources, or equity instruments of the Group to the counterparty. However, as for the terms of the liability, where the transfer of the equity instruments of the Group may result in its settlement of the liability based on the counterparty's choice, if the choice is separately recognized in equity according to IAS 32 "Financial Instruments: Expression," the foregoing terms do not affect the liability classification.

Except for the above, the evaluation of the amendment to other IFRSs by the Group on the date this parent company's financial statement was approved and released, would not have a great effect on the financial positions and performance of the companies in the consolidated financial statements.

- (3) The IFRSs released by the IASB but not yet approved and announced effective by the Financial Supervisory Commission

<u>The new/amended/revised standards or interpretation</u>	<u>IASB publication effective date (Note 1)</u>
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates."	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendments to IAS No. 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments apply to the annual reporting periods beginning on or after January 1, 2025. Upon the first-time application of the amendment, the effect is recognized in the retained earnings on the date of initial application. When the Group adopts a non-functional currency as its presentation currency, the

effects will be recognized in the exchange differences related to the foreign operation under equity as of the date of initial application.

Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates.”

The amendment stipulates that if the Group sells or invests assets in an affiliated company (or joint venture), or the Group loses control of a subsidiary, but retains significant influence (or joint control) on the subsidiary, if the aforementioned assets or the former subsidiary meets the definition of “Business” as in IFRS 3 “Business Combination,” the Group shall fully recognize the profits and losses arising from such transactions.

In addition, if the Group sells or contributes assets to affiliated companies (or joint ventures), or the Group loses the control over a subsidiary but retains significant influence on the subsidiaries (or joint control), and if the aforementioned assets or subsidiary not in compliance with the definition of IFRS 3 “Business,” the Group is to recognize the profit and loss of the transactions only within the equity scope of the affiliated companies (or joint ventures) irrelevant to the investors, in other words, the profit and loss attributable to the Group should be offset.

Further to the aforementioned influence, the companies in the consolidated financial statements will continue to evaluate the effect of the amendment to other IFRSs on the financial positions and performance of the companies in the consolidated financial statements to the date this parent company only financial statement approved and released, and will make appropriate disclosure after the evaluation.

4. Summary of significant accounting policies

(1) Compliance Statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and published by the FSC.

(2) Basis of preparation

Except for the financial instruments on the basis of fair value and the recognition of net defined benefit liabilities on the basis of the present value of net defined benefit obligation net of the fair value of planned assets, this consolidated financial statement was compiled on the basis of historical cost.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).

2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
 3. Level 3 input value: the unobservable input value of asset or liability.
- (3) Standards in differentiating current and non-current assets and liabilities.

Current assets including:

1. Assets held mainly for trading purpose:
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. Liabilities to be repaid within 12 months after the balance sheet date, and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date.

For those that are not current assets or liabilities above are classified as non-current assets or liabilities.

(4) Basis of consolidation

This consolidated financial statement contains the information of the financial statements of the Bank and its controlled entities (subsidiaries). The Consolidated Statement of Comprehensive Income already covered the operating profit and/or loss of the subsidiaries, which have been acquired or disposed of the current term, from the date of acquisition until the date of disposal. The subsidiaries' financial statements have been properly adjusted to keep the accounting policies consistent with the accounting policies of the Group. In preparing these consolidated financial statements, the transactions, account balances, incomes and loss and expenses among the individual entities are written off in full amount. The total comprehensive incomes of the subsidiaries were non-controlling interest attributed to the Company's owners and the non-controlling interest, to become the balance of loss even as the non-controlling interest.

When the changes of interest of the subsidiaries' ownership by the Group do not lead to the loss of control, it is disposed of as interest transactions. The book value of the Group and non-controlling interest has been adjusted to reflect the changes of the relative interest of subsidiaries. The differential between the adjustment amount of non-controlling interest and the fair value of consideration received is directly recognized as interest and belongs to the owner of the Company.

For details of subsidiaries, shareholding ratios, and business items, please refer to Note 12 and Table 8.

(5) Foreign currency

For the transactions conducted in a currency other than the business entity's functional currency (foreign currency), it is to be translated to the functional currency in accordance with the exchange rate on the transaction date when preparing the individual financial statements.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive income, the exchange difference is recognized in the other comprehensive income.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

When preparing the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates that operate in countries or adopt the functional currencies different from the Group) are translated into New Taiwan dollars. The profits and losses are translated in accordance with the current average exchange rates, and the exchange differences resulted is booked in other comprehensive income (and attributable to the Company's shareholders and non-controlling equity respectively).

If the Group disposes of the ownership interest of a foreign operation, or disposes of part of the equity of a foreign operation's subsidiary and loses control, or disposes of a foreign operation's associate, and the retained equity is a financial asset and is treated based on the accounting policies adopted for financial instruments, then all accumulated exchange differences attributable to the owners of the Company and related to the foreign operation will be reclassified to profit or loss.

If the partial disposal of the subsidiaries of the foreign operation institution did not result in a loss of control, the cumulative exchange differences are reattributed proportionally as non-controlling equity of the subsidiaries without any profit and loss recognized. In any other event of partial disposal of an overseas operating institution, the accumulated difference in foreign exchange was reclassified to profit and/or loss pro rata to the percentage of disposal.

(6) Inventories

Inventories are raw materials, materials, finished goods, and work-in-process. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. The cost of inventory is calculated using the weighted average method.

(7) Investments in the affiliated company

The term “associate” as set forth herein denotes an enterprise, which has significant effect upon the Group, but is not a subsidiary or a joint venture.

The Group adopts equity method for investment in associates.

Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive income by the Group. In addition, the changes in the equity of affiliates shall be recognized in proportion to the proportion of shareholding.

When assessing impairment, the Group regards the overall book value of the investment as a single asset to compare the recoverable amount with the book value, and conducts an impairment test. The impairment loss recognized is also part of the book value of the investment. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

The profit or loss resulting from the countercurrent, downstream and side-stream transactions between the Group and the affiliated company is recognized in the consolidated financial statement within the range that is irrelevant to the Group’s interest in the affiliated company.

(8) Real property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment losses afterwards.

Those real estate, plant buildings, equipment & facilities under construction were recognized at the amount of the costs after deducting the loss in the accumulated impairment. Costs include professional service expanses and loan costs that meet the capitalization conditions. When such assets are completed and reach expected use status, such assets will be classified to proper items under real property, plant and equipment and the provision of depreciation shall begin.

Each material part of property, plants, and equipment shall be depreciated separately in accordance with the useful year and a straight-line method. The Group shall at least inspect the estimated service life, residual value and depreciation method by the day of the end of each fiscal year and postpone the effect of applying estimated accounting changes.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(9) Intangible assets

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets are amortized using the straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods. And the impact of changes in accounting estimates should be delayed.

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(10) Impairment of property, plant and equipment, right-of-use assets, and intangible assets

The Group assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets at each balance sheet date. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Group is to estimate the recoverable amount of the respective cash-generating unit. The common asset is amortized to each cash-generating unit in accordance with a consistent and reasonable sharing basis.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(11) Financial instruments

When the Group has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the consolidated balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial assets

The regular way of purchase or sale of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Classification of measurement

Financial assets held by the Group are those measured at fair value through profit or loss (FVTPL) and at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets measured at FVTPL are those mandatorily measured at FVTPL Financial instruments designated at fair value through income statements included the investment of equity instruments not designated at fair value through other comprehensive income and those not conforming to the standard of debt instruments on the basis of cost after amortization or at fair value through other comprehensive income.

Financial assets measured at FVTPL are measured at fair value, and the dividends and interest generated are recognized in other income and interest revenue, respectively, and gains or losses generated from remeasurement are recognized in other profits and losses. Please refer to Note 29 for the determination of fair value.

B. Financial assets based on cost after amortization

If the financial assets of the Group met both of the following conditions, classify as financial assets on the basis of cost after amortization:

- a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts
- b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents and accounts receivable on the basis of cost after amortization) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Interest revenue is calculated by multiplying the effective interest rate by the total carrying amount of financial assets.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

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

The Group may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the acquirer under corporate merger and acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the Group in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

(2) Impairment of financial assets

The Group at each balance sheet date assesses the impairment loss of financial assets (including accounts receivable) at amortized cost according to the expected credit loss.

Accounts receivable are recognized in allowance for loss based on the lifetime expected credit losses (ECLs). Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

For internal credit risk management purpose, the Group, without considering the collateral, determines the following circumstances indicating that a default has occurred on the financial instrument:

A. There is internal or external information indicating that the debtor is no longer able to pay off a debt.

B. Payments are overdue for more than 180 days, unless there are reasonable and supporting information showing that the delayed default benchmark is more appropriate.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account.

(3) The derecognition of financial assets

The Group has financial assets derecognized only when the contractual rights from the cash flows of a financial asset become invalid or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

If the Group neither transfers nor retains almost all the risks and rewards of the ownership of a financial asset, and retains control of the asset, it will continue to recognize the asset within the scope of continuous participation in the asset and recognize relevant liabilities for the amount that may have to be paid. If the Group retains almost all the risks and rewards of the ownership of a financial asset, it will continue to recognize the asset and recognize the payments received as secured borrowings.

When a financial asset measured at amortized cost is derecognized as a whole, the difference between its book value and the consideration received is recognized in profit or loss. When equity instrument investments measured at FVTOCI are derecognized as a whole, accumulated gains and losses are directly transferred to retained earnings and are not reclassified to profit or loss.

2. Equity instruments

The debt and equity instruments issued by the Group are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments issued by the Group are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The Company's equity instruments redeemed are recognized and deducted under equity, and the carrying amounts are calculated using the weighted average method based on the stock types and reasons for redemption. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities are evaluated at the amortized cost using the effective interest method.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(12) Liability reserve

The recognized liability reserve amount is with the risk and uncertainty of the obligation considered, and it is the optimum estimate of the expenditure required to settle the obligations on the balance sheet date. Provision for liabilities shall be measured based on the discount value of the estimated cash flow for the settlement of obligation.

Warranty

The warranty obligation under a sales contract is the best estimated expense by management in clearing the Group's obligations and it is recognized when the related instrument income is recognized.

(13) Recognition of revenue

The Group, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Commodity sales revenue

When the sales arrive at a customer's designated location or when the goods are shipped, and the customer has the right to set the price and use of the goods and bears the main responsibility for resale and the risk of obsolescence, the Group recognizes the sales in revenue and accounts receivable.

When the material is supplied for processing, the ownership of the processed product is not transferred; therefore, the income is not recognized when the material is supplied.

(14) Leasing

The Group assesses whether the contract is (or includes) a lease arrangement on the agreement date.

For contracts that include lease and non-lease components, the Group allocates the consideration in the contracts based on the relative stand-alone prices and treats them separately.

1. The Group is the lessor

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

Lease payments for operating leases upon deduction of lease incentives are recognized as income on a straight-line basis in relevant lease periods. Initial direct costs generated in the acquisition of operating leases are added to the underlying asset carrying amount and recognized as expenses on a straight-line basis in lease periods.

2. The Group as the lessee

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at the lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any received, any incurred by the lessee, and an estimate of costs to be incurred by restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any. Right-of-use assets are separately presented on the Consolidated Balance Sheet.

Right-of-use assets are depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier. If the ownership of the underlying asset will be acquired at the end of the lease period, or if the cost of the right-of-use asset reflects exercising an option, the asset will be depreciated over the period from the commencement date of the lease to expiration of the useful life of the underlying asset.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, less lease incentives received). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortized cost using the effective interest method, and the interest expenses are amortized over the lease term. If changes in the lease term lead to changes in future lease payments, the Group will remeasure the lease liabilities and adjust the right-of-use asset accordingly. However, if the book value of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. For lease modifications that are not treated as a separate lease, remeasurement of lease liabilities due to the reduction in the scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss of partial or full termination of the lease. Remeasurement of lease liabilities due to other modifications is an adjustment to the right-of-use asset. Lease liabilities are separately presented on the Consolidated Balance Sheet.

The Group and the lessor engaged in rent reductions directly related to the COVID-19 pandemic, and adjusted the payables due before June 30, 2022, resulting in a decrease in the rents before the negotiation, with no substantive changes made to other lease terms and conditions. The Group has elected to adopt practical expedients to treat rent reductions that meet the aforementioned conditions without evaluating whether they constitute a lease modification, and recognizes the reduction in lease payments in profit or loss when the concession or such situation occurs, and makes a corresponding downward adjustment to the lease liabilities.

Changes in rent as stipulated in lease agreements not determined by indices or rates are recognized as expenses in the current period.

(15) Loan costs

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(16) Government grant

A government subsidy can only be recognized when it is firmly believed that the Group will comply with the terms added to the government subsidy and will receive such subsidy.

Government grants related to income are recognized in other income on a systematic basis over the periods, in which the Group recognizes as expenses the relevant costs for which the grants are intended to compensate. Government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are debited to the carrying amount of said assets and recognized in profit or loss over the useful lives of said assets by reducing the depreciation or amortization expenses of said assets.

If the government subsidy is used for compensating expenses or losses that have already occurred or for the purpose of immediate financial support to the Group without any related cost in the future, it will be recognized as income during the receivable period.

(17) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. The net interests of the service cost (including the service cost for the current period) and net defined benefit liability (asset) are recognized as employee benefit expenses when they occur. The value of second measurement (including the profits and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net defined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

(18) Share-based payment agreement - employee stock options

Employee stock options granted to employees

Employee stock options are recognized as expenses on a straight-line basis during the vesting period at fair value of the equity instruments on the grant date and the best estimated number to be vested, with the capital surplus – employee stock options adjusted at the same time. If an employee stock option is immediately vested on the grant date, it shall be fully recognized as an expense on the grant date.

The Group revises the estimated number of employee stock options to be vested on each balance sheet date. If the initial estimated number is revised, the effect is recognized as profit or loss, so that the cumulative expenses can reflect the revised estimate, with the capital surplus - employee stock options adjusted accordingly.

(19) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

The Group determines the income (loss) of the current year in accordance with the laws and regulations in each jurisdiction area for income tax filings, and calculates the income tax payable (recoverable) accordingly.

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Deferred tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income.

Deferred income tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred income tax assets are recognized when there is the likelihood of having taxable income to be used for the income tax credit resulting from the temporary difference, accumulated deficit or machinery equipment purchase, R&D, and personnel training expense.

All taxable provisional differences relevant to the investment in subsidiaries and associates were recognized as deferred income tax liabilities, except an event while the Group could control the time point of recovery of the control over the provisional difference or while the said provisional difference would be very likely not recoverable in the foreseeable future. The deductible temporary differences related to such investments are recognized as deferred income tax assets when there is likely a sufficient taxable income available for realizing a temporary difference and within the expected reverse in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequence resulted from the book value of the assets or liabilities expected to be recovered or liquidated on the balance sheet date.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive income or directly included in the equity are recognized in the other comprehensive income or directly included in the equity.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

The Group at the time of adopting accounting policies, for the information hard to obtain from other sources, should have the relevant judgments, estimates, and assumptions made by the management in accordance with the historical experience and other essential factors. Actual results may differ from the estimates.

The Group's management has evaluated its accounting policies, estimates, and basic assumptions, determining that they are not subject to significant uncertainties of significant accounting judgments, estimates, and assumptions.

6. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 1,483	\$ 1,031
Bank checks and demand deposits	1,937,871	2,231,217
Cash equivalents (Investment with the original maturity date within three months)		
Bank time deposit	<u>1,793,395</u>	<u>2,250,410</u>
	<u>\$ 3,732,749</u>	<u>\$ 4,482,658</u>

The deposits in banks showed the following interest rate ranges as of the balance sheet date:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.01%~4.90%	0.01%~2.50%

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets – current</u>		
Measured at fair value through income under compulsion		
Wealth management products	\$ 1,319,291	\$ 1,094,216
Non-derivative financial assets		
- Listed stocks – overseas	4,368	4,392
- Beneficial certificates	<u>19,994</u>	<u>-</u>
	<u>\$ 1,343,653</u>	<u>\$ 1,098,608</u>

8. Financial assets at fair value through other comprehensive income

Equity investment

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Domestic investment		
Unlisted/OTC		
Common stock of Magnpower Corporation	\$ 8,190	\$ 10,680
Common stock of Bigbest Solutions, Inc.	<u>-</u>	<u>-</u>
	<u>\$ 8,190</u>	<u>\$ 10,680</u>

The Group has invested in the common stocks of the above-mentioned companies in accordance with medium and long-term strategic purposes, and expects to make profits through long-term investments. The management of the Group holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan; therefore, they chose to designate these investments as financial assets at fair value through other comprehensive income.

9. Financial assets based on cost after amortization

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Restricted cash in banks	\$ 2,502,757	\$ 1,918,631
Time deposits with original maturity date of more than 3 months (2)	<u>260,112</u>	<u>56,979</u>
	<u>\$ 2,762,869</u>	<u>\$ 1,975,610</u>

- (1) For details of financial assets at amortized cost, refer to Note 31.
- (2) As of December 31, 2023 and 2022, the interest rate ranges of the time deposits with an original maturity date of more than 3 months were 2.65%–2.85% and 0.34%–1.80%, respectively.

10. Note receivable and account receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
Measured on the basis of cost after amortization		
Total book value	\$ 4,464,359	\$ 2,707,459
Less: Allowance for losses	(<u>3,439</u>)	(<u>3,193</u>)
	<u>\$ 4,460,920</u>	<u>\$ 2,704,266</u>
<u>Accounts receivable</u>		
Measured on the basis of cost after amortization		
Total book value	\$ 3,424,333	\$ 2,976,710
Less: Allowance for losses	(<u>25,294</u>)	(<u>23,251</u>)
	3,399,039	2,953,459
Measured at fair values through other comprehensive income	<u>6,716</u>	<u>26,572</u>
	<u>\$ 3,405,755</u>	<u>\$ 2,980,031</u>

- (1) Accounts receivable based on cost after amortization

The Group's average credit period for sales open account with net 0 days to 285 days, and no interest is accrued on accounts receivable.

In order to mitigate the credit risk, the Group has formulated credit management measures to regulate the determination of credit limits, credit approval, and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Group will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the consolidated company's credit risk is significantly reduced.

The Group will recognize the lifetime expected credit losses as loss allowance for accounts receivable. The full lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, industry economic conditions, as well as GDP forecast and industry outlook. Because of the different loss patterns of customer groups in different regions of the Group, the Group uses different provisions matrices for different customer groups by location, and determines the expected credit loss rate by taking into account the number of past due days of accounts receivable and the regional economic situation.

If there is evidence that the counterparty is facing serious financial difficulties and the Group cannot reasonably expect to recover the amount, e.g. the counterparty is in liquidation, then the Group directly writes off the relevant accounts receivable, but will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

The Group's allowance for loss of receivables is determined according to the preparation matrix as follows:

December 31, 2023

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0%~0.24%	0.48%~17.71%	9.22%~43.49%	31.83%~62.19%	40.09%~84.30%	50.71%~100%	
Total book value	\$ 3,300,107	\$ 55,607	\$ 17,829	\$ 44,037	\$ 2,426	\$ 4,327	\$ 3,424,333
Allowance for loss (expected credit loss of the given duration)	(4,108)	(687)	(1,619)	(14,014)	(972)	(3,894)	(25,294)
Cost after amortization	\$ 3,295,999	\$ 54,920	\$ 16,210	\$ 30,023	\$ 1,454	\$ 433	\$ 3,399,039

December 31, 2022

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0%~0.28%	0.48%~17.99%	8.72%~44.11%	31.00%~57.56%	40.09%~100%	50.71%~100%	
Total book value	\$ 2,839,889	\$ 58,923	\$ 25,490	\$ 40,038	\$ 3,188	\$ 9,182	\$ 2,976,710
Allowance for loss (expected credit loss of the given duration)	(4,073)	(284)	(2,223)	(6,868)	(1,282)	(8,521)	(23,251)
Cost after amortization	\$ 2,835,816	\$ 58,639	\$ 23,267	\$ 33,170	\$ 1,906	\$ 661	\$ 2,953,459

(2) Accounts receivable at fair value through other comprehensive income.

For accounts receivable from specific clients, the Group signed the factoring agreement with financial institutions that determine whether to use non-recourse factoring to sell its receivables to the bank or not to sell regarding working capital. The business model of the Group managing this kind of accounts receivable is to complete its goal through receiving contractual cash flows and selling financial assets. Thus, these kinds of accounts receivable are measured through other comprehensive income in fair value.

December 31, 2023

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0.02%	0.48%	9.22%	31.83%	40.09%	50.71%~100%	
Total book value	\$ 6,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,717
Allowance for loss (expected credit loss of the given duration)	(1)	-	-	-	-	-	(1)
Cost after amortization	\$ 6,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,716

December 31, 2022

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0.02%	0.48%	8.72%	31.00%	40.09%	50.71%~100%	
Total book value	\$ 26,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,576
Allowance for loss (expected credit loss of the given duration)	(4)	-	-	-	-	-	(4)
Cost after amortization	\$ 26,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,572

The information on changes in the allowance for loss on notes receivable and accounts receivable is as follows:

	2023		
	Notes receivable	Accounts receivable	Total
Balance, beginning of year	\$ 3,193	\$ 23,255	\$ 26,448
Add: Impairment loss provided for this year	306	2,194	2,500
Foreign currency translation differences	(60)	(154)	(214)
Balance, end of year	<u>\$ 3,439</u>	<u>\$ 25,295</u>	<u>\$ 28,734</u>

	2022		
	Notes receivable	Accounts receivable	Total
Balance, beginning of year	\$ 2,658	\$ 17,589	\$ 20,247
Add: Impairment loss provided for this year	496	11,455	11,951
Less: Actual write-off amount in the current period	-	(6,048)	(6,048)
Foreign currency translation differences	39	259	298
Balance, end of year	<u>\$ 3,193</u>	<u>\$ 23,255</u>	<u>\$ 26,448</u>

As of December 31, 2023 and 2022, the amounts of notes receivable that have expired and have not been cashed were NTD 0 thousand and NTD 0 thousand, respectively.

Please refer to Note 31 for the amounts of notes receivable pledged by the Group as collateral for notes issued.

11. Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finished products	\$ 1,024,342	\$ 1,303,254
Work-in-process	176,852	259,288
Raw materials	222,308	386,971
Inventory in-transit	<u>156,793</u>	<u>129,020</u>
	<u>\$ 1,580,295</u>	<u>\$ 2,078,533</u>

In 2023 and 2022, the cost of goods sold related to inventory was NTD 14,353,857 thousand and NTD 16,125,298 thousand, respectively. Cost of goods sold includes inventory valuation losses of NTD 13,332 thousand and NTD 0 thousand, respectively.

12. Subsidiary

(1) Subsidiaries included in the consolidated financial statements

The business entities of the consolidated financial statements are as follows:

Investor	Subsidiary name	Nature of the operation	Percentage of shareholdings		Remark
			December 31, 2023	December 31, 2022	
The parent company	Rechi Holdings Co., Ltd.	Investment business	100.00%	100.00%	(1) 、(2)
The parent company	Rechi Investments Co., Ltd.	Investment business	100.00%	100.00%	
The parent company	Dyna Rechi Co., Ltd.	BLDC Motor	65.65%	42.20%	
Rechi Holdings Co., Ltd.	Rechi International Holdings Co., Ltd.	Investment business	100.00%	100.00%	
Rechi Holdings Co., Ltd.	Rechi Investments Holdings Co., Ltd.	Investment business	100.00%	100.00%	
Rechi Holdings Co., Ltd.	Dongguan Rechi Compressor Co., Ltd.	Production and sales of refrigerant compressors and refrigerant compressor accessories	100.00%	100.00%	
Rechi Holdings Co., Ltd.	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Manufacturing and sales of air-conditioning compressors and electric motors, and providing after-sales service and technical consulting service	77.78%	77.78%	(1)
Rechi Holdings Co., Ltd.	Rechi Precision (Huizhou) Mechanism Company	Production and sales of refrigerant compressors and refrigerant compressor accessories	25.00%	25.00%	
Rechi Holdings Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Production and sales of refrigerant compressors and refrigerant compressor accessories	100.00%	100.00%	
Rechi International Holdings Co., Ltd.	GR Holdings (Hong Kong) Limited	Investment business	100.00%	100.00%	
GR Holdings (Hong Kong) Limited	Rechi Refrigeration Dongguan Co., Ltd.	Production and sales of refrigerant compressor motors and air conditioner accessories	100.00%	100.00%	
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Rechi Precision (Huizhou) Mechanism Company	Production and sales of refrigerant compressors and refrigerant compressor accessories	67.86%	67.86%	
Rechi Investments Holdings Co., Ltd.	Rechi Precision (Qingdao) Electric Machinery Limited	Production and sales of new electromechanical components, fine blanking dies, precision bearings, and relevant accessories	100.00%	100.00%	
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Qingdao Rechi Electric Machinery Sales Company	Sales business	50.00%	50.00%	
Rechi Precision (Qingdao) Electric Machinery Limited	Qingdao Rechi Electric Machinery Sales Company	Sales business	50.00%	50.00%	
Rechi Precision (Jiujiang) Electric Machinery Limited	Dyna Rechi Jiujiang Co., Ltd.	Production and sales of refrigerant compressor motors and BLDC motors	35.50%	35.50%	
Dyna Rechi Co., Ltd.	Dyna Rechi Holdings Co., Ltd.	Investment business	100.00%	100.00%	
Dyna Rechi Holdings Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Production and sales of refrigerant compressor motors and BLDC motors	64.50%	64.50%	
Dyna Rechi Co., Ltd.	Ablek Technology Co., Ltd.	Sales business	100.00%	100.00%	
Ablek Technology Co., Ltd.	Ablek Technology Ltd.	Investment business	100.00%	100.00%	
Ablek Technology Ltd.	Ablek Technology Ltd.	Manufacturing and sales of motors for household appliances	100.00%	100.00%	

(1) Information on the significant subsidiaries with non-controlling interests.

- (2) Though the Company has obtained more than half of the board seats of Dyna Rechi Co., Ltd., which provide the Company the ability to direct the relevant activities of Dyna Rechi Co., Ltd., therefore, has listed it as the subsidiary of the Company. Furthermore, to consolidate the operation of the BLCD motor business, the Company repurchased a 23.45% stake in Dyna Rechi Co., Ltd., from China Steel Corporation on December 14, 2023. This transaction resulted in the Company's shareholding ratio increasing from 42.20% to 65.65%. Please refer to Note 27 for equity transactions associated with non-controlling interests.

(2) Information of the significant but non-controlling equity in subsidiaries

Subsidiary name	Principal places of business	Non-controlling equity shareholding and voting right ratio	
		December 31, 2023	December 31, 2022
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	China	22.22%	22.22%
Dyna Rechi Co., Ltd.	Taiwan	34.35%	57.80%

Subsidiary name	Profit and loss distributed to the non-controlling equity		Non-controlling interests	
	2023	2022	December 31, 2023	December 31, 2022
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited (excluding non-controlling interests of its subsidiaries)	\$ 40,564	\$ 24,368	\$ 692,657	\$ 664,086
Dyna Rechi Co., Ltd. (excluding non-controlling interests of its subsidiaries)	9,126	(10,373)	361,987	606,298
Others	356	106	107,553	109,040
Total	<u>\$ 50,046</u>	<u>\$ 14,101</u>	<u>\$ 1,162,197</u>	<u>\$ 1,379,424</u>

The summarized financial information of subsidiaries is based on the amount before writing off the intercompany transactions:

TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Its Subsidiaries

	December 31, 2023	December 31, 2022
Current assets	\$ 4,830,275	\$ 4,782,739
Non-Current assets	1,121,177	1,145,947
Current liabilities	(2,339,832)	(2,432,099)
Non-current liabilities	(10,486)	(17,328)
Equity	<u>\$ 3,601,134</u>	<u>\$ 3,479,259</u>

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity attributable to:		
The company's shareholders	\$ 2,800,907	\$ 2,706,115
Non-controlling interests of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	692,657	664,086
Non-controlling interests of the subsidiaries of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	<u>107,570</u>	<u>109,058</u>
	<u>\$ 3,601,134</u>	<u>\$ 3,479,259</u>
	<u>2023</u>	<u>2022</u>
Operating income	<u>\$ 4,363,138</u>	<u>\$ 4,709,578</u>
Net profits of the current year	\$ 184,138	\$ 110,133
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 184,138</u>	<u>\$ 110,133</u>
Total comprehensive income attributable to:		
The company's shareholders	\$ 143,218	\$ 85,659
Non-controlling interests of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	40,564	24,368
Non-controlling interests of the subsidiaries of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	<u>356</u>	<u>106</u>
	<u>\$ 184,138</u>	<u>\$ 110,133</u>
Cash flow		
Operating activities	\$ 296,547	\$ 722,260
Investing	(185,846)	(146,433)
Financing	(227,762)	(67,459)
Effect of foreign exchange rates changes on cash	(<u>20,505</u>)	<u>10,228</u>
Net cash inflow (outflow)	(<u>\$ 137,566</u>)	<u>\$ 518,596</u>
Dividends paid to non-controlling interests		
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	<u>\$ -</u>	<u>\$ 63,523</u>
Subsidiaries of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	<u>\$ -</u>	<u>\$ -</u>

Dyna Rechi Co., Ltd. and Its Subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current assets	\$ 1,767,223	\$ 1,692,427
Non-Current assets	1,132,146	1,240,163
Current liabilities	(1,403,542)	(1,432,428)
Non-current liabilities	(9,507)	(16,315)
Equity	<u>\$ 1,486,320</u>	<u>\$ 1,483,847</u>
Equity attributable to:		
The company's shareholders	\$ 1,124,333	\$ 877,549
Non-controlling interests of Dyna Rechi Co., Ltd.	<u>361,987</u>	<u>606,298</u>
	<u>\$ 1,486,320</u>	<u>\$ 1,483,847</u>
	<u>2023</u>	<u>2022</u>
Operating income	<u>\$ 2,248,856</u>	<u>\$ 2,206,114</u>
Net income (loss)	\$ 22,081	(\$ 19,561)
Other comprehensive income	(19,608)	17,337
Total comprehensive income	<u>\$ 2,473</u>	<u>(\$ 2,224)</u>
Net income (loss) attributable to:		
The company's shareholders	\$ 12,955	(\$ 9,188)
Non-controlling interests of Dyna Rechi Co., Ltd.	<u>9,126</u>	<u>(10,373)</u>
	<u>\$ 22,081</u>	<u>(\$ 19,561)</u>
Total comprehensive income attributable to:		
The company's shareholders	(\$ 12,662)	(\$ 1,872)
Non-controlling interests of Dyna Rechi Co., Ltd.	<u>15,135</u>	<u>(352)</u>
	<u>\$ 2,473</u>	<u>(\$ 2,224)</u>
Cash flow		
Operating activities	\$ 217,387	\$ 127,474
Investing	270,794	(33,166)
Financing	(298,392)	(44,374)
Effect of foreign exchange rates changes on cash	<u>(25,931)</u>	<u>12,602</u>
Net cash inflow	<u>\$ 163,858</u>	<u>\$ 62,536</u>
Dividends paid to non-controlling interests		
Dyna Rechi Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>
Subsidiaries of Dyna Rechi Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>

13. Investment under the equity method

Investments in the affiliated company

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Individual non-dominant associates		
Qingdao China Steel Precision Metal Co., Ltd.	\$ 166,586	\$ 164,397
Jiangxi Baida Precision Manufacturing Corp.	<u>-</u>	<u>325,651</u>
	<u>\$ 166,586</u>	<u>\$ 490,048</u>

Summarized information of individually immaterial associates.

	<u>2023</u>	<u>2022</u>
Share of the Group		
Net income (loss)	<u>\$ 5,819</u>	<u>(\$ 17,677)</u>
Other comprehensive income of the current year	<u>\$ -</u>	<u>\$ -</u>

The share of profits and losses and other comprehensive income on affiliated companies under the equity method is recognized based on the affiliated companies' financial statements that have been audited by auditors during the same period.

In May 2023, the Group disposed of its 30% equity investment in Jiangxi Baida Precision Manufacturing Co., Ltd. for a consideration of RMB 82,727 thousand.

14. Real property, plant and equipment

	<u>Proprietary land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Costs</u>						
Balance as of January 1, 2022	\$ 207,567	\$ 4,208,623	\$ 8,898,575	\$ 1,590,424	\$ 551	\$ 14,905,740
Additions	-	1,891	173,936	29,985	852	206,664
Disposal	-	(34,008)	(236,089)	(107,582)	-	(377,679)
Net exchange differences	-	55,324	134,803	16,098	10	206,235
Reclassification to held for sale	-	(457,678)	-	-	-	(457,678)
Other reclassification	-	462	90,766	12,132	(864)	102,496
Balance as of December 31, 2022	<u>\$ 207,567</u>	<u>\$ 3,774,614</u>	<u>\$ 9,061,991</u>	<u>\$ 1,541,057</u>	<u>\$ 549</u>	<u>\$ 14,585,778</u>
<u>Accumulated depreciation and impairment</u>						
Balance as of January 1, 2022	\$ -	\$ 1,479,158	\$ 5,409,784	\$ 1,150,213	\$ -	\$ 8,039,155
Depreciation expenses	-	135,004	614,215	124,222	-	873,441
Disposal	-	(33,923)	(213,058)	(98,040)	-	(345,021)
Net exchange differences	-	20,945	81,054	10,849	-	112,848
Classification to held for sale	-	(82,998)	-	-	-	(82,998)
Impairment losses (reversed)	-	(2,317)	1,498	4,097	-	3,278
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 1,515,869</u>	<u>\$ 5,893,493</u>	<u>\$ 1,191,341</u>	<u>\$ -</u>	<u>\$ 8,600,703</u>
Net amount as of December 31, 2022	<u>\$ 207,567</u>	<u>\$ 2,258,745</u>	<u>\$ 3,168,498</u>	<u>\$ 349,716</u>	<u>\$ 549</u>	<u>\$ 5,985,075</u>

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	Proprietary land	Building	Machinery and equipment	Other equipment	Construction in progress	Total
<u>Costs</u>						
Balance as of January 1, 2023	\$ 207,567	\$ 3,774,614	\$ 9,061,991	\$ 1,541,057	\$ 549	\$ 14,585,778
Additions	-	3,503	275,886	54,830	-	334,219
Disposal	-	(8,974)	(585,908)	(52,268)	-	(647,150)
Net exchange differences	-	(54,634)	(143,188)	(16,745)	1	(214,566)
Other reclassification	-	-	63,227	15,506	(550)	78,183
Balance as of December 31, 2023	<u>\$ 207,567</u>	<u>\$ 3,714,509</u>	<u>\$ 8,672,008</u>	<u>\$ 1,542,380</u>	<u>\$ -</u>	<u>\$ 14,136,464</u>
<u>Accumulated depreciation and impairment</u>						
Balance as of January 1, 2023	\$ -	\$ 1,515,869	\$ 5,893,493	\$ 1,191,341	\$ -	\$ 8,600,703
Depreciation expenses	-	124,112	566,243	106,365	-	796,720
Disposal	-	(8,752)	(425,569)	(51,480)	-	(485,801)
Net exchange differences	-	(22,230)	(100,027)	(13,320)	-	(135,577)
Impairment losses (reversed)	-	-	796	-	-	796
Other reclassification	-	-	(5,255)	(2,920)	-	(8,175)
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 1,608,999</u>	<u>\$ 5,929,681</u>	<u>\$ 1,229,986</u>	<u>\$ -</u>	<u>\$ 8,768,666</u>
Net amount as of December 31, 2023	<u>\$ 207,567</u>	<u>\$ 2,105,510</u>	<u>\$ 2,742,327</u>	<u>\$ 312,394</u>	<u>\$ -</u>	<u>\$ 5,367,798</u>

The Board of Directors of the subsidiary, Dyna Rechi Co., Ltd., approved a plan to dispose of the Pingtung Plant building on September 14, 2022 and signed a real estate sales agreement with a non-related party, Taiwan Fu Hsing Industrial Co., Ltd., on September 27, 2022, with the sale price of NTD 506,216 thousand. As the sale price was estimated to exceed the carrying amount of the relevant net assets, there was no impairment loss to be recognized when the entity was classified as non-current assets held for sale. This disposal plan was completed on December 28, 2022, and the control of the building was transferred to the buyer on the same date.

The subsidiary expected that the future economic benefits of some of the plants would increase, resulting in the recoverable amount being greater than its carrying amount. Therefore, the impairment loss of NTD 2,317 thousand was reversed for 2022, and the impairment loss reverse has been included in other profits and losses.

The subsidiaries determine the recoverable amount of the relevant plants based on the fair value less the disposal cost. The relevant fair value is determined by cost. The cost method used is Level 3 fair value measurement with the total cost of repurchasing or constructing a new asset under the current conditions, less the physical depreciation, functional depreciation, and economic depreciation that have occurred.

Moreover, changes in product sales in the home appliance motor department have led to idle production lines. Due to the poor sales of the BLDC motor business segment and the poor production capacity utilization at some plants, the Group estimated that the future cash inflow from relevant machinery and equipment and other equipment would decrease, resulting in the recoverable amount being less than its carrying amount. Therefore, the Company recognized impairment loss of NTD 796 thousand and NTD 5,595 for 2022 and 2023, respectively. The Group adopted value in use as the recoverable amount of the machinery and equipment and other equipment.

Depreciation expenses is appropriated in accordance with the straight-line method and the years of useful life illustrated below:

Building	
Plant building	10 to 55 years
Electromechanical power equipment	5 to 35 years
Engineering systems	2 to 55 years
Others	3 to 35 years
Machinery and equipment	1 to 20 years
Other equipment	1 to 20 years

Please refer to Note 31 for the amount of property, plant and equipment pledged as guarantees for borrowings.

15. Lease arrangements

(1) Right-of-use assets.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Land	\$ 132,098	\$ 138,595
Building	12,475	23,419
Transportation equipment	<u>2,352</u>	<u>5,379</u>
	<u>\$ 146,925</u>	<u>\$ 167,393</u>
	<u>2023</u>	<u>2022</u>
Addition of right-of-use assets	<u>\$ -</u>	<u>\$ 5,831</u>
Depreciation expense of right-of-use assets		
Land	\$ 4,249	\$ 4,439
Building	8,986	11,165
Transportation equipment	<u>3,027</u>	<u>2,227</u>
	<u>\$ 16,262</u>	<u>\$ 17,831</u>

(2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 10,255</u>	<u>\$ 12,439</u>
Non-current	<u>\$ 5,813</u>	<u>\$ 17,754</u>

The range of lease liability discount is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	-	2.95%
Building	1.35%~2.20%	1.35%~2.20%
Transportation equipment	1.35%~2.70%	1.35%~2.70%

(3) Important rental activities and terms

The Group leases land located in Mainland China for a lease term of 50 years. All rents have been paid at the time of the lease, and when the lease term is terminated, the Group has no preferential right to acquire the land leased.

(4) Other lease information

The Group has leased out part of the plant buildings, dormitories, machinery, and equipment, etc., under operating leases, with lease terms of 1 to 5 years.

	<u>2023</u>	<u>2022</u>
Short-term lease expense	<u>\$ 13,281</u>	<u>\$ 4,110</u>
Variable lease payments not included in lease liability measurement	<u>\$ 7,575</u>	<u>\$ 9,367</u>
Total cash (outflow) of leases	<u>(\$ 33,473)</u>	<u>(\$ 27,630)</u>

The Group has elected to apply the recognition exemption for leases of dormitories and other equipment that meet short-term leases, and, thus, did not recognize said leases in right-of-use assets and lease liabilities.

16. Other assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Prepayment for purchase	\$ 397,880	\$ 331,037
Other prepayments (Note)	306,584	317,497
Others	<u>26,990</u>	<u>17,854</u>
	<u>\$ 731,454</u>	<u>\$ 666,388</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 117,854	\$ 122,931
Refundable deposits	<u>31,188</u>	<u>23,525</u>
	<u>\$ 149,042</u>	<u>\$ 146,456</u>

Note: Other prepayments refer to input tax and retained tax credit.

17. Borrowings

(1) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured loans</u>		
- Credit borrowings	<u>\$ 570,000</u>	<u>\$ 1,093,555</u>
<u>Interest rate collars</u>		
- Unsecured borrowings	1.87%~1.92%	1.80%~5.90%

(2) Short-term notes payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial papers payable	\$ 400,000	\$ 320,000
Less: Discount of short-term notes and bills payable	(<u>796</u>)	(<u>353</u>)
	<u>\$ 399,204</u>	<u>\$ 319,647</u>

The short-term notes payable not due yet are enumerated below:

December 31, 2023

<u>Guarantee/underwriting institutions</u>	<u>Face amount</u>	<u>Discounted amount</u>	<u>Book value</u>	<u>Interest rate collars</u>	<u>Collateral</u>	<u>Collateral Book amount</u>
<u>Commercial papers payable</u>						
Dah Chung Bills Finance Corp.	\$ 100,000	\$ 86	\$ 99,914	Note	—	\$ -
International Bills Finance Corporation	150,000	544	149,456	Note	—	-
Ta Ching Bills Finance Corporation	<u>150,000</u>	<u>166</u>	<u>149,834</u>	Note	—	<u>-</u>
	<u>\$ 400,000</u>	<u>\$ 796</u>	<u>\$ 399,204</u>			<u>\$ -</u>

Note: Interest rate range is 1.89%–2.21%.

December 31, 2022

<u>Guarantee/underwriting institutions</u>	<u>Face amount</u>	<u>Discounted amount</u>	<u>Book value</u>	<u>Interest rate collars</u>	<u>Collateral</u>	<u>Collateral Book amount</u>
<u>Commercial papers payable</u>						
China Bills Finance Corporation	\$ 50,000	\$ 20	\$ 49,980	Note	—	\$ -
International Bills Finance Corporation	200,000	300	199,700	Note	—	-
Ta Ching Bills Finance Corporation	30,000	17	29,983	Note	—	-
Mega Bills Finance Co., Ltd.	<u>40,000</u>	<u>16</u>	<u>39,984</u>	Note	—	<u>-</u>
	<u>\$ 320,000</u>	<u>\$ 353</u>	<u>\$ 319,647</u>			<u>\$ -</u>

Note: Interest rate range is 1.89%–2.50%.

(3) Long-term borrowings

	Date of maturity	Material terms	December 31, 2023	December 31, 2022
<u>Secured loans (Note 31)</u>				
Mega International Commercial Bank	2024.07.26	From July 26, 2019 to July 26, 2024, NTD 1,600,000 thousand was drawn down, and will be repaid in a lump sum upon maturity.	\$ 1,600,000	\$ 1,600,000
Chang Hwa Commercial Bank, Ltd.	2029.10.15	The amounts of NTD 86,000 thousand, NTD 10,000 thousand, and NTD 24,780 thousand were drawn down on October 15, 2019, February 5, 2020, and April 6, 2020, respectively, and the principal and interest will be amortized and repaid monthly from November 15, 2022.	100,650	117,904
<u>Unsecured loans</u>				
Far Eastern International Bank Co., Ltd.	2024.10.25	From May 2, 2023 to October 25, 2024, NTD 280,000 thousand was drawn down, and will be repaid in a lump sum upon maturity.	280,000	-
Taipei Fubon Commercial Bank (formerly Jih Sun International Commercial Bank)	2023.11.24	From May 17, 2022 to November 24, 2023, NTD 200,000 thousand was drawn down, and will be repaid in a lump sum upon maturity.	-	200,000
Bank of Taiwan	2024.05.05	From November 26, 2021 to May 5, 2024, NTD 200,000 thousand was drawn down, and NTD 100,000 thousand was repaid early in January 2022, and the remaining amount will be repaid upon maturity.	100,000	100,000
Chang Hwa Commercial Bank, Ltd.	2027.02.15	The amounts of NTD 64,300 thousand, NTD 69,000 thousand, NTD 74,000 thousand, and NTD 71,000 thousand were drawn down on February 26, 2020, April 13, 2020, June 22, 2020, and August 24, 2020, respectively, and the principal and interest will be amortized and repaid monthly from March 15, 2023.	<u>220,321</u>	<u>278,300</u>
			2,300,971	2,296,204
Less: Current portion			(<u>2,072,627</u>)	(<u>282,469</u>)
Long-term borrowings			<u>\$ 228,344</u>	<u>\$ 2,013,735</u>

The effective interest rate as of December 31, 2023 and 2022 was 1.35%–1.93% and 1.10%– 1.73%, respectively.

The Company has taken out loans from Mega International Commercial Bank, Chang Hwa Commercial Bank, Ltd., and Taipei Fubon Commercial Bank Co., Ltd (formerly Jih Sun International Commercial Bank). The contracts also stated four commitments based on the Company's consolidated financial statements: 1. The current ratio shall be maintained at 100% or more. 2. The debt ratio shall be maintained below 200%—250% (inclusive) or lower. 3. The interest coverage ratio shall be maintained above 2–2.5 times (inclusive). 4. The net value of tangible assets shall be maintained at NTD 5,000,000 thousand or more. The company's consolidated financial statements have satisfied said commitments.

(4) Long-term notes payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial papers payable	\$ 350,000	\$ 350,000
Less: Discount of long-term notes payable	(<u>1,039</u>)	(<u>501</u>)
	348,961	349,499
Less: Portion due within one year	(<u>348,961</u>)	(<u>-</u>)
	<u>\$ -</u>	<u>\$ 349,499</u>

1. The Company and the International Bills Finance Corporation signed a bank-guaranteed commercial paper revolving credit line and underwriting contract, allowing the Company to issue a 90-day bank-guaranteed commercial paper with a revolving credit line within a 5-year period. The Company drew down the underwriting facility of NTD 700,000 thousand as of November 18, 2019, with contract expiration dated November 11, 2024, of which NTD 350,000 thousand was repaid early by December 24, 2021.
2. The Company and the Ta Ching Bills Finance Corporation signed a bank-guaranteed commercial paper revolving credit line and underwriting contract, allowing the Company to issue a 90-day bank-guaranteed commercial paper with a revolving credit line within a 5-year period. The Company drew down the underwriting facility of NTD 300,000 thousand as of December 25, 2019, with the contract expiration dated November 29, 2024, and it was repaid early on July 8, 2022.
3. The effective interest rate for long-term notes payable as of December 31, 2023 and 2022 was 1.66% and 1.38%, respectively.

18. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salary and bonus payables	\$ 268,264	\$ 261,562
Remuneration to employees and directors payable	118,847	124,226
Payable tax	31,790	50,044
Vacation benefit payable	18,060	20,010
Equipment payables	33,597	42,585
Dividends to be paid	-	48,989
Others (Note)	<u>246,778</u>	<u>278,592</u>
	<u>\$ 717,336</u>	<u>\$ 826,008</u>

Note: Others are freight, commission, interest, and utilities expenses payable.

19. Retirement benefits plan

(1) Defined contribution pension plan

The Company and Dyna Rechi Co., Ltd. in the Group have adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in Mainland China are members of the retirement benefit plan managed by the Mainland China government. The subsidiaries must contribute a specific proportion of the salary cost to the retirement benefit plan to provide funding for the plan. The Group's obligation for this government-managed retirement benefit plan is only to contribute a specific amount.

(2) Defined benefit plan

The company within the Group has a pension plan arranged in accordance with the "Labor Standard Law" of the Republic of China that was a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The company has a pension appropriated for an amount equivalent to 4% of the monthly salary and the proceeds are deposited in the designated account with Taiwan Bank in the name of the Labor Pension Reserve Commission. If the account balance before yearend is expected to be insufficient for paying the retiring employees of the year, the amount of difference should be appropriated in a lump sum before the end of March in the following year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the consolidated balance sheet is shown below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligations	\$ 125,388	\$ 130,842
The fair value of plan assets	(<u>85,393</u>)	(<u>82,953</u>)
Net defined benefit liability	<u>\$ 39,995</u>	<u>\$ 47,889</u>

Change in net defined benefit liability is shown below

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit liability
Balance as of January 1, 2022	<u>\$ 147,803</u>	<u>(\$ 94,178)</u>	<u>\$ 53,625</u>
Service costs			
Current service cost	1,105	-	1,105
Interest expenses (revenues)	<u>924</u>	<u>(595)</u>	<u>329</u>
Recognized in the profit or loss	<u>2,029</u>	<u>(595)</u>	<u>1,434</u>
Reevaluation			
Planned ROE (except the amount of net interest)	-	(7,482)	(7,482)
Actuarial losses (gains)			
- Changes in financial assumptions	1,229	-	1,229
- Experience adjustments	<u>3,796</u>	<u>-</u>	<u>3,796</u>
Recognized in the other comprehensive profit of loss	<u>5,025</u>	<u>(7,482)</u>	<u>(2,457)</u>
Employer appropriation	-	(4,713)	(4,713)
Benefits paid	<u>(24,015)</u>	<u>24,015</u>	<u>-</u>
Balance as of December 31, 2022	<u>\$ 130,842</u>	<u>(\$ 82,953)</u>	<u>\$ 47,889</u>
Balance as of January 1, 2023	<u>\$ 130,842</u>	<u>(\$ 82,953)</u>	<u>\$ 47,889</u>
Service costs			
Current service cost	782	-	782
Interest expenses (revenues)	<u>1,963</u>	<u>(1,253)</u>	<u>710</u>
Recognized in the profit or loss	<u>2,745</u>	<u>(1,253)</u>	<u>1,492</u>
Reevaluation			
Planned ROE (except the amount of net interest)	-	(598)	(598)
Actuarial losses (gains)			
- Changes in financial assumptions	2,872	-	2,872
- Experience adjustments	<u>(6,349)</u>	<u>-</u>	<u>(6,349)</u>
Recognized in the other comprehensive profit of loss	<u>(3,477)</u>	<u>(598)</u>	<u>(4,075)</u>
Employer appropriation	-	(5,311)	(5,311)
Benefits paid	<u>(4,722)</u>	<u>4,722</u>	<u>-</u>
Balance as of December 31, 2023	<u>\$ 125,388</u>	<u>(\$ 85,393)</u>	<u>\$ 39,995</u>

The recognized loss of determined benefit plans by function is summarized below:

	2023	2022
Operating cost	<u>\$ 153</u>	<u>\$ 162</u>
Marketing expenses	-	5
Administrative expenses	1,324	1,267
Research and development expenses	<u>15</u>	<u>-</u>
	<u>\$ 1,492</u>	<u>\$ 1,434</u>

The pension fund system of the company contained in the financial statements is exposed to the following risks due to the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the Company contained in the financial statements shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.
2. Interest rate risk: The decline in interest rates of government bonds will cause the present value of the defined benefit obligations to go up; however, the return on debt investment of the plan assets will go up too; therefore, they both have a partial write-off effect on the net defined benefit liability.
3. Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As such, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the company contained in the financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.250%	1.500%
The expected rate of increase in salaries	3.000%	3.000%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	(\$ 2,872)	(\$ 3,139)
Decrease by 0.25%	<u>\$ 2,971</u>	<u>\$ 3,251</u>

The expected rate of increase in salaries

Increase by 0.25%	<u>\$ 2,871</u>	<u>\$ 3,148</u>
Decrease by 0.25%	<u>(\$ 2,791)</u>	<u>(\$ 3,056)</u>

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount projected for appropriation in 1 year	<u>\$ 5,360</u>	<u>\$ 1,100</u>
Average maturity of determined benefit obligation	9.3 years	9.7 years

20. Equity

(1) Capital stock

Common shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized number of shares (thousand shares)	<u>600,000</u>	<u>600,000</u>
Authorized capital	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued with fully paid-in capital (thousand shares)	<u>504,915</u>	<u>504,915</u>
Outstanding capital	<u>\$ 5,049,151</u>	<u>\$ 5,049,151</u>

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

(2) Capital reserves

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Other capital surplus of shares	\$ 279,956	\$ 279,956
Corporate bond conversion premium	1,050,383	1,050,383
Endowments	1,651	1,651
Treasury stock trade	11	11
Difference between consideration and carrying amount of subsidiaries acquired or disposed	11,445	-
<u>For covering loss carried forward only.</u>		
Gains on disposal of assets	21	21
Recognition of changes in ownership interests of subsidiaries (2)	11,693	11,693
Others	<u>164</u>	<u>164</u>
	<u>\$ 1,355,324</u>	<u>\$ 1,343,879</u>

(1) Such additional paid-in capital can be used to make up for losses; also, when the company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(2) Such capital reserves are the effects of equity transactions recognized due to the changes in a subsidiary's equity when the Company has not actually acquired or disposed of the equity of the subsidiary.

(3) Retained earnings and Dividend Policy

The Company's shareholders' meeting, on June 15, 2022, passed a resolution to amend its Articles of Incorporation, to specify that the Company delegates the Board of Directors, by supermajority resolution, to pay out dividends and bonuses to be distributed in cash and report to the shareholders' meeting.

According to the earnings distribution policy of the Company's amended Articles of Association, if there are earnings in the Company's annual final accounts, the Company shall pay taxes, compensate the accumulated losses over the years, set aside 10% as a statutory surplus reserve, and then appropriate or reverse a special surplus reserve according to the laws or regulations of the competent authority. Regarding the special surplus reserve, if there are still earnings available, shareholder dividends shall be provided therefrom. For stock dividends, the Board of Directors draws up an earnings distribution proposal and submits it to the shareholders' meeting for resolution for distribution of shareholder dividends. If cash dividends are distributed, it shall be approved by a resolution by more than half of all directors present at a board meeting attended by two-thirds or more of all directors and reported to the shareholders' meeting. Please refer to Note 22 (7) regarding the policy for remuneration to the employees and the directors as stipulated in the Company's Articles of Association.

According to the earnings distribution policy of the Company's Articles of Association before amendment, if there are earnings in the Company's annual final accounts, the Company shall pay taxes, compensate the accumulated losses over the years, set aside 10% as a statutory surplus reserve, and then appropriate or reverse a special surplus reserve according to laws or regulations of the competent authority. Regarding the special surplus reserve, if there are still earnings available, together with the accumulated undistributed earnings, the Board of Directors shall put forward an earnings distribution proposal and submit it to the shareholders' meeting for a resolution to distribute dividends to shareholders.

For the Company's need for sustainable operation and business growth and to take into account the maintenance of profitability, the Company's capital budget plan is adopted to measure the capital needs of the following years. The board of directors drafts a shareholders' dividend distribution plan according to the law every year and submits it to the shareholders' meeting. Shareholders' dividends are distributed in two ways: cash dividends and stock dividends. The cash dividends must not be less than 10% of the total dividends distributed, and the rest are stock dividends.

Legal reserve shall be allocated up to the amount equivalent to the paid-in capital of the company. Legal reserve could be allocated for covering loss carried forward. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

The Company has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, FSC.Certificate.Issue.Tzi No. 1010047490 Letter, and "Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs)."

The Company's shareholders' meeting, on June 15, 2022, resolved a decision to amend the Company's Articles of Association, specifying that when a special reserve is provided from the net deduction of other equity accumulated from the prior periods, if the undistributed earnings from the prior period are insufficient for provision, the special reserve shall be provided from the net income after tax for the current period,

plus items other than net income after tax, included in the amount of the undistributed earnings for the current period. Before the Articles of Association were amended, the Company provided a special reserve from the undistributed earnings from the prior period in accordance with the law.

Proposal for the Company's 2022 and 2021 earnings distribution are as follows:

	Distribution of retained earnings		Dividend Per Share (NTD)	
	2022	2021	2022	2021
Legal reserve appropriated	\$ 69,025	\$ 94,552		
Special reserve appropriated (reversed)	(146,967)	332,733		
Cash dividend	449,996	349,927	\$ 0.9	\$ 0.7

The distribution of 2022 cash dividends was resolved by the board of directors on March 7, 2023. The rest earnings appropriation items were resolved by the general shareholders meetings on June 15, 2023 and 2022, respectively.

On March 12, 2024, the board of directors proposed the 2023 earnings distribution proposal as follows:

	Distribution of retained earnings	Dividend Per Share (NTD)
Legal reserve appropriated	\$ 75,423	
Special reserve appropriated	168,420	
Cash dividend	499,995	\$ 1.0

The Board of Directors has decided to distribute the above cash dividends by resolution and is pending resolution by the annual shareholders' meeting scheduled to be held on June 13, 2024.

(4) Special surplus reserves

A special surplus reserve appropriated because of the first-time adoption of IFRSs for the exchange differences on translation of the financial statements of foreign operations (including subsidiaries) is reversed based on the percentage of the Company's disposal. When the Company loses significant influence, said reserve will be fully reversed. When distributing the earnings, a special surplus reserve shall be appropriated for the difference between the net deduction of other shareholders' equity and the special surplus reserve for the first-time application of IFRSs at the end of the reporting period. If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount can be distributed.

As of December 31, 2023 and 2022, the special surplus reserve provided by the Company in accordance with Letter Jin Guan-Zheng-Fa No. 1010012865 was NTD 928,988 thousand and NTD 1,075,955 thousand, respectively.

(5) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	2023	2022
Balance, beginning of year	(\$ 859,668)	(\$ 1,014,075)
Generated in current year		
Exchange differences on translation of foreign operations	(207,412)	193,009
Relating income tax	41,482	(38,602)
Balance, end of year	(\$ 1,025,598)	(\$ 859,668)

2. Unrealized gain on financial assets at fair value through other comprehensive profit or loss

	2023	2022
Balance, beginning of year	(\$ 69,320)	(\$ 61,880)
Generated in current year		
Unrealized gains or losses – equity instruments	(2,490)	(7,440)
Balance, end of year	(\$ 71,810)	(\$ 69,320)

(6) Non-controlling interests

	2023	2022
Balance, beginning of year	\$ 1,379,424	\$ 1,410,508
Net profits of the current year	50,046	14,101
Other comprehensive income of the current year		
Exchange differences from the translation of financial statements of foreign operations	(6,326)	19,870
Relating income tax	(1,502)	(1,532)
Cash dividend to the subsidiary's shareholders	-	(63,523)
Acquisition of non-controlling interests in subsidiaries (Note 27)	(259,445)	-
Balance, end of year	\$ 1,162,197	\$ 1,379,424

(7) Treasury shares

Cause	Transfer of shares to employees (Thousand shares)
Number of shares on January 1, 2022	5,020
Decrease in current period	(100)
Number of shares on December 31, 2022	4,920
Number of shares on January 1 and December 31, 2023	4,920

The company's Treasury stock may not be pledged in accordance with the Security and Exchange Law; moreover, it is without the privilege of dividend and voting right.

21. Revenue

(1) Revenue from contracts with customer

Product type	2023	2022
Commodity sales revenue		
Compressor	\$ 16,053,060	\$ 17,513,716
BLDC motors	320,215	535,990
Others	486,420	321,284
	<u>\$ 16,859,695</u>	<u>\$ 18,370,990</u>

(2) Refund liability

Based on historical experience and contract conditions, the Group's estimated refund liability for sales returns and discounts in 2023 and 2022 was NTD 704,407 thousand and NTD 461,765 thousand, respectively. As of December 31, 2023 and 2022, the balance of the refund liability was NTD 715,327 thousand and NTD 490,009 thousand, respectively.

22. Business units in continuing operation income

(1) Interest revenue

	2023	2022
Bank deposits	<u>\$ 105,791</u>	<u>\$ 116,326</u>

(2) Other income

	2023	2022
Rent revenue		
Other operating leases (Note 15)	\$ 15,843	\$ 22,022
Dividend income		
Financial assets at fair value through profit and loss	-	158
Others (Note 26)	53,154	45,544
	<u>\$ 68,997</u>	<u>\$ 67,724</u>

(3) Other profits and losses

	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss	\$ 53,129	\$ 39,332
Gains (losses) on disposal of affiliated companies	22,420	-
Net foreign exchange gain (loss)	39,929	200,113
Gains (losses) on disposal of property, plant and equipment and right-of-use assets	(24,056)	125,222
Goodwill impairment loss	-	(55,725)
Impairment loss of property, plant and equipment	(796)	(3,278)
Others	(8,822)	(23,831)
	<u>\$ 81,804</u>	<u>\$ 281,833</u>

The components of financial assets at FVTPL are as follows:

	<u>2023</u>	<u>2022</u>
Interest income from wealth management products	\$ 53,159	\$ 41,294
Net gains and losses on changes in the fair value of stocks and fund beneficiary certificates	(30)	(1,962)
	<u>\$ 53,129</u>	<u>\$ 39,332</u>

As the Group, on December 31, 2022, assessed that the recoverable amount of the home appliance motor business segment was less than its carrying amount, it recognized a goodwill impairment loss of NTD 55,725 thousand for 2022. The recoverable amount of the home appliance motor business segment was determined on the basis of value in use and calculated at the discounted cash flow estimate of the financial budget approved by the Group's management for the following five years.

(4) Financial costs

	<u>2023</u>	<u>2022</u>
Interest from bank borrowings	\$ 71,102	\$ 79,676
Interest on lease liabilities	475	935
Other financial costs	3,999	6,164
	<u>\$ 75,576</u>	<u>\$ 86,775</u>

(5) Depreciation and amortization

	<u>2023</u>	<u>2022</u>
Consolidation of depreciation expenses based on functions		
Operating cost	\$ 666,864	\$ 734,196
Operating expenses	<u>146,118</u>	<u>157,076</u>
	<u>\$ 812,982</u>	<u>\$ 891,272</u>
Consolidation of amortization expenses based on functions		
Operating cost	\$ 326	\$ 675
Operating expenses	<u>12,689</u>	<u>9,547</u>
	<u>\$ 13,015</u>	<u>\$ 10,222</u>

(6) Employee benefits expenses

	<u>2023</u>	<u>2022</u>
Retirement benefits		
Defined contribution pension plan	\$ 11,445	\$ 12,152
Defined benefit plan (Note 19)	<u>1,492</u>	<u>1,434</u>
	12,937	13,586
Other employee benefits	<u>1,786,680</u>	<u>1,818,614</u>
Total employee benefits expenses	<u>\$ 1,799,617</u>	<u>\$ 1,832,200</u>
Consolidation based on functions		
Operating cost	\$ 1,103,469	\$ 1,156,115
Operating expenses	<u>696,148</u>	<u>676,085</u>
	<u>\$ 1,799,617</u>	<u>\$ 1,832,200</u>

(7) Remuneration to the employees and the directors

According to the Company's Articles of Association, based on the current year's pre-tax income before deduction of the remuneration to employees and directors, no less than 1% and no greater than 8% of the balance is allocated as remuneration to employees, and no more than 3% for remuneration to directors. For 2023 and 2022, the remuneration to employees and directors was estimated based on the aforementioned pre-tax profit and the possible distributable amount according to the past experience.

The remuneration to employees and directors for 2023 and 2022 was resolved by the board of directors on March 12, 2024 and March 7, 2023, respectively, as follows:

Amount

	2023		2022	
	Cash	Stock	Cash	Stock
Remuneration to employees	\$ 47,332	\$ -	\$ 43,754	\$ -
Remuneration to directors	14,791	-	13,964	-

If there are still changes in the amount specified in the consolidated financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

There is no difference between the remuneration to employees and directors actually distributed for 2022 and 2021 and the amount recognized in the consolidated financial statements for 2022 and 2021.

For information on the remuneration to employees and directors as resolved by the Company's board of directors, please visit the Market Observatory Post System of the Taiwan Stock Exchange.

(8) Foreign exchange gain (loss)

	2023	2022
Total foreign exchange gains	\$ 300,132	\$ 566,423
Total foreign exchange gain (loss)	(260,203)	(366,310)
Net profit (loss)	<u>\$ 39,929</u>	<u>\$ 200,113</u>

23. Continuing department income tax

(1) Income tax recognized in profit or loss

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

	2023	2022
Income tax expenses in the current period		
Accrued in current year	\$ 499,695	\$ 377,453
Additional levy on undistributed earnings	15,910	7,332
Prior year adjustment	(196,938)	(126,346)
	<u>318,667</u>	<u>258,439</u>
Deferred tax		
Accrued in current year	(52,417)	(67,340)
Prior year adjustment	<u>50,769</u>	<u>50,095</u>
	(1,648)	(17,245)
Income tax expense recognized in the profit or loss	<u>\$ 317,019</u>	<u>\$ 241,194</u>

Adjustment of accounting income and income tax expense are as follows:

	<u>2023</u>	<u>2022</u>
Income before tax from continuing operations	<u>\$ 1,118,037</u>	<u>\$ 943,576</u>
Income tax expense of net income before tax at the statutory tax rate	\$ 473,296	\$ 305,105
Non-deductible expenses and losses for tax purposes	2,369	29,200
Non-taxable income	(25,174)	(16,105)
Additional levy on undistributed earnings	15,910	7,332
Unrecognized deductible temporary differences	47,556	42,008
Income tax expense of prior years adjusted in the current year	(<u>196,938</u>)	(<u>126,346</u>)
Income tax expense recognized in the profit or loss	<u>\$ 317,019</u>	<u>\$ 241,194</u>

Except for TCL Rechi (Huizhou) Refrigeration Equipment Company Limited, Rechi Precision (Qingdao) Electric Machinery Limited, Rechi Refrigeration Dongguan Co., Ltd., Rechi Precision (Jiujiang) Electric Machinery Limited, and Dyna Rechi Jiujiang Co., Ltd., which enjoy a preferential tax rate of 15% as in high-tech industries, the tax rate applicable to the subsidiaries in China is 25%.

(2) Income tax recognized in the other comprehensive profit or loss

	<u>2023</u>	<u>2022</u>
<u>Deferred tax</u>		
Accrued in current year		
- Translation of foreign operations	(\$ 39,980)	\$ 40,134
- Remeasurement of defined benefit plan	<u>815</u>	<u>491</u>
	(<u>\$ 39,165</u>)	<u>\$ 40,625</u>

(3) Current Tax Liability

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current Tax Liability		
Payable income tax	<u>\$ 450,276</u>	<u>\$ 427,112</u>

(4) Deferred income tax assets and liabilities

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

2023

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Directly recognized in equity	Exchange difference	Balance, end of year
<u>Deferred income tax assets</u>						
Temporary difference						
Investment losses of foreign investment companies	\$ 3,798	(\$ 3,798)	\$ -	\$ -	\$ -	\$ -
Allowance to reduce inventory to market	19,720	2,401	-	-	(183)	21,938
Unrealized exchange loss	1,265	4,183	-	-	-	5,448
Liability reserve	20,792	7,735	-	-	(505)	28,022
Refund liability	106,849	58,890	-	-	(2,488)	163,251
Defined benefit pension plans	9,730	(764)	(815)	-	-	8,151
Allowance for losses	4,842	(1,563)	-	-	(52)	3,227
Vacation benefit payable	4,447	(439)	-	-	(30)	3,978
Other payables	2,120	444	-	-	(45)	2,519
Deferred government grants	101,537	(5,381)	-	-	(1,595)	94,561
Exchange differences of foreign operations	100,935	-	39,980	-	-	140,915
Loss deduction	60,861	1,655	-	-	(36)	62,480
Others	19,315	(8,295)	-	-	(158)	10,862
	<u>\$ 456,211</u>	<u>\$ 55,068</u>	<u>\$ 39,165</u>	<u>\$ -</u>	<u>(\$ 5,092)</u>	<u>\$ 545,352</u>
<u>Deferred tax liabilities</u>						
Temporary difference						
Investment gains of foreign investment companies	\$ 703,722	\$ 34,174	\$ -	\$ -	\$ -	\$ 737,896
Real property, plant and equipment	8,885	8,994	-	-	(314)	17,565
Reserve for land revaluation increment tax ("LRIT")	10,104	-	-	-	-	10,104
Unrealized exchange gain	4,375	(3,718)	-	-	-	657
Others	-	13,970	-	-	(280)	13,690
	<u>\$ 727,086</u>	<u>\$ 53,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 594)</u>	<u>\$ 779,912</u>

2022

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Directly recognized in equity	Exchange difference	Balance, end of year
<u>Deferred income tax assets</u>						
Temporary difference						
Investment losses of foreign investment companies	\$ 4,409	(\$ 611)	\$ -	\$ -	\$ -	\$ 3,798
Allowance to reduce inventory to market	25,025	(5,606)	-	-	301	19,720
Unrealized exchange loss	86	1,179	-	-	-	1,265
Liability reserve	21,957	(1,517)	-	-	352	20,792
Refund liability	108,073	(2,896)	-	-	1,672	106,849
Defined benefit pension plans	10,878	(657)	(491)	-	-	9,730
Allowance for losses	4,528	240	-	-	74	4,842
Vacation benefit payable	5,496	(1,105)	-	-	56	4,447
Other payables	6,442	(4,448)	-	-	126	2,120
Deferred government grants	94,148	5,943	-	-	1,446	101,537
Exchange differences of foreign operations	141,069	-	(40,134)	-	-	100,935
Loss deduction	68,717	(7,869)	-	-	13	60,861
Others	9,757	9,459	-	-	99	19,315
	<u>\$ 500,585</u>	<u>(\$ 7,888)</u>	<u>(\$ 40,625)</u>	<u>\$ -</u>	<u>\$ 4,139</u>	<u>\$ 456,211</u>
<u>Deferred tax liabilities</u>						
Temporary difference						
Investment gains of foreign investment companies	\$ 728,450	(\$ 24,728)	\$ -	\$ -	\$ -	\$ 703,722
Real property, plant and equipment	9,520	(774)	-	-	139	8,885
Reserve for land revaluation increment tax ("LRIT")	10,104	-	-	-	-	10,104
Unrealized exchange gain	2,361	2,014	-	-	-	4,375
Others	1,611	(1,645)	-	-	34	-
	<u>\$ 752,046</u>	<u>(\$ 25,133)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173</u>	<u>\$ 727,086</u>

(5) Income tax audit

The profit-seeking enterprise income tax returns filed by the Company and its domestic subsidiaries, Rechi Investments Co., Ltd., Dyna Rechi Co., Ltd., and Ablek Technology Co., Ltd., up to 2021 have been approved by the tax collection authority, and the remaining subsidiaries file local income tax returns in accordance with local regulations.

24. Earnings per share

	Unit: NTD per share	
	2023	2022
Basic earnings per share	<u>\$ 1.50</u>	<u>\$ 1.38</u>
Diluted earnings per share	<u>\$ 1.49</u>	<u>\$ 1.37</u>

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net profits of the current year

	2023	2022
The net income applied to calculate basic earnings per share	<u>\$ 750,972</u>	<u>\$ 688,281</u>

Number of shares

	Unit: shares in thousands	
	2023	2022
Weighted average common stock shares used to calculate basic earnings per share	499,995	499,980
Effect of dilutive potential common stock:		
Remuneration to employees	<u>2,679</u>	<u>3,136</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>502,674</u>	<u>503,116</u>

If the Group may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

25. Share-based payment agreement

Treasury shares granted to employees

The Company granted 100,000 units of treasury stock options to employees in January 2022, and each unit is entitled to subscription for one ordinary share. The recipients of the options include employees of the Company and its subsidiaries who meet specific criteria. The strike price of stock options is the average price at which the Company purchased treasury shares.

The weighted average share price of treasury stock options exercised during 2022 was NTD 18.70 on the exercise date.

The Company adopted the Black-Scholes model for the treasury stock options granted in January 2022. The inputs used in the model are as follows:

	<u>January 2022</u>
Share price on the grant date	NTD 18.70
Strike price	NTD 19.03
Expected volatility	15.33%
Duration	26 days
Risk-free interest rate	0.29%

Expected volatility is based on historical stock price volatility over the past six months.

The remuneration cost recognized for 2022 was NTD 17 thousand.

26. Government grant

The amount of government grants received by the Group in 2023 and 2022 was NTD 31,198 thousand and NTD 71,550 thousand, respectively, which were recognized as current profit or loss or debited to assets for deferred recognition based on the nature of the subsidies.

The amounts recognized in other income are as follows:

	<u>2023</u>	<u>2022</u>
Other income	<u>\$ 21,160</u>	<u>\$ 14,571</u>

In addition, for the subsidized items that are transferred to profit or loss within the useful lives of the assets, as of December 31, 2023 and 2022, the amount of NTD 552,085 thousand and NTD 587,474 thousand had been obtained, respectively. The amount of reduction of depreciation expenses is as follows:

	<u>2023</u>	<u>2022</u>
Reduction of depreciation expenses	<u>\$ 36,019</u>	<u>\$ 44,636</u>

27. Equity transactions with the non-controlling equity

On December 14, 2023, the Group repurchased a 23.45% stake, totaling 24,636 thousand shares, in Dyna Rechi Co., Ltd. from China Steel Corporation, a juridical person director of its subsidiary. This transaction resulted in the Company's shareholding ratio increasing from 42.20% to 65.65% for a consideration of NTD 248,000 thousand. The transaction price was determined with reference to the CPA's fairness opinion on price and was resolved by the board of directors.

Since the transaction above did not change the Group's control over the subsidiary, the Group treated it as an equity transaction.

	<u>2023</u>
Consideration of cash paid	(\$ 248,000)
The carrying amount of the net assets of the subsidiary is calculated for the amount to be transferred (to) from non-controlling interests based on the relative changes in equity.	<u>259,445</u>
Equity transaction balance	<u>\$ 11,445</u>
<u>Adjustment of equity transaction balance</u>	
Capital reserves - difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>\$ 11,445</u>

28. Capital risk management

The Group manages capital to ensure the Group's enterprises to maximize shareholder's returns by optimizing the balance of debt and equity under the precondition of continuing operation. There is no major change in the Group's overall strategy.

The capital structure of the Group is composed of the Group's net debt (i.e. borrowings less cash and cash equivalents) and equity (i.e. share capital, capital reserves, retained earnings, other equity items, and non-controlling interests).

The Group is not required to comply with other external capital requirements, except for the various commitments on long-term borrowings in Note 17.

The Group's management reviews the capital structure yearly, and the reviews include taking into consideration the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure by paying dividends, issuing new shares, buying back shares, borrowing new debts, or repaying old debts based on the suggestions of the key management.

29. Financial instruments

(1) Fair value information- Financial instruments that are not measured at fair value

The Group's management believes that the book value of the financial assets and financial liabilities that are not measured at fair value is close to its fair value.

(2) Information on fair value – financial instruments at fair value on repetition.

1. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit and loss</u>				
Listed stocks – overseas	\$ 4,368	\$ -	\$ -	\$ 4,368
Beneficiary certificates of fund	19,994	-	-	19,994
Wealth management products	-	-	1,319,291	1,319,291
	<u>\$ 24,362</u>	<u>\$ -</u>	<u>\$ 1,319,291</u>	<u>\$ 1,343,653</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Equity investment				
- Domestic non-listed (OTC) stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,190</u>	<u>\$ 8,190</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit and loss</u>				
Listed stocks – overseas	\$ 4,392	\$ -	\$ -	\$ 4,392
Wealth management products	-	-	1,094,216	1,094,216
	<u>\$ 4,392</u>	<u>\$ -</u>	<u>\$ 1,094,216</u>	<u>\$ 1,098,608</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Equity investment				
- Domestic non-listed (OTC) stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,680</u>	<u>\$ 10,680</u>

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

2. Financial instruments are adjusted according to Level 3 fair value.

Financial assets	Financial instruments measured at fair value through profit or loss		Financial instruments at fair value through other comprehensive income	
	2023	2022	2023	2022
Balance, beginning of year	\$ 1,094,216	\$ 1,232,985	\$ 10,680	\$ 18,120
Recognized in profit and loss (Other profit or loss)				
-Realized	53,159	41,294	-	-
Recognized in the other comprehensive income (Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss)	-	-	(2,490)	(7,440)
Disposal/Purchase	171,916	(180,063)	-	-
Balance, end of year	<u>\$ 1,319,291</u>	<u>\$ 1,094,216</u>	<u>\$ 8,190</u>	<u>\$ 10,680</u>

3. Evaluation techniques and an input value of Level 3 fair value measurement

The domestic unlisted equity investment is based on the market approach, which is according to the transaction price of a comparable target. The difference between the target evaluated and the comparable target is considered, and the value of the target evaluated is estimated with an appropriate multiple. In the market approach, evaluation is conducted by referring to the prices of stocks traded in the active market from companies engaged in the same or similar operations so as to determines the value multiple as the basis for evaluation.

For the RMB wealth management products purchased by subsidiaries, the quoted prices offered counterparties are adopted as the valuation techniques and significant unobservable inputs to calculate the expected return on such investment.

(3) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at fair values through profit and/or loss		
Measured at fair value through income under compulsion	\$ 1,343,653	\$ 1,098,608
Financial assets based on cost after amortization (Note 1)	14,523,106	12,813,502
Financial assets at fair value through other comprehensive income		
Equity investment	8,190	10,680
<u>Financial liabilities</u>		
Based on cost after amortization (Note 2)	11,193,827	10,707,302

Note 1: The balances include cash and cash equivalents, notes receivable, accounts receivable, other receivables, deposits, refundable deposits, and other financial assets measured at amortized cost.

Note 2: The balances include short-term borrowings, short-term notes payable, notes payable, accounts payable, other payables, guarantee deposits received, long-term borrowings, long-term notes payable, and other financial liabilities measured at amortized cost.

(4) Purpose and policy of financial risk management

The main financial instruments of the Group include investments in equity and debt instruments, accounts receivable, accounts payable, borrowings, and lease liabilities. The Group's financial management department shall provide services to each business unit, to plan and coordinate operations in the domestic and international financial markets, and to monitor and manage the Group's operation-related financial risks with the internal risk report, with the risk exposure analyzed in accordance with the degree and breadth of risks. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The financial management department reports quarterly to the Group's board of directors.

1. Market Risk

Due to the operating activities, the major financial risk faced by the Group is the foreign currency exchange rate risk (see (1) below) and interest rate risk (see (2) below). The Group manages the foreign currency exchange rate and interest rate risks using the natural hedging method.

The Group's exposure to financial instruments market risk and the management and measurement of the risk exposure have not been changed.

(1) Exchange rate risk

The Group engages in foreign currency-denominated sales and purchase transactions; therefore, the Group is exposed to exchange rate risks. Approximately 40.52% of the Group's sales are not denominated in the functional currency of any of the Group's entity involved in the transaction, and approximately 1.58% of the cost is not denominated in the functional currency of any of the Group's entity involved in the transaction. The Group manages the exposure to the exchange rate risk using the natural hedging method.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currencies of the Group at the balance sheet date (including the monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements), please refer to Note 34.

Sensitivity analysis

The Group is mainly affected by fluctuations in the exchange rates of the USD and RMB.

The Group's sensitivity analysis for New Taiwan Dollar (functional currency) to each relevant foreign currency exchange rates that increased or decreased by 1.7% is illustrated in the following table. The 1.7% sensitivity is used internally for reporting the exchange rate risk to management and is the assessment by management regarding the reasonable and possible changes in foreign exchange rates. The sensitivity analysis includes only the outstanding foreign currency monetary items; also, the translation at yearend is adjusted with the change in exchange rate by 1.7%. Each positive number in the following table represents the amount of increase in net profit before tax when NTD depreciates by 1.7% in relation to each relevant foreign currency; when NTD appreciates by 1.7% in relation to each relevant foreign currency, its effect on net profit before tax will be the negative number of the same amount.

	Effect on USD (i)		Effect on RMB (ii)	
	2023	2022	2023	2022
Profit or loss	\$ 17,366	\$ 30,974	(\$ 14,272)	(\$ 16,826)

- (i) It is mainly derived from the Group's outstanding USD-denominated bank deposits, receivables, and payables at the balance sheet date without cash flow hedging.
 - (ii) It is mainly derived from the Group's outstanding RMB-denominated bank deposits, receivables, and payables at the balance sheet date without cash flow hedging.
- (2) Interest rate risk

Because the entities in the Group hold assets and borrowings with fixed and floating interest rates at the same time, the interest rate risk has arisen. The Group manages interest rate risk by maintaining an appropriate combination of fixed and floating rate.

The book value of the Group's financial assets and financial liabilities with interest rate exposure on the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
With fair value interest rate risk		
- Financial assets	\$ 4,556,264	\$ 4,226,020
- Financial liabilities	985,272	1,443,395
Contain cash flow interest rate risk		
- Financial assets	1,937,841	2,231,187
- Financial liabilities	2,649,932	2,645,703

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For assets and liabilities with floating interest rates, the analysis method is based on the assumption that the amount of assets and liabilities outstanding at the balance sheet date is outstanding throughout the reporting period. The rate of change used when the interest rates are reported to key management in the Group is 100 base points for increase or decrease in interest rates, which also represents the reasonably possible range of changes in interest rates determined by the management.

If the interest rate increased by 100 base points, with all other variables remaining unchanged, the Group's 2023 and 2022 net profit before tax would have decreased by NTD 7,121 thousand and NTD 4,145 thousand, respectively, mainly due to the Group's exposure to the risk of changes in the interest rate.

(3) Other price risks.

The Group is exposed to equity price risk due to investment in domestic and foreign listed stocks and fund beneficiary certificates.

Sensitivity analysis

The sensitivity analysis below is based on the exposure to the equity price risk at the balance sheet date.

If the equity price increased/decreased by 1%, the pre-tax profit or loss for 2023 and 2022 would have increased/decreased by NTD 244 thousand and NTD 44 thousand respectively due to the increase/decrease in the fair value of the financial assets at fair value through profit or loss. Other comprehensive income before tax for 2023 and 2022 would have increased/decreased by NTD 82 thousand and NTD 107 thousand, respectively due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

2. Credit Risk

Credit risk meant for the Group's risk of financial loss due to the counterparty's failure in fulfilling contractual obligations. As of the balance sheet date, the top credit risk the Group might incur in financial losses due to failure by the counterparts in failure in performance of the obligations primarily come from the book value of financial assets recognized in the consolidated balance sheet.

Except for the Group's top six customers, the Group does not have any major exposure to the credit risk of any single counterparty or any group of counterparties with similar characteristics. When the counterparty is an affiliated company, the Group has it defined as a counterparty with similar characteristics. In 2023 and 2022, the Group's concentration of credit risk on the top seven customers did not exceed 12% of the total monetary assets, and the concentration of credit risk on other counterparties did not exceed 1% of the total monetary assets.

The Group's credit risk is mainly concentrated on the top six customers. As of December 31, 2023 and 2022, the percentage of the total accounts receivable from the aforementioned customers was 48% and 55%.

3. Liquidity Risk

The Group has supported the Group's business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The Group's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is a main source of liquidity to the Group. For the Group's bank financing amount not drawn down as of December 31, 2023 and 2022, please refer to the description of (2) regarding the financing amount below.

(1) Liquidity and interest rate risk table of non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the Group's undiscounted cash flow (including principal and estimated interest) of financial liabilities on the earliest possible repayment date upon request. Therefore, the Group may be required to immediately repay the bank loan is illustrated in the following table without considering the probability that the bank may immediately exercise such right. The other non-derivative financial liabilities maturity analysis is prepared in accordance with the agreed repayment date.

December 31, 2023

	Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>					
No interest-bearing liabilities	\$ 1,276,413	\$ 3,047,632	\$ 3,224,697	\$ 25,949	\$ -
Lease liabilities	899	1,798	7,901	5,936	-
Instruments with floating interest rates	10,057	20,098	2,071,286	568,597	14,379
Instruments with fixed interest rates	250,905	721,651	-	-	-
	<u>\$ 1,538,274</u>	<u>\$ 3,791,179</u>	<u>\$ 5,303,884</u>	<u>\$ 600,482</u>	<u>\$ 14,379</u>

Further information about maturity analysis of lease liabilities is as follows:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
Lease liabilities	\$ 10,598	\$ 5,936	\$ -	\$ -	\$ -	\$ -

December 31, 2022

	Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>					
No interest-bearing liabilities	\$ 1,410,892	\$ 2,771,491	\$ 2,482,819	\$ 32,184	\$ -
Lease liabilities	416	2,103	10,283	18,138	-
Instruments with floating interest rates	4,044	13,879	295,318	2,354,265	30,554
Instruments with fixed interest rates	622,719	796,709	-	-	-
	<u>\$ 2,038,071</u>	<u>\$ 3,584,182</u>	<u>\$ 2,788,420</u>	<u>\$ 2,404,587</u>	<u>\$ 30,554</u>

Further information about maturity analysis of lease liabilities is as follows:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
Lease liabilities	\$ 12,802	\$ 18,138	\$ -	\$ -	\$ -	\$ -

Floating interest rate for the above-mentioned non-derivative financial assets and liabilities will vary due to the differences of the floating interest rate and the interest rate estimated on the balance sheet.

(2) Financing amount

	December 31, 2023	December 31, 2022
Secured bank loan		
- The loan quota used	\$ 1,700,650	\$ 1,600,000
- The loan quota not yet used	393,450	184,260
	<u>2,094,100</u>	<u>1,784,260</u>
Unsecured bank loan amount		
- The loan quota used	1,918,486	2,458,905
- The loan quota not yet used	29,773,215	18,665,138
	<u>31,691,701</u>	<u>21,124,043</u>
	<u>\$ 33,785,801</u>	<u>\$ 22,908,303</u>

(5) Information on transfer of financial assets

The relevant information on the factoring of the Group's accounts receivable not due at the end of the year is as follows:

December 31, 2023

Counterparties	Amount factored	Reclassified to other receivables	Amount available	Amount drawn down	The annual interest rate of prepaid amount (%)
DBS Bank Limited	\$ 195,330	\$ -	\$ -	\$ 195,330	2.89%~5.20%

December 31, 2022

Counterparties	Amount factored	Reclassified to other receivables	Amount available	Amount drawn down	The annual interest rate of prepaid amount (%)
DBS Bank Limited	\$ 136,357	\$ -	\$ -	\$ 136,357	0.85%~2.89%

According to the agreement of the factoring contract, the losses arising from business disputes (such as sales returns or discounts) shall be borne by the Group, and the losses arising from the credit risk shall be borne by the bank.

In 2023 and 2022, the Group discounted some of the banker's acceptance receivable in Mainland China to the bank or endorsed and factored it as payments to suppliers. The amount was NTD 1,317,360 thousand and NTD 1,305,324 thousand, respectively. For the banker's acceptance receivable factored, the losses arising from business disputes (such as sales returns or discounts) shall be borne by the Group, and the losses arising from the credit risk shall be borne by said bank.

In 2023 and 2022, the Group recognized financial costs of NTD 961 thousand and NTD 1,417 thousand upon factoring of the banker's acceptance receivable.

30. Related party transactions

The transactions, account balances, income, expenses and losses between the company and subsidiaries (related party of the company) are offset at the time of consolidation; therefore, it is not disclosed in this note. Except as disclosed in other notes, transactions between the Group and other related parties, are also as follows:

(1) Name of related parties and the relations

Name	Relationship with the Group
SAMPO CORPORATION	Investor with significant influence
Sampo Japan	Subsidiary of Sampo Corporation
Qingdao China Steel Precision Metal Co., Ltd.	Affiliated enterprises
Jiangxi Baida Precision Manufacturing Corp.	Affiliated enterprise (non-related party since May 2023)
China Steel Corporation	Substantive related party (a juridical person director of a subsidiary)

(2) Operating income

Account titles in book	Type and Name of related party	2023	2022
Sales revenue	Investor with significant influence	\$ 5,534	\$ 5,366
	Affiliated enterprises	-	676
		<u>\$ 5,534</u>	<u>\$ 6,042</u>

(3) Purchase

Type and Name of related party	2023	2022
Affiliated enterprises	<u>\$ 212,051</u>	<u>\$ 557,336</u>

Compared with other customers, there is no significant difference in the price and payment terms of transactions between the Group and its related parties.

(4) Receivables from concerned parties (excluding loans borrowed from concerned parties)

Account titles in book	Type and Name of related party	December 31, 2023	December 31, 2022
Accounts receivable – related parties	Investor with significant influence	<u>\$ 1,192</u>	<u>\$ 99</u>
Other receivables	Affiliated enterprises	<u>\$ 652</u>	<u>\$ 670</u>

The outstanding receivables from the related party are without any guarantees collected. No allowance for losses was provided for accounts receivable from related parties in 2023 and 2022.

(5) Payables to concerned parties (excluding loans borrowed from concerned parties)

Account titles in book	Type and Name of related party	December 31, 2023	December 31, 2022
Notes payable - related party	Affiliated enterprises	<u>\$ 1,724</u>	<u>\$ 90,311</u>
Accounts payable – related parties	Affiliated enterprises	<u>\$ 3,730</u>	<u>\$ 54,535</u>
Other payables	Investor with significant influence	<u>\$ 830</u>	<u>\$ -</u>

For balance of payables to concerned parties outstanding, no guarantee has been provided.

(6) Other related party transactions

Account titles in book	Type and Name of related party	December 31, 2023	December 31, 2022
Other current liabilities	Qingdao China Steel Precision Metal Co., Ltd.	<u>\$ 12,475</u>	<u>\$ -</u>

(7) Lease agreement

Type and Name of related party	2023	2022
<u>Rent expense</u>		
Investor with significant influence	\$ <u>9,178</u>	\$ <u>440</u>

The rent of the lease contract between the Group and the above-mentioned related parties is determined through negotiation with reference to the market conditions and is paid on a monthly or quarterly basis in accordance with the general payment terms.

Lease expenses include short-term leases. The total amount of lease payments to be paid in the future for short-term leases is as follows:

	December 31, 2023	December 31, 2022
The total amount of lease payments to be paid in the future	\$ <u>10,308</u>	\$ <u>372</u>

(8) Remuneration to the management

	2023	2022
Short-term employee benefits	\$ 70,901	\$ 67,098
Retirement benefits	<u>664</u>	<u>690</u>
	\$ <u>71,565</u>	\$ <u>67,788</u>

The remuneration of directors and other key management personnel is determined by the Remuneration Committee after considering the factors, including industry standards and market conditions and taking into account their education and experience, seniority, work performance, and company profitability.

31. Pledged assets

The following assets have been provided as collateral for borrowings from banks, notes issued, and customs guarantees for imported goods:

	December 31, 2023	December 31, 2022
Proprietary land	\$ 207,567	\$ 207,567
Building	190,199	201,192
Machinery and equipment	128,708	-
Other equipment	3,940	-
Notes receivable	-	236,522
Financial assets based on cost after amortization	<u>2,502,757</u>	<u>1,918,631</u>
	\$ <u>3,033,171</u>	\$ <u>2,563,912</u>

32. Significant contingent liabilities and unrecognized contractual commitments

In addition to those disclosed in other notes, the significant commitments and contingencies of the Group as of the balance sheet date are as follows:

- (1) The amount of the unused letter of credit issued by the Group for the purchase of raw materials and machinery and equipment is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
RMB	\$ 10,000	\$ -

- (2) The Group's unrecognized significant contractual commitment are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Purchase of property, plant, and equipment		
RMB	\$ 24,531	\$ 17,924
NTD	2,506	1,867
JPY	-	54,500
USD	2	2

- (3) The Company has commissioned the bank to issue letters of guarantee to the Customs Administration for the post-release duty payments for imported goods. As of December 31, 2023 and 2022, the amount of the letters of guarantee issued by the bank was NTD 10,000 thousand.
- (4) Subsidiary Dyna Rechi Co., Ltd. has commissioned the bank to issue letters of guarantee to the Customs Administration for the post-release duty payments for imported goods. As of December 31, 2023 and 2022, the amount of the letters of guarantee issued by the bank was NTD 500 thousand.

33. Significant subsequent events

In order to integrate the operation of the BLDC motor business, the Group's board of directors resolved to acquire equity stake in its subsidiary, Dyna Rechi Co., Ltd., on March 12, 2024. The acquisition involves purchasing shares from directors and supervisors of Dyna Rechi Co., Ltd., Taiwan Sanyo Electric Co., Ltd., Richtek Technology Corporation, AccessTop Ltd., director HSU, YUNG FU and his first-degree relatives. The transaction comprises acquiring a 28.77% equity stake in Dyna Rechi Co., Ltd., totaling 30,225 thousand shares, with a transaction amount of NTD 312,249 thousand.

34. Information of foreign currency assets and liabilities with significant effects

The following information is expressed in foreign currencies other than the functional currencies of each entity within the Group; also, the exchange rate disclosed refers to the exchange rate used for having such foreign currency converted into the functional currency. Foreign currency assets and liabilities with significant influence as follows:

December 31, 2023

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book value</u>
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 60,256	30.705 (USD : NTD)	\$ 1,850,151
USD	3,580	7.0827 (USD : RMB)	109,930
RMB	157,012	4.3352 (RMB : NTD)	680,679
RMB	24,893	0.1412 (RMB : USD)	107,917
JPY	23,455	0.2172 (JPY : NTD)	5,094
EUR	2,903	33.98 (EUR : NTD)	98,646
<u>Non-monetary items</u>			
Affiliated company under the equity method			
RMB	38,426	0.1412 (RMB : USD)	166,586
Foreign currency liabilities			
<u>Monetary items</u>			
USD	6,720	30.705 (USD : NTD)	206,348
USD	23,846	7.0827 (USD : RMB)	732,198
RMB	375,552	4.3352 (RMB : NTD)	1,628,097
JPY	759	0.0501 (JPY : RMB)	165
EUR	177	33.98 (EUR : NTD)	6,013

December 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book value</u>
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 65,459	30.71 (USD : NTD)	\$ 2,010,242
USD	27,881	6.9646 (USD : RMB)	856,223
RMB	136,520	4.4094 (RMB : NTD)	601,974
RMB	79,575	0.1436 (RMB : USD)	350,879
JPY	77,455	0.2324 (JPY : NTD)	18,001
EUR	1,531	32.72 (EUR : NTD)	50,107
<u>Non-monetary items</u>			
Affiliated company under the equity method			
RMB	111,136	0.1436 (RMB : USD)	490,048
Foreign currency liabilities			
<u>Monetary items</u>			
USD	9,678	30.71 (USD : NTD)	297,201
USD	24,332	6.9646 (USD : RMB)	747,245
RMB	440,563	4.4094 (RMB : NTD)	1,942,634
JPY	34,640	0.0527 (JPY : RMB)	8,050
EUR	260	32.72 (EUR : NTD)	8,506

The Group mainly bears the foreign currency exchange rate risk in USD and RMB. The following information is presented in the functional currency of each entity possessing foreign currency. The disclosed exchange rate refers to the exchange rate of such functional currency converting into the presentation currency. The realized and unrealized foreign currency exchange gains and losses with a material impact are as follows:

Functional currency	2023		2022	
	Functional currency exchanges for presentation currency	Net exchange losses (gains)	Functional currency exchanges for presentation currency	Net exchange losses (gains)
USD	31.155 (USD : NTD)	\$ 7,599	29.805 (USD : NTD)	(\$ 1,117)
NTD	1 (NTD : NTD)	44,721	1 (NTD : NTD)	260,090
RMB	4.424 (RMB : NTD)	(12,391)	4.435 (RMB : NTD)	(58,860)
		<u>\$ 39,929</u>		<u>\$ 200,113</u>

35. Notes of disclosure

(1) Information about important transactions:

1. The Loaning of funds: Table 1.
2. Endorsement and Guarantee: Table 2.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Table 3.
4. The cumulative purchase or sale of the same security for an amount exceeding NTD 300 million or 20% of paid-in capital: Table 4.
5. The acquisition of real estate for an amount exceeding NTD 300 million or 20% of paid-in capital: None.
6. The disposal of real estate for an amount exceeding NTD 300 million or 20% of paid-in capital: None.
7. The purchase or sale with the related party for an amount exceeding NTD 100 million or 20% of paid-in capital: Table 5.
8. Accounts receivable-related party reaching NTD 100 million or more than 20% of the Paid-in shares capital: Table 6.
9. Trading in derivative instruments: N/A.
10. Other: business relationships and significant intercompany transactions between parent and subsidiary units: Table 7.

(2) Information on investees: Table 8.

(3) Information regarding investment in the territory of Mainland China:

1. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment gains or losses, ending balance, amount received as earnings distributions from the investment, and the limitations on investment: Please see Table 9 attached.
2. Significant direct or indirect transactions with the investee in Mainland China through third regions, its prices, terms of payment, and unrealized gain or loss: Please see Table 10 attached.
 - (1) Input amounts, percentages, balance, and percentages of relevant payable at end of the term.
 - (2) Sales amounts, percentages, balance, and percentages of relevant receivables at end of the term.
 - (3) Amount of property transaction and amount of the profit and/or loss so incurred.
 - (4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term.
 - (5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term.
 - (6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g. provision or acceptance of services.

(4) Information on major shareholders: Names of shareholders with a shareholding ratio of more than 5%, number of shares held, and percentage: Table 11.

36. Segment information

The information provided to the chief operating decision-maker for allocating resources and assessing segment performance is focusing on the type of product or service delivered or provided. The segments of the Group which should be reported are enumerated below:

1. Compressor business unit
2. BLDC motor unit

The chief operating decision maker regards the direct sales units of the business units in the Group as individual operating segments, but when preparing the financial statements, the Group considers the following factors and combined these operating segments into a single operating segment:

1. The operating segments have similar long-term gross profit;
2. The operating segments' nature of products and the manufacturing processes are similar.

(1) Revenues and operating results of segments

Revenues and operating results of the Group's continuing units are analyzed in accordance with segments to be reported, which are summarized as follows:

	Compressor business unit	BLDC motor unit	Others	Total
<u>2023</u>				
Revenues from external customers	\$ 16,053,060	\$ 320,215	\$ 486,420	\$ 16,859,695
Inter-segment income	<u>18,156,404</u>	<u>207,118</u>	<u>387,865</u>	<u>18,751,387</u>
Department income	<u>\$ 34,209,464</u>	<u>\$ 527,333</u>	<u>\$ 874,285</u>	35,611,082
Elimination of intersegment				(<u>18,751,387</u>)
Consolidated revenue				<u>16,859,695</u>
Segment profit/loss	<u>\$ 1,194,879</u>	(<u>\$ 104,265</u>)	<u>\$ 49,203</u>	1,139,817
Interest revenue				105,791
Other income				68,997
Headquarters' administration costs & directors' remuneration				(208,615)
Other profits and losses				81,804
Financial costs				(75,576)
The shares of profit at equity method over the associates				<u>5,819</u>
Income before tax from continuing operations				<u>\$ 1,118,037</u>
<u>2022</u>				
Revenues from external customers	\$ 17,513,716	\$ 535,990	\$ 321,284	\$ 18,370,990
Inter-segment income	<u>19,382,376</u>	<u>327,611</u>	<u>212,406</u>	<u>19,922,393</u>
Department income	<u>\$ 36,896,092</u>	<u>\$ 863,601</u>	<u>\$ 533,690</u>	38,293,383
Elimination of intersegment				(<u>19,922,393</u>)
Consolidated revenue				<u>18,370,990</u>
Segment profit/loss	<u>\$ 914,090</u>	(<u>\$ 155,280</u>)	<u>\$ 4,821</u>	763,631
Interest revenue				116,326
Other income				67,724
Headquarters' administration costs & directors' remuneration				(181,486)
Other profits and losses				281,833
Financial costs				(86,775)
The shares of loss at equity method over the associates				(<u>17,677</u>)
Income before tax from continuing operations				<u>\$ 943,576</u>

Sales between segments are carried out at arm's length.

Segment profits refer to the profits earned by each segment, excluding the headquarters' administrative costs and directors' remuneration to be amortized, share of profits and losses on associates under the equity method, rental income, interest income, gains or losses on disposal of property, plant and equipment, gains on disposal of investment, net foreign currency exchange gains or losses, financial instrument

valuation gains or losses, interest expenses, other financial costs, and income tax expenses. The measured figures are provided for main decision makers to allocate resources to segments and evaluate the performance of each segment.

(2) Information by areas

Key two operations areas for the Group – Taiwan and China.

The Group's continuing operating revenues from external customers are divided into the following operating geographical locations, and its non-current assets are divided based on the physical locations of the assets shown as follows:

	Income from external customers	
	2023	2022
China	\$ 10,428,433	\$ 9,720,730
U.S.	1,438,127	2,711,341
Poland	1,220,196	1,658,379
Thailand	987,524	1,315,815
Others	<u>2,785,415</u>	<u>2,964,725</u>
	<u>\$ 16,859,695</u>	<u>\$ 18,370,990</u>

	Non-Current assets	
	December 31, 2023	December 31, 2022
China	\$ 5,039,347	\$ 5,636,851
Taiwan	<u>676,601</u>	<u>712,854</u>
	<u>\$ 5,715,948</u>	<u>\$ 6,349,705</u>

Non-current assets do not include assets classified as financial instruments, deferred income tax assets, and net defined benefit assets.

(3) Information on key customers

Income generated from a single customer for more than 10% of the Group's total income is as follows:

	2023	2022
Customer A	NA (Note)	\$ 2,114,766
Customer B	\$ 2,503,539	NA (Note)

Note: The revenue amount does not reach 10% of the total revenue of the merger company.

RECHI PRECISION CO., LTD. and its subsidiaries

The Loaning of Funds

For the Year Ended December 31, 2023

Table 1

Unit: NTD thousand or in thousands in foreign currencies

No.	The lender of fund	The borrower of fund	Transaction title	Are they related parties	Maximum balance – current period (Note 3)		Balance, ending (Note 3)		The actual amounts disbursed (Note 3)		Interest rate collars	Nature of financing (Note 1)	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of provision for bad debts	Collateral		Limit of financing particular beneficiary (Note 2)	Total limit of financing (Note 2)	Note
																Name	Value			
0	RECHI PRECISION CO., LTD.	Rechi Precision (Jiujiang) Electric Machinery Limited	Other receivables	Yes	NTD 346,817 (RMB 80,000)		NTD 216,760 (RMB 50,000)		NTD 216,760 (RMB 50,000)		1.79%	2	\$ -	Working capital	\$ -	—	—	NTD 963,890	NTD 1,927,779	
0	RECHI PRECISION CO., LTD.	Dyna Rechi Jiujiang Co., Ltd.	Other receivables	Yes	NTD 390,169 (RMB 90,000)		NTD 260,112 (RMB 60,000)		NTD 260,112 (RMB 60,000)		1.74%	2	-	Working capital	-	—	—	NTD 963,890	NTD 1,927,779	
1	Rechi Holdings Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Other receivables	Yes	NTD 736,920 (USD 24,000)		NTD 721,568 (USD 23,500)		NTD 721,568 (USD 23,500)		-	2	-	Working capital	-	—	—	NTD 11,643,131	NTD 11,643,131	
2	Rechi Precision (Jiujiang) Electric Machinery Limited	Dyna Rechi Jiujiang Co., Ltd.	Other receivables	Yes	NTD 173,408 (RMB 40,000)		NTD 173,408 (RMB 40,000)		NTD 173,408 (RMB 40,000)		2.50%	2	-	Working capital	-	—	—	NTD 914,032	NTD 914,032	
3	Dongguan Rechi Compressor Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Other receivables	Yes	NTD 56,358 (RMB 13,000)		NTD - RMB -		NTD - RMB -		-	2	-	Working capital	-	—	—	NTD 40,577	NTD 40,577	

Note 1: (1) There are business transactions going on.

(2) There is a need for short-term financing.

Note 2: (1) The Company's limit of financing for individual recipients and the total limit of financing shall not exceed 10% and 20% of the net worth of the Company as in the latest financial statements, respectively.

(2) Rechi Holdings Co., Ltd.'s limit of financing for individual recipients and the total limit of financing shall not exceed 40% of the net worth of the Company as in the latest financial statements; however, for those located overseas who directly and indirectly hold 100% of the voting shares of the company and have a need for purchase of materials or working capital, the limit of financing shall not exceed the net worth of the Company as in the latest financial statements.

(3) Rechi Precision (Jiujiang) Electric Machinery Limited's limit of financing for individual recipients and the total limit of financing shall not exceed 40% of the net worth of the Company as in the latest financial statements; however, for those located overseas who directly and indirectly hold 100% of the voting shares of the company and have a need for purchase of materials or working capital, the limit of financing shall not exceed the net worth of the Company as in the latest financial statements.

(4) Dongguan Rechi Compressor Co., Ltd.'s limit of financing for individual recipients and the total limit of financing shall not exceed 40% of the net worth of the Company as in the latest financial statements; however, for those located overseas who directly and indirectly hold 100% of the voting shares of the company and have a need for purchase of materials or working capital, the limit of financing shall not exceed the net worth of the Company as in the latest financial statements.

Note 3: Measured based on the exchange rate at the end of the period.

Note 4: Already eliminated in the consolidated statements

RECHI PRECISION CO., LTD. and its subsidiaries

Endorsements and guarantees made for others

For the Year Ended December 31, 2023

Table 2

Unit: NTD thousand or in thousands in foreign currencies

No.	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity (Notes 4 and 6)	The highest balance of endorsements and/or guarantees in the current period	The balance of endorsements and/or guarantees at the end of the period (Note 6)	The actual amounts disbursed (Note 6)	The endorsements and/or guarantees secured with property	Ratio of cumulative endorsement and guarantee to net worth in the most recent financial statement (%)	The upper limit of an endorsement and/or guarantee (Notes 4 and 6)	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement by subsidiary to parent company	Guarantee and endorsement in Mainland China	Note
		Company name	Relation											
0	RECHI PRECISION CO., LTD.	Rechi Holdings Co., Ltd.	Note 1	NTD 9,638,894	NTD 1,320,315 (USD 43,000)	NTD 1,320,315 (USD 43,000)	NTD - (USD -)	\$ -	14%	NTD14,458,341	Y	N	N	
0	RECHI PRECISION CO., LTD.	Rechi Precision (Jiujiang) Electric Machinery Limited	Note 2	NTD 9,638,894	NTD 1,255,320 (USD 31,000) (RMB 70,000)	NTD 733,335 (USD 14,000) (RMB 70,000)	NTD - (USD -) (RMB -)	-	8%	NTD14,458,341	Y	N	Y	
1	Rechi Precision (Qingdao) Electric Machinery Limited (Note 5)	Qingdao Rechi Electric Machinery Sales Company	Note 3(2)	NTD 4,490,408 (RMB 1,035,800)	NTD 216,760 (RMB 50,000)	NTD - (RMB -)	NTD - (RMB -)	-	-	NTD 6,735,613 (RMB 1,553,700)	N	N	Y	
1	Rechi Precision (Qingdao) Electric Machinery Limited	Rechi Refrigeration Dongguan Co., Ltd.	Note 3 (1)	NTD 4,490,408 (RMB 1,035,800)	NTD 130,056 (RMB 30,000)	NTD 130,056 (RMB 30,000)	NTD 130,048 (RMB 29,998)	-	3%	NTD 6,735,613 (RMB 1,553,700)	N	N	Y	
2	Dyna Rechi Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Note 2	NTD 526,920	NTD 92,115 (USD 3,000)	NTD - (USD -)	NTD - (USD -)	-	-	NTD 526,920	N	N	Y	
2	Dyna Rechi Co., Ltd.	Ablek Technology Co., Ltd.	Note 1	NTD 526,920	NTD 15,000	NTD 15,000	NTD -	-	1%	NTD 526,920	N	N	N	
3	Dongguan Rechi Compressor Co., Ltd.	Rechi Refrigeration Dongguan Co., Ltd.	Note 3 (1)	NTD 101,444 (RMB 23,400)	NTD 138,727 (RMB 32,000)	NTD - (RMB -)	NTD - (RMB -)	-	-	NTD 152,166 (RMB 35,100)	N	N	Y	
4	Rechi Precision (Jiujiang) Electric Machinery Limited	Dyna Rechi Jiujiang Co., Ltd.	Note 2	NTD 2,285,079 (RMB 527,098)	NTD 78,034 (RMB 18,000)	NTD 78,034 (RMB 18,000)	NTD 45,624 (RMB 10,524)	-	3%	NTD 3,427,619 (RMB 790,647)	N	N	Y	

Note 1: Subsidiaries in which at least 50% of the ordinary shares are held directly by the Company.

Note 2: Investees in which at least 50% of the ordinary shares are held by the Company and its subsidiaries in total.

Note 3: (1) For companies that the Company directly and indirectly holds 90% of the voting shares.

(2) Companies that are endorsed and guaranteed by each shareholder based on their shareholding ratio because of a joint investment relationship.

Note 4: (1) The upper limit of the Company's endorsement/guarantee provided to each entity is NTD 9,638,894 (net worth) $\times 100\% =$ NTD 9,638,894.

(2) The upper limit of the Company's endorsements/guarantees provided is NTD 9,638,894 (net worth) $\times 150\% =$ NTD 14,458,341.

(3) The upper limit of the Rechi Precision (Qingdao) Electric Machinery Limited's endorsement/guarantee provided to each entity is RMB 1,035,800 (net worth) $\times 100\% =$ RMB 1,035,800.

(4) The upper limit of the Rechi Precision (Qingdao) Electric Machinery Limited's endorsements/guarantees provided is RMB 1,035,800 (net worth) $\times 150\% =$ RMB 1,553,700.

(5) The upper limit of the Dyna Rechi Co., Ltd.'s endorsement/guarantee provided to each entity is NTD 1,053,840 (net worth) $\times 50\% =$ NTD 526,920.

(6) The upper limit of the Dyna Rechi Co., Ltd.'s endorsements/guarantees provided is NTD 1,053,840 (net worth) $\times 50\% =$ NTD 526,920.

(7) The upper limit of the Dongguan Rechi Compressor Co., Ltd.'s endorsement/guarantee provided to each entity is RMB 23,400 (net worth) $\times 100\% =$ RMB 23,400.

(8) The upper limit of the Dongguan Rechi Compressor Co., Ltd.'s endorsement/guarantee provided is RMB 23,400 (net worth) $\times 150\% =$ RMB 35,100.

(9) The upper limit of the Rechi Precision (Jiujiang) Electric Machinery Limited's endorsement/guarantee provided to each entity is RMB 527,098 (net worth) $\times 100\% =$ RMB 527,098.

(10) The upper limit of the Rechi Precision (Jiujiang) Electric Machinery Limited's endorsements/guarantees provided is RMB 527,098 (net worth) $\times 150\% =$ RMB 790,647.

Note 5: The amount endorsement/guarantee provided by the Rechi Precision (Qingdao) Electric Machinery Limited to the Qingdao Rechi Electric Machinery Sales Company is jointly endorsed by the Rechi Precision (Qingdao) Electric Machinery Limited and the TCL Rechi (Huizhou) Refrigeration Equipment Company Limited.

Note 6: Measured based on the exchange rate at the end of the period.

RECHI PRECISION CO., LTD. and its subsidiaries
Marketable securities held – end of year
December 31, 2023

Table 3

Unit: Thousand shares/NTD thousand

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Note
				Number of shares	Book value	Shareholding ratio	Fair value	
Rechi Investments Co., Ltd.	Sharp Corporation	None	Financial assets at fair value through profit or loss – current	20	\$ 4,368	-	\$ 4,368	Note 1
	Taichung Commercial Bank Taiwan Quantitative Fund	None	Financial assets at fair value through profit or loss – current	1,049	19,994	-	19,994	Note 1
	Bigbest Solutions, Inc.	None	The financial assets measured for the fair values through other comprehensive income – non-current	600	-	0.9%	-	-
	Magnpower Corporation	None	The financial assets measured for the fair values through other comprehensive income – non-current	3,000	8,190	7.5%	8,190	-
Rechi Refrigeration Dongguan Co., Ltd.	BOC Wealth Management – Enjoy Everyday	None	Financial assets at fair value through profit or loss – current	-	87,699	-	87,699	Note 2
	Zhao-Jin 7007 wealth management product of China Merchants Bank Co., Ltd.	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
Dongguan Rechi Compressor Co., Ltd.	BOC Wealth Management – Enjoy Everyday	None	Financial assets at fair value through profit or loss – current	-	9,063	-	9,063	Note 2
	Zhao-Jin 7007 wealth management product of China Merchants Bank Co., Ltd.	None	Financial assets at fair value through profit or loss – current	-	52,023	-	52,023	Note 2
Qingdao Rechi Electric Machinery Sales Company	The National Trust Ltd.'s Jia Long No. 106 - Term Chun Guei	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Jia	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Yi	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Ding	None	Financial assets at fair value through profit or loss – current	-	86,704	-	86,704	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Wu	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Ji	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Geng	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2

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Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Note
				Number of shares	Book value	Shareholding ratio	Fair value	
Qingdao Rechi Electric Machinery Sales Company	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Xin	None	Financial assets at fair value through profit or loss – current	-	\$ 43,352	-	\$ 43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Ren	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
Rechi Precision (Qingdao) Electric Machinery Limited	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Guei	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Qiu Jia	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Chun Ding	None	Financial assets at fair value through profit or loss – current	-	43,353	-	43,353	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Chun Wu	None	Financial assets at fair value through profit or loss – current	-	43,353	-	43,353	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Chun Xin	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Chun Ren	None	Financial assets at fair value through profit or loss – current	-	86,704	-	86,704	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Chun Guei	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Jia	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Yi	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Bing	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Ding	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Wu	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Ji	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Geng	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Xin	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2

Note 1: The fair values were calculated based on the closing prices or net values of the stocks, funds, and beneficiary certificates at the end of December 2023.

Note 2: The fair value measurement is based on the quoted prices offered the counterparties as the valuation techniques and significant unobservable inputs to calculate the expected return on such investments.

RECHI PRECISION CO., LTD. and its subsidiaries

The cumulative purchase or sale of the same security for an amount exceeding NTD 300 million or 20% of paid-in capital

For the Year Ended December 31, 2023

Table 4

Unit: Thousand shares/NTD thousand or in thousands in foreign currencies

Company Buy & Sell	Types and names of securities	Account titles in book	Counterparties	Relation	Beginning		Buy		Sell				At ending	
					Shares	Amount	Number of shares	Amount	Shares	Sale price	Book cost	Loss (gain) on disposal	Shares	Amount (Cost)
Rechi Holdings Co., Ltd.	<u>Stock</u> Jiangxi Baida Precision Manufacturing Corp.	Investment under the equity method	Zhejiang Baida Precision Manufacturing Corp.	—	-	\$ 325,651 (USD 10,604)	-	\$ -	-	\$ 362,198 (USD 11,631)	\$ 339,345 (USD 10,897)	\$ 22,420 (USD 734)	-	\$ -

RECHI PRECISION CO., LTD. and its subsidiaries
Total Purchases from or Sales to Related Parties Amounting to at least NTD 100 Million or 20% of the Paid-in Capital
For the Year Ended December 31, 2023

Table 5

Unit: NTD 1 thousand

Purchase (sale) company	Counterparties	Relation	Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)			Note
			Purchase (sale)	Amount	Proportion to total purchase (sale) (%)	The credit period	Unit price	The credit period	Title	Balance	Proportion to notes and accounts receivable (payable) (%)	
RECHI PRECISION CO., LTD.	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary of Rechi Holdings Co., Ltd.	Purchase	\$ 1,134,419	19%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	\$ 288,218	20%	Note
	Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiary of Rechi Investments Holdings Co., Ltd.	Purchase	3,200,412	54%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	947,303	66%	Note
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Purchase	722,977	12%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	93,223	7%	Note
Rechi Refrigeration Dongguan Co., Ltd.	Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary of GR Holdings (Hong Kong) Limited	Purchase	284,637	5%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	69,467	5%	Note
	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary of Rechi Holdings Co., Ltd.	Sale	1,078,033	67%	O/A with net 60 days via T/T	No significant difference	O/A with net 60–90 days via T/T	Accounts receivable	350,233	68%	Note
	Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiary of Rechi Investments Holdings Co., Ltd.	Sale	169,207	10%	O/A with net 60 days via T/T	No significant difference	O/A with net 60–90 days via T/T	Notes receivable	130,999	95%	Note
	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	284,637	18%	60–90 days from reimbursement	No significant difference	O/A with net 60–90 days via T/T	Accounts receivable	58,178	11%	Note
	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	284,637	18%	60–90 days from reimbursement	No significant difference	O/A with net 60–90 days via T/T	Accounts receivable	69,467	14%	Note
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Rechi Precision (Huizhou) Mechanism Company	Subsidiaries	Purchase	765,564	19%	O/A with net 90 days via T/T	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	289,414	28%	Note
	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	1,134,419	26%	60–90 days from reimbursement	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Payable notes	1,261,784	50%	Note
	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	1,134,419	26%	60–90 days from reimbursement	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	288,218	22%	Note
	Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary of GR Holdings (Hong Kong) Limited	Purchase	1,078,033	27%	O/A with net 60 days via T/T	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	350,233	33%	Note
	Qingdao Rechi Electric Machinery Sales Company	Subsidiaries	Sale	3,219,328	74%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Payable notes	130,999	5%	Note
Rechi Precision (Huizhou) Mechanism Company	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Parent company	Sale	765,564	100%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	978,702	76%	Note
	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Parent company	Sale	765,564	100%	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Notes receivable	141,327	12%	Note
Rechi Precision (Qingdao) Electric Machinery Limited	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	3,200,412	52%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	289,414	100%	Note
										1,261,784	100%	Note
										947,303	57%	Note

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Purchase (sale) company	Counterparties	Relation	Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)			Note
			Purchase (sale)	Amount	Proportion to total purchase (sale) (%)	The credit period	Unit price	The credit period	Title	Balance	Proportion to notes and accounts receivable (payable) (%)	
Qingdao Rechi Electric Machinery Sales Company	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Sale	\$ 2,914,090	47%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable Notes receivable	\$ 705,391 91,039	42% 11%	Note Note
	Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary of GR Holdings (Hong Kong) Limited	Purchase	169,207	3%	O/A with net 60 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	58,178	7%	Note
	Qingdao China Steel Precision Metal Co., Ltd.	Affiliated enterprises	Purchase	161,529	3%	7 days from arrival of goods/O/A via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	3,730	-	
	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	The parent company	Purchase	3,219,328	35%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 60 days via 180-day bank acceptance bill	Accounts payable Payable notes	978,702 141,327	38% 13%	Note Note
	Rechi Precision (Qingdao) Electric Machinery Limited	The parent company	Purchase	2,914,090	31%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 60 days via 180-day bank acceptance bill	Accounts payable Payable notes	705,391 91,039	27% 9%	Note Note
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Purchase	3,040,205	33%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 60 days via 180-day bank acceptance bill	Accounts payable Payable notes	923,487 510,558	35% 49%	Note Note
Rechi Precision (Jiujiang) Electric Machinery Limited	Qingdao Rechi Electric Machinery Sales Company	Subsidiary of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited	Sale	3,040,205	76%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable Notes receivable	923,487 510,558	88% 31%	Note Note
	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	722,977	18%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	93,223	9%	Note
	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Purchase	1,524,718	43%	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable Payable notes	578,940 13,933	61% 1%	Note Note
Dyna Rechi Jiujiang Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Sale	1,524,718	82%	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable Notes receivable	578,940 13,933	85% 51%	Note Note
	Dyna Rechi Co., Ltd.	The parent company	Sale	207,118	11%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	85,287	12%	Note
Dyna Rechi Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Sub-subsidiary	Purchase	207,118	100%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	85,287	97%	Note
Ablek Technology Co., Ltd.	Ablek Technology Ltd.	Sub-subsidiary	Purchase	376,128	100%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	145,663	100%	Note
Ablek Technology Ltd.	Ablek Technology Co., Ltd.	The parent company	Sale	376,128	97%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts receivable	145,663	98%	Note

Note: Already eliminated in the consolidated statements

RECHI PRECISION CO., LTD. and its subsidiaries
Accounts receivable from related parties for an amount exceeding NTD 100 million or 20% of paid-in capital
December 31, 2023

Table 6

Unit: NTD 1 thousand

The company booked in the receivables	Name of counterparty	Relation	Balance of accounts receivable from related parties (Note 1)	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Amount of provision for bad debts
					Amount	Process		
RECHI PRECISION CO., LTD.	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Other receivables (Note 2) \$ 218,262	-	\$ -	—	\$ 82	\$ -
	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Other receivables (Note 2) 260,792	-	-	—	-	-
Rechi Holdings Co., Ltd	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary	Other receivables (Note 3) 721,568	-	-	—	-	-
Rechi Refrigeration Dongguan Co., Ltd.	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary of Rechi Holdings Co., Ltd.	Accounts receivable 350,233	2.20	-	—	160,511	-
			Notes receivable 130,999	2.20	-	—	74,208	-
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	RECHI PRECISION CO., LTD.	Ultimate parent company	Accounts receivable 288,218	3.86	-	—	277,445	-
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Accounts receivable 978,702	2.82	-	—	624,503	-
			Notes receivable 141,327	2.82	-	—	92,756	-
Rechi Precision (Huizhou) Mechanism Company	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Parent company	Accounts receivable 289,414	0.48	-	—	156,836	-
			Notes receivable 1,261,784	0.48	-	—	-	-
Rechi Precision (Qingdao) Electric Machinery Limited	RECHI PRECISION CO., LTD.	Ultimate parent company	Accounts receivable 947,303	3.31	-	—	566,512	-
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Accounts receivable 705,391	3.59	-	—	492,961	-
			Notes receivable 91,039	3.59	-	—	91,039	-
Rechi Precision (Jiujiang) Electric Machinery Limited	Qingdao Rechi Electric Machinery Sales Company	Subsidiary of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited	Accounts receivable \$ 923,487	2.08	-	—	546,913	-
			Notes receivable 510,558	2.08	-	—	398,706	-
	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Other receivables (Note 2) 176,394	-	-	—	241	-

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The company booked in the receivables	Name of counterparty	Relation	Balance of accounts receivable from related parties (Note 1)	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Amount of provision for bad debts
					Amount	Process		
Dyna Rechi Jiujiang Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Accounts receivable 578,940	2.52	\$ -	—	\$ 297,124	\$ -
			Notes receivable 13,933	2.52	-	—	-	-
Ablek Technology Ltd.	Ablek Technology Co., Ltd.	Subsidiaries of Dyna Rechi Co., Ltd.	Accounts receivable 145,663	2.53	-	—	66,251	-

Note 1: Already eliminated in the consolidated statements

Note 2: It includes loans provided to others and advance payments receivable.

Note 3: It refers to loans provided to others.

RECHI PRECISION CO., LTD. and its subsidiaries
Business relationship and significant transactions between Parent Company and Subsidiaries
For the Year Ended December 31, 2023

Table 7

Unit: NTD 1 thousand

No. (Note 1)	Trader's name	Counterparty	Affiliation to trader (Note 2)	Transactions			
				Title	Amount	Terms and conditions	Percentage in consolidated total revenue or total assets (Note 3)
0	RECHI PRECISION CO., LTD.	Dyna Rechi Jiujiang Co., Ltd.	1	Other receivables	\$ 260,791	No significant difference	1%
1	Rechi Holdings Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	3	Other receivables	721,568	No significant difference	3%
2	Rechi Refrigeration Dongguan Co., Ltd.	The parent company	2	Sale	284,637	No significant difference	2%
2	Rechi Refrigeration Dongguan Co., Ltd.	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	3	Sale	1,078,033	No significant difference	6%
2	Rechi Refrigeration Dongguan Co., Ltd.	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	3	Accounts receivable	350,233	No significant difference	1%
2	Rechi Refrigeration Dongguan Co., Ltd.	Rechi Precision (Qingdao) Electric Machinery Limited	3	Sale	169,207	No significant difference	1%
3	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Parent company	2	Sale	1,134,419	No significant difference	7%
3	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Parent company	2	Accounts receivable	288,218	No significant difference	1%
3	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Qingdao Rechi Electric Machinery Sales Company	3	Sale	3,219,328	No significant difference	19%
3	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Qingdao Rechi Electric Machinery Sales Company	3	Accounts receivable	978,702	No significant difference	4%
4	Rechi Precision (Huizhou) Mechanism Company	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	3	Sale	765,564	No significant difference	5%
4	Rechi Precision (Huizhou) Mechanism Company	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	3	Accounts receivable	289,414	No significant difference	1%
4	Rechi Precision (Huizhou) Mechanism Company	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	3	Notes receivable	1,261,784	No significant difference	5%
5	Rechi Precision (Qingdao) Electric Machinery Limited	The parent company	2	Sale	3,200,412	No significant difference	19%
5	Rechi Precision (Qingdao) Electric Machinery Limited	The parent company	2	Accounts receivable	947,303	No significant difference	4%
5	Rechi Precision (Qingdao) Electric Machinery Limited	Qingdao Rechi Electric Machinery Sales Company	3	Sale	2,914,090	No significant difference	17%
5	Rechi Precision (Qingdao) Electric Machinery Limited	Qingdao Rechi Electric Machinery Sales Company	3	Accounts receivable	705,391	No significant difference	3%
6	Rechi Precision (Jiujiang) Electric Machinery Limited	The parent company	2	Sale	722,977	No significant difference	4%
6	Rechi Precision (Jiujiang) Electric Machinery Limited	Qingdao Rechi Electric Machinery Sales Company	3	Sale	3,040,205	No significant difference	18%
6	Rechi Precision (Jiujiang) Electric Machinery Limited	Qingdao Rechi Electric Machinery Sales Company	3	Accounts receivable	923,487	No significant difference	4%
6	Rechi Precision (Jiujiang) Electric Machinery Limited	Qingdao Rechi Electric Machinery Sales Company	3	Notes receivable	510,558	No significant difference	2%
7	Dyna Rechi Jiujiang Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	3	Sale	1,524,718	No significant difference	9%
7	Dyna Rechi Jiujiang Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	3	Accounts receivable	578,940	No significant difference	2%
7	Dyna Rechi Jiujiang Co., Ltd.	Dyna Rechi Co., Ltd.	3	Sale	207,118	No significant difference	1%
8	Ablek Technology Ltd.	Ablek Technology Co., Ltd.	3	Sale	376,128	No significant difference	2%

Note 1: The information of business operation between the parent company and its subsidiaries should be documented in the respectively numbered column as follows:

- (1) Fill in "0" for parent company.
- (2) The subsidiaries are sequentially numbered from 1 and so forth.

Note 2: The relationship with the traders is classified into three categories as follows:

- (1) The parent company to subsidiary.
- (2) The subsidiary to parent company.
- (3) Between subsidiaries.

Note 3: Calculate the ratio of the transaction amount to consolidate the total income or total assets. For the assets and liabilities account, calculate the ratio of the ending balance to the consolidated total assets. For the profits and losses account, calculate the ratio of the interim cumulated amount to the consolidated total income.

Note 4: All the transactions listed in the table above have been eliminated during preparation of the consolidated financial statements.

RECHI PRECISION CO., LTD. and its subsidiaries

Information on Investees

For the Year Ended December 31, 2023

Table 8

Unit: Thousand shares/NTD thousand or in thousands in foreign currencies

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding			Current period profit/loss of the investee	Recognized investment Income	Note
				Current period-end	Previous period-end	Number of shares	Percentage (%)	Book value			
RECHI PRECISION CO., LTD.	Rechi Holdings Co., Ltd.	British Virgin Islands	Investment business	\$ 8,194,085	\$ 8,194,085	-	100.00	\$ 11,556,312	\$ 855,419	\$ 851,593	Subsidiary
	Rechi Investments Co., Ltd.	Taiwan	Investment business	150,000	150,000	15,000	100.00	119,537	371	371	Subsidiary
Rechi Holdings Co., Ltd.	Dyna Rechi Co., Ltd.	Taiwan	BLDC Motor	691,442	443,442	68,980	65.65	691,852	16,996	7,870	Subsidiary
	Rechi International Holdings Co., Ltd.	British Virgin Islands	Investment business	USD 25,768	USD 25,768	-	100.00	USD 34,414	USD 1,442	N/A	Sub-subsidiary
	Rechi Investments Holdings Co., Ltd.	British Virgin Islands	Investment business	USD 90,000	USD 90,000	-	100.00	USD 146,091	USD 14,099	N/A	Sub-subsidiary
Rechi International Holdings Co., Ltd.	GR Holdings (Hong Kong) Limited	Hong Kong	Investment business	USD 25,701	USD 25,701	-	100.00	USD 34,254	USD 1,445	N/A	Third-tier subsidiaries.
Dyna Rechi Co., Ltd.	Dyna Rechi Holdings Co., Ltd.	Samoa	Investment business	784,303	784,303	-	100.00	786,318	9,240	N/A	Sub-subsidiary
Ablek Technology Co., Ltd.	Ablek Technology Co., Ltd.	Taiwan	Sales business	90,746	90,746	7,004	100.00	78,174	28,820	N/A	Sub-subsidiary
	Ablek Technology Ltd.	Samoa	Investment business	90,919	90,919	-	100.00	96,417	27,272	N/A	Third-tier subsidiaries.

Note 1: Already eliminated in the consolidated statements

Note 2: For information on investments in Mainland China, please refer to Table 9.

RECHI PRECISION CO., LTD. and its subsidiaries
Information regarding investment in the territory of Mainland China
For the Year Ended December 31, 2023

Table 9

Unit: NTD thousand or in thousands in foreign currencies

Names of investees in China	Principal business	Paid-up capital	Mode of investments	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Current period profit/loss of the investee	The Company's directly or indirectly invested shareholding	Recognized investment Income (Note 4)	Book value of investment at ending	The investment income received at the end of the current period	Note
					Outward remittance	Recover							
Rechi Refrigeration Dongguan Co., Ltd.	Refrigerant compressor motors and air conditioner accessories	NTD 231,884 (USD 7,552)	Note 2	NTD 776,560 (USD 25,291)	\$ -	\$ -	NTD 776,560 (USD 25,291)	\$ 46,231	100.00	\$ 46,231	NTD 1,017,245 (USD 33,130)	NTD 462,448 (USD 15,061)	
Dongguan Rechi Compressor Co., Ltd.	Rotary refrigerant compressors	NTD 16,089 (USD 524)	Note 1	NTD 320,837 (USD 10,449) (Note 12)	-	-	NTD 320,837 (USD 10,449) (Note 12)	(4,313)	100.00	(4,313)	NTD 101,443 (USD 3,304)	NTD 46,979 (USD 1,530)	
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Rotary refrigerant compressors	NTD 2,202,838 (USD 71,742)	Note 1	NTD 1,018,301 (USD 33,164)	-	-	NTD 1,018,301 (USD 33,164)	182,538	77.78	141,974	NTD 2,424,320 (USD 78,955)	NTD 2,168,449 (USD 70,622)	
Rechi Precision (Huizhou) Mechanism Company	Rotary refrigerant compressor components	NTD 1,453,851 (USD 47,349)	Note 1	NTD 92,115 (USD 3,000)	-	-	NTD 92,115 (USD 3,000)	4,978	77.78	3,872	NTD 1,171,663 (USD 38,159)	NTD 178,887 (USD 5,826)	
Rechi Precision (Qingdao) Electric Machinery Limited	Rotary refrigerant compressor components	NTD 2,763,450 (USD 90,000)	Note 2	NTD 859,740 (USD 28,000) (Note 7)	-	-	NTD 859,740 (USD 28,000) (Note 7)	439,237	100.00	439,237	NTD 4,490,409 (USD 146,244)	NTD 3,387,283 (USD 110,317)	
Qingdao Rechi Electric Machinery Sales Company	Sales business	NTD 30,346 (RMB 7,000)	Note 9	NTD - (RMB -)	-	-	NTD - (RMB -)	64,964	88.89	57,746	NTD 477,020 (RMB 110,034)	-	
Qingdao China Steel Precision Metal Co., Ltd.	Processing production	NTD 614,100 (USD 20,000)	Note 1	NTD - (USD -)	-	-	NTD - (USD -)	16,860	30.00	5,058	NTD 166,586 (USD 5,425)	NTD 35,741 (USD 1,164)	
Dyna Rechi Jiujiang Co., Ltd.	Refrigerant compressor motors and BLDC motors	NTD 1,119,416 (RMB 258,215)	Note 3	NTD 703,934 (RMB 162,376) (Note 10)	-	-	NTD 703,934 (RMB 162,376) (Note 10)	14,324	77.85	9,231	NTD 948,344 (RMB 218,754)	-	
Rechi Precision (Jiujiang) Electric Machinery Limited	Rotary refrigerant compressors	NTD 2,026,530 (USD 66,000)	Note 1	NTD 2,026,530 (USD 66,000)	-	-	NTD 2,026,530 (USD 66,000)	198,611	100.00	198,611	NTD 2,285,080 (USD 74,420)	-	
Jiangxi Baida Precision Manufacturing Corp.	Processing production	NTD - (USD -)	Note 1	NTD 352,985 (USD 11,496) (Note 13)	-	-	NTD 352,985 (USD 11,496) (Note 13)	2,536	-	761	NTD - (USD -)	-	
Ablek Technology Ltd.	Home appliance motors	NTD 21,494 (USD 700)	Note 11	NTD - (USD -)	-	-	NTD - (USD -)	27,270	65.65	12,470	NTD 22,319 (RMB 5,148)	-	

Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA (Note 5)	Investment amount approved by the Investment Commission MOEAIC
NTD 6,151,001	NTD 3,547,594 (USD115,538) (Note 5)	(Note 6)

- Note 1: The Company has established a holding company (Rechi Holdings Co., Ltd.) in the British Virgin Islands and invested in the establishment of Rechi International Holdings Co., Ltd., Rechi Investments Holdings Co., Ltd., TCL Rechi (Huizhou) Refrigeration Equipment Company Limited, Dongguan Rechi Compressor Co., Ltd., Rechi Precision (Huizhou) Mechanism Company, Qingdao China Steel Precision Metal Co., Ltd., Rechi Precision (Jiujiang) Electric Machinery Limited, and Jiangxi Baida Precision Manufacturing Corp. through Rechi Holdings Co., Ltd.
- Note 2: Through GR Holdings (Hong Kong) Limited and Rechi Investments Holdings Co., Ltd., the Company has invested in the establishment of Rechi Refrigeration Dongguan Co., Ltd. and Rechi Precision (Qingdao) Electric Machinery Limited in Mainland China.
- Note 3: The Company's subsidiary Dyna Rechi Co., Ltd. has invested in the establishment of Dyna Rechi Jiujiang Co., Ltd. in Mainland China through Dyna Rechi Holdings Co., Ltd.
- Note 4: Recognized based on the financial statements audited by independent accountants.

Note 5: Investment amounts authorized by Investment Commission, Ministry of Economic Affairs

Name of investee in China	Amount
Rechi Refrigeration Dongguan Co., Ltd.	\$ 11,093
Dongguan Rechi Compressor Co., Ltd.	408
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	-
Rechi Precision (Huizhou) Mechanism Company	6,566
Rechi Precision (Qingdao) Electric Machinery Limited	-
Qingdao China Steel Precision Metal Co., Ltd.	4,971
Dyna Rechi Jiujiang Co., Ltd.	25,800
Rechi Precision (Jiujiang) Electric Machinery Limited	66,000
Jiangxi Baida Precision Manufacturing Corp.	-
Ablek Technology Ltd.	700
	<u>\$ 115,538</u>

Note 6: It has been approved to not be subject to the upper limit of the investment amount or percentage as it meets the proviso of Point 3 of the “Principles for the Review of Investment or Technical Collaboration in Mainland China” per the Jin-Shou-Gong Letter No. 10320409110 issued by the Industrial Development Bureau, Ministry of Economic Affairs (MOEA).

Note 7: The difference between the amount of paid-in capital and the accumulated investment amount remitted from Taiwan at the end of the period is due to direct investment by Rechi Holdings Co., Ltd. with its own funds.

Note 8: The difference between the accumulated investment amount remitted from Taiwan at the end of the period and the amount approved by the Investment Commission, MOEA, is due to the capitalization of earnings and the repatriation of earnings.

Note 9: It is the joint investment by TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited, each with a 50% shareholding percentage.

Note 10: The difference between the amount of paid-in capital and the accumulated investment amount remitted from Taiwan at the end of the period is due to the direct investment by Rechi Precision (Jiujiang) Electric Machinery Limited with its own funds.

Note 11: Ablek Technology Co., Ltd., the sub-subsidiary of the Company, invests in Ablek Technology Ltd. in China through Ablek Technology Ltd.

Note 12: The difference between the amount of paid-in capital and the accumulated investment amount remitted from Taiwan at the end of the period is due to the capital reduction of Dongguan Rechi Compressor Co., Ltd. and its return of stock payment to Rechi Holdings Co., Ltd., which was approved by the Investment Commission, Ministry of Economic Affairs.

Note 13: Rechi Holdings Co., Ltd. disposed of Jiangxi Baida Precision Manufacturing Co., Ltd. in May 2023 and recovered RMB 82,727 thousand, equivalent to USD 11,631 thousand, which was approved by the Investment Commission, Ministry of Economic Affairs.

Note 14: Already eliminated in the consolidated financial statements except for Qingdao China Steel Precision Metal Co., Ltd. and Jiangxi Baida Precision Manufacturing Corp.

RECHI PRECISION CO., LTD. and its subsidiaries

Significant direct transactions with the investee in Mainland China or indirectly through third regions, its prices, terms of payment, unrealized gain or loss, and other relevant information.

For the Year Ended December 31, 2023

Table 10

Unit: NTD 1 thousand

Names of investees in China	Transaction type	Purchase/Sale		Price	Terms and conditions		Notes and accounts receivable (payable)		Unrealized gains or losses	Note
		Amount	Percentage		Payment terms	Comparison with general transactions	Amount	Percentage		
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Purchase	\$ 1,134,419	19%	Normal	60–90 days from reimbursement	Normal	(\$ 288,218)	20%	\$ 941	
Rechi Precision (Qingdao) Electric Machinery Limited	Purchase	3,200,412	54%	Normal	60–90 days from reimbursement	Normal	(947,303)	66%	4,933	
Rechi Precision (Jiujiang) Electric Machinery Limited	Purchase	722,977	12%	Normal	60–90 days from reimbursement	Normal	(93,223)	7%	-	
Rechi Refrigeration Dongguan Co., Ltd.	Purchase	284,637	5%	Normal	60–90 days from reimbursement	Normal	(69,467)	5%	1,113	

RECHI PRECISION CO., LTD.
Information on Major Shareholders
December 31, 2023

Table 11

Names of Dominant Shareholders	Shares	
	Shares	Shareholding ratio
SAMPO CORPORATION	138,160,160	27.36%

Note 1: The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares with dematerialized registration and delivery completed (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. The share capital recorded in the Company's consolidated financial statements and the number of shares actually delivered by the Company with the dematerialized registration completed may differ due to different calculation bases.

- V. The Company's individual financial statements audited and certified by a certified public accountant in the most recent fiscal year

Auditor's Report

To RECHI PRECISION CO., LTD.:

Audit opinions

We have audited the accompanying individual balance sheet of RECHI PRECISION CO., LTD. (the "Company") as of December 31, 2023 and 2022, and the related individual statement of income, individual statement of changes in shareholders equity, individual statement of cash flows, and notes to the individual financial statements (including major accounting policy) for the years then ended.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and for the years then ended, and its individual financial performance and its individual cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The basis for opinions

We are engaged to conduct our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. 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. We believed 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 individual financial statements of the Company in 2023. These matters were addressed in the content of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

The key audit matters of the 2023 individual financial statements of the Company are described as follows:

The basis for recognition of the revenue on export sales

RECHI Precision Co., Ltd. is mainly engaged in the manufacture and sale of refrigerant compressors. The sales types are divided into domestic sales and export sales. Among them, export sales targets are located in many regions around the world, and the transaction conditions agreed between different customers may differ.

The export sales revenue of RECHI Precision Co., Ltd. is based on the transaction conditions agreed by individual customers, and the sales revenue is recognized when the transaction conditions are reached and the control of the goods has been transferred to the buyers. The relatively longer transportation period needed for part of export transactions and the terms and conditions apply to specific clients required human judgment in the process of revenue recognition, which might result in an incorrect time record of sales revenue, thus we have made the timing of recognizing sales revenue from exported goods with specific transaction conditions as one of the most important audit matters of the year.

The main audit procedures that we have implemented for the above timing of sales revenue recognition are as follows:

1. Understand and evaluate the procedures for the timing of sales revenue recognition plus the policy for internal control, and test the effectiveness of such controls.
2. Terminate the above test on the sales transactions with specific clients within a certain period before and after the balance sheet date, which includes verification of transaction conditions of the specific transaction, papers like import/export declarations, and inquiry of shipping schedule, in order to be sure if revenue recognition was recorded with a proper period.
3. Obtain the shipment details of the manual operation summary for a specific period for inspection, and check the relevant vouchers randomly to confirm whether the adjustment of the time point of revenue recognition is correct.

Responsibilities of Management and Those in Charge of Governance of the Individual Financial Statements

Management is responsible for the preparation and fair presentation of the individual 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, the management is responsible for assessing the ability of the Company in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

The governing body of the Company (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's Responsibilities for the Audit of the Individual Financial Statements

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

As part of an audit in accordance with the accounting principles of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design, and perform audit procedures responsive to risks, and obtain 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. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while 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 reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, 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 and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's 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 individual statements, including related notes, whether the individual statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Company in order to express an opinion on the individual financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

We communicate with those in charge of 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 in charge of 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 the governing body, we determined the key audit matters for the audit of the Company's individual financial statements for the year ended December 31, 2023. We describe these matters in our auditor's 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 communications.

Deloitte & Touche

CPACHANG, CHING Hsia

CPACHENG, CHIN TSUNG

Financial Supervisory Commission
Approval Document No.
Chin-Kuan-Cheng-Shen-Zi No.
1090347472

Financial Supervisory Commission
Approval Document No.
Chin-Kuan-Cheng-Shen-Zi No.
1010028123

March 12, 2024

RECHI PRECISION CO., LTD.

Individual Balance Sheet

December 31, 2023 and 2022

Unit: NTD 1 thousand

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 190,343	1	\$ 173,278	1
1150	Notes receivable – non-related parties (Note 4 & 7)	104,520	1	68,478	-
1170	Accounts receivables – non-related parties (Note 4 & 7)	1,650,029	10	1,697,800	11
1180	Accounts receivable – related parties (Note 4 & 24)	4,201	-	169	-
1200	Other receivables	5,903	-	685	-
1210	Other receivables – related parties (Note 24)	483,774	3	583,296	4
130X	Inventory (Note 4 and 8)	314,746	2	462,757	3
1410	Prepayments	32,131	-	28,796	-
1470	Other current assets	1,803	-	2,292	-
11XX	Total current assets	<u>2,787,450</u>	<u>17</u>	<u>3,017,551</u>	<u>19</u>
	Non-Current assets				
1550	Investment accounted for using equity method (Note 4 and 9)	12,367,701	78	12,128,749	76
1600	Property, plant and equipment (Note 4, 10 & 25)	652,346	4	668,897	4
1755	Right-of-use assets (Note 4 & 11)	2,304	-	4,942	-
1780	Other intangible assets (Note 4)	17,246	-	19,617	-
1840	Deferred income tax assets (Note 4 and 18)	181,729	1	137,612	1
1990	Other non-current assets	3,061	-	18,539	-
15XX	Total non-current assets	<u>13,224,387</u>	<u>83</u>	<u>12,978,356</u>	<u>81</u>
1XXX	Total assets	<u>\$ 16,011,837</u>	<u>100</u>	<u>\$ 15,995,907</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 12)	\$ 570,000	4	\$ 300,000	2
2110	Short-term notes payable (Note 12)	399,204	3	149,725	1
2170	Accounts payable – non-related parties	34,470	-	42,406	-
2180	Accounts payable – related parties (Note 24)	1,398,252	9	1,920,972	12
2200	Other payables (Note 13 & 24)	286,342	2	295,621	2
2230	Income tax liability (Note 4 & 18)	36,208	-	126,253	1
2280	Lease liabilities – current (Note 4 & 11)	1,508	-	2,635	-
2320	Long-term borrowings and notes payable due within one year (Note 12)	2,421,588	15	282,469	2
2365	Refund liabilities – current (Note 16)	187,184	1	213,334	1
2399	Other current liabilities	23,176	-	38,417	-
21XX	Total of current liabilities	<u>5,357,932</u>	<u>34</u>	<u>3,371,832</u>	<u>21</u>
	Non-current liabilities				
2541	Short-term borrowings (Note 12 & 25)	228,344	1	2,013,735	13
2542	Long-term notes payable (Note 12)	-	-	349,499	2
2570	Deferred tax liabilities (Note 4 & 18)	745,438	5	718,538	5
2580	Lease liabilities – non-current (Note 4 & 11)	650	-	2,197	-
2640	Net defined benefit liabilities (Note 4 & 14)	39,995	-	47,889	-
2670	Other non-current liabilities	584	-	584	-
25XX	Total non-current liability	<u>1,015,011</u>	<u>6</u>	<u>3,132,442</u>	<u>20</u>
2XXX	Total liabilities	<u>6,372,943</u>	<u>40</u>	<u>6,504,274</u>	<u>41</u>
	Equity (Note 15)				
3110	Common stock	5,049,151	32	5,049,151	32
3200	Capital reserves	1,355,324	8	1,343,879	8
	Retained earnings				
3310	Statutory surplus reserves	1,156,333	7	1,087,308	7
3320	Special surplus reserves	928,988	6	1,075,955	7
3350	Undistributed earnings	2,340,079	15	1,957,901	12
3300	Total retained earnings	<u>4,425,400</u>	<u>28</u>	<u>4,121,164</u>	<u>26</u>
3400	Other equity	(1,097,408)	(7)	(928,988)	(6)
3500	Treasury shares	(93,573)	(1)	(93,573)	(1)
3XXX	Total equity	<u>9,638,894</u>	<u>60</u>	<u>9,491,633</u>	<u>59</u>
	Total Liabilities and Equity	<u>\$ 16,011,837</u>	<u>100</u>	<u>\$ 15,995,907</u>	<u>100</u>

The notes attached shall constitute an integral part of this individual financial statement.

Chairman: CHEN, SHENG TIEN

Manager: FENG, MING FA

Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD.

Individual Income Statement

For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand, except Earnings Per Share (NTD)

Code		2023		2022	
		Amount	%	Amount	%
4110	Operating income (Note 4, 16 & 24)	\$ 6,491,162	100	\$ 9,338,516	100
5000	Operating cost (Note 8, 17 & 24)	(5,881,664)	(91)	(8,552,958)	(91)
5900	Gross profit	<u>609,498</u>	<u>9</u>	<u>785,558</u>	<u>9</u>
	Operating expenses (Note 17 & 24)				
6100	Marketing expenses	(148,902)	(2)	(176,155)	(2)
6200	Administrative expenses	(208,615)	(3)	(179,512)	(2)
6300	Research and development expenses	(183,082)	(3)	(165,292)	(2)
6450	Expected credit impairment loss (Note 7)	(10,325)	-	(3,391)	-
6000	Total operating expenses	(550,924)	(8)	(524,350)	(6)
6900	Net Operating Income	<u>58,574</u>	<u>1</u>	<u>261,208</u>	<u>3</u>
	Non-operating income and expense (Note 17 & 24)				
7100	Interest revenue	10,875	-	9,520	-
7010	Other income	10,607	-	17,681	-
7020	Other profits and losses	44,033	1	259,551	3
7050	Financial costs	(65,287)	(1)	(49,792)	(1)
7070	Share of profit or loss on subsidiaries accounted for using the equity method	<u>859,834</u>	<u>13</u>	<u>368,643</u>	<u>4</u>
7000	Total non-operating revenues and expenses	<u>860,062</u>	<u>13</u>	<u>605,603</u>	<u>6</u>
7900	Net profit before tax	918,636	14	866,811	9
7950	Income tax expenses (Note 18)	(167,664)	(2)	(178,530)	(2)
8200	Net profits of the current year	<u>750,972</u>	<u>12</u>	<u>688,281</u>	<u>7</u>

(Continued on next page)

(Continued from previous page)

Code		2023		2022	
		Amount	%	Amount	%
8310	Other comprehensive income				
	Titles not reclassified as				
	profit and loss accounts:				
8311	Remeasurement of				
	defined benefit plan				
	(Note 14)	\$ 4,075	-	\$ 2,457	-
8330	Share of other				
	comprehensive				
	income on				
	subsidiaries				
	accounted for using				
	the equity method				
	(Note 15)	(2,490)	-	(7,440)	-
8349	Income tax related to				
	titles not subject to				
	reclassification				
	(Note 18)	(815)	-	(491)	-
		<u>770</u>	<u>-</u>	<u>(5,474)</u>	<u>-</u>
8360	Accounts to be reclassified				
	to profit or loss				
	subsequently:				
8361	Exchange differences				
	from the translation				
	of financial				
	statements of foreign				
	operations (Note 15)	(202,863)	(3)	191,890	2
8399	Income tax related to				
	items that may be				
	reclassified (Note 15				
	& 18)	<u>36,933</u>	<u>-</u>	<u>(37,483)</u>	<u>-</u>
		<u>(165,930)</u>	<u>(3)</u>	<u>154,407</u>	<u>2</u>
8300	Other comprehensive				
	income of the				
	current year (net				
	amount after				
	taxation)	(165,160)	(3)	148,933	2
8500	Total amount of comprehensive				
	income of the current year	<u>\$ 585,812</u>	<u>9</u>	<u>\$ 837,214</u>	<u>9</u>
	Earnings per share (Note 19)				
	Business units in continuing				
	operation				
9710	Basic	<u>\$ 1.50</u>		<u>\$ 1.38</u>	
9810	Diluted	<u>\$ 1.49</u>		<u>\$ 1.37</u>	

The notes attached shall constitute an integral part of this individual financial statement.

Chairman: CHEN, SHENG TIEN Manager: FENG, MING FA Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD.
Individual Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2023 and 2022

Unit: NTD 1 thousand

Code		Capital stock		Capital reserves	Retained earnings			Other equity		Treasury shares	Total equity
		Shares (in thousand shares)	Amount		Statutory surplus reserves	Special surplus reserves	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain on financial assets at fair value through other comprehensive profit or loss		
A1	Balance as of January 1, 2022	504,915	\$ 5,049,151	\$ 1,343,868	\$ 992,756	\$ 743,222	\$ 2,044,866	(\$ 1,014,075)	(\$ 61,880)	(\$ 95,476)	\$ 9,002,432
	Dividend allocation and distribution for 2021										
B1	Statutory surplus reserves	-	-	-	94,552	-	(94,552)	-	-	-	-
B3	Special surplus reserves	-	-	-	-	332,733	(332,733)	-	-	-	-
B5	Cash dividend to shareholders	-	-	-	-	-	(349,927)	-	-	-	(349,927)
N1	Transfer of treasury shares to employees	-	-	11	-	-	-	-	-	1,903	1,914
D1	Net profits of the 2022	-	-	-	-	-	688,281	-	-	-	688,281
D3	Other comprehensive net income in 2022	-	-	-	-	-	1,966	154,407	(7,440)	-	148,933
D5	Total profit and loss in 2022	-	-	-	-	-	690,247	154,407	(7,440)	-	837,214
Z1	Balance as of December 31, 2022	504,915	5,049,151	1,343,879	1,087,308	1,075,955	1,957,901	(859,668)	(69,320)	(93,573)	9,491,633
	Dividend allocation and distribution for 2022										
B1	Statutory surplus reserves	-	-	-	69,025	-	(69,025)	-	-	-	-
B3	Special reserve appropriated	-	-	-	-	(146,967)	146,967	-	-	-	-
B5	Cash dividend to shareholders	-	-	-	-	-	(449,996)	-	-	-	(449,996)
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	11,445	-	-	-	-	-	-	11,445
D1	Net profits of the 2023	-	-	-	-	-	750,972	-	-	-	750,972
D3	Other comprehensive net income in 2023	-	-	-	-	-	3,260	(165,930)	(2,490)	-	(165,160)
D5	Total profit and loss in 2023	-	-	-	-	-	754,232	(165,930)	(2,490)	-	585,812
Z1	Balance as of December 31, 2023	<u>504,915</u>	<u>\$ 5,049,151</u>	<u>\$ 1,355,324</u>	<u>\$ 1,156,333</u>	<u>\$ 928,988</u>	<u>\$ 2,340,079</u>	<u>(\$ 1,025,598)</u>	<u>(\$ 71,810)</u>	<u>(\$ 93,573)</u>	<u>\$ 9,638,894</u>

The notes attached shall constitute an integral part of this individual financial statement.

Chairman: CHEN, SHENG TIEN

Manager: FENG, MING FA

Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD.
Individual Statements of Cash Flow
For the Years Ended December 31, 2023 and 2022

Unit: NTD 1 thousand

Code		2023	2022
	Cash flow from operating activities		
A10000	Current year net profit before taxation	\$ 918,636	\$ 866,811
A20010	Profits and loss		
A20100	Depreciation expenses	62,304	63,741
A20200	Amortization expenses	6,696	5,718
A20300	Expected credit impairment loss	10,325	3,391
A20900	Interest expenses	65,287	49,792
A21200	Interest revenue	(10,875)	(9,520)
A21900	Cost of treasury share		
	options/remuneration	-	17
A22300	Share of profit or loss on subsidiaries		
	accounted for using the equity		
	method	(859,834)	(368,643)
A22500	Net gains on disposal of property, plant		
	and equipment	(74)	(450)
A23700	Inventory valuation and obsolescence		
	losses	34,792	-
A24100	Unrealized foreign currency exchange		
	loss (gain)	40,746	(5,029)
A29900	Gains on lease modification	-	(66)
A30000	Net change in operating assets and liabilities		
A31130	Decrease (increase) in notes receivable	(37,446)	74,532
A31150	Decrease (increase) in accounts		
	receivable	(15,080)	108,299
A31160	Decrease (increase) in accounts		
	receivable-related parties	(4,087)	363
A31180	Decrease in other receivables	280	29,958
A31190	Decreased in other receivables – related		
	parties	2,919	5,209
A31200	Decrease in inventories	113,219	404,418
A31230	Decrease (increase) in prepayments	(3,335)	14,500
A31240	Decrease (increase) in other current		
	assets	489	(608)
A32125	Increase (decrease) in refund liability –		
	current	(25,791)	101,406
A32150	Increase (decrease) in accounts payable	(7,570)	11,387
A32160	Decrease in accounts payable – related		
	parties	(506,087)	(1,410,633)
A32180	Decrease in other payables	(6,001)	(14,373)
A32240	Increase decrease in net defined benefit		
	liability	(3,819)	(3,279)
A32230	Increase (decrease) in other current		
	liabilities	(15,237)	14,377
A33000	Cash outflow from operating activities	(239,543)	(58,682)
A33100	Interest received	11,078	9,168
A33300	Interest payment	(65,199)	(49,620)
A33500	Income tax payment	(244,308)	(271,943)
AAAA	Net cash outflow from operating		
	activities	(537,972)	(371,077)

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Code		2023	2022
	Cash flow from investing activities		
B02700	Purchase of property, plant, and equipment	(\$ 29,930)	(\$ 12,960)
B02800	Proceeds from disposal of property, plant and equipment	1,734	1,864
B04300	Increase in other receivables – related parties	(479,160)	(570,520)
B04400	Decreased in other receivables – related parties	570,520	558,330
B04500	Purchase of intangible assets	(4,325)	(2,393)
B06700	Increase of other non-current assets	(2,352)	(15,330)
B07600	Dividends received	<u>674,974</u>	<u>500,017</u>
BBBB	Net cash inflow in investing activities	<u>731,461</u>	<u>459,008</u>
	Cash flow from financing activities		
C00100	Increase of short-term loans	270,000	300,000
C00500	Increase in short-term notes payable	249,479	-
C00600	Decrease in short-term notes payable	-	(68)
C01600	Proceeds from long-term loan	280,000	200,000
C01700	Repayments of long-term borrowings	(275,233)	(112,876)
C01900	Decrease in long-term notes payable	-	(300,000)
C03000	Collect the guarantee deposits received	-	92
C04020	Repayments of principal portion of the lease	(2,674)	(1,978)
C04500	Dividends paid	(449,996)	(349,927)
C05100	Transfer of treasury shares to employees	-	1,897
C05400	Acquisition of equity of subsidiaries	(<u>248,000</u>)	<u>-</u>
CCCC	Net cash outflow from financing activities	(<u>176,424</u>)	(<u>262,860</u>)
EEEE	Net increase (decrease) in cash and cash equivalents	17,065	(174,929)
E00100	Cash and cash equivalents balance – beginning of year	<u>173,278</u>	<u>348,207</u>
E00200	Cash and cash equivalents balance – end of year	<u>\$ 190,343</u>	<u>\$ 173,278</u>

The notes attached shall constitute an integral part of this individual financial statement.

Chairman: CHEN, SHENG TIEN Manager: FENG, MING FA Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD.

Individual Notes to financial statements

For the Years Ended December 31, 2023 and 2022

(Unless otherwise provided, Unit: NTD Thousand)

1. Organization and operations

RECHI PRECISION CO., LTD. (formerly known as RECHI INDUSTRIAL CO., LTD., hereinafter referred to as the Company) was established in December 1989 in accordance with the Company Act of the Republic of China, mainly engaged in the assembly and processing, manufacturing and repairing, and trading of refrigerant compressors, and design services of relevant products, as well as import and export business.

The Company's shares had been listed for trading on the Taipei Exchange since February 2002, and have changed to be listed on the Taiwan Stock Exchange since August 2003.

This parent company only financial statement is denominated in NT dollars, the functional currency of the Bank.

2. Financial reporting date and procedures

The individual financial statements were approved by the board of directors and authorized for issue on March 12, 2024.

3. Application of new and revised standards and interpretation

- (1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Company's accounting policies:

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

When applying these amendments, the Company determines the significant accounting policy information that shall be disclosed based on the definition of materiality. If accounting policy information can be reasonably expected to affect the decisions made by the main users of general-purpose financial statements based on these financial statements, the accounting policy information is significant. In addition:

- Accounting policy information related to non-material transactions, other matters, or circumstances is non-significant, and the Company does not need to disclose such information.
- The Company may determine that the relevant accounting policy information is significant based on the nature of transactions, other matters, or circumstances, even if the amount is not significant.
- Not all accounting policy information related to material transactions, other events, or circumstances are significant.

If the accounting policy information is related to material transactions, other matters, or circumstances while in line with the following circumstances, the information may be significant:

- (1) The Company changed its accounting policies during the reporting period, and the change resulted in a significant change in financial statement information;
- (2) The Company selects its applicable accounting policies from the options allowed by the standards;
- (3) Due to the lack of specific standards, the Company has formulated accounting policies in accordance with IAS 8 “Accounting Policies, Changes and Errors in Accounting Estimates”;
- (4) The Company discloses relevant accounting policies that it must adopt significant judgments or assumptions to determine; or
- (5) Complicated accounting treatment requirements are involved and users of financial statements rely on such information to understand such material transactions, other matters, or circumstances.

Please refer to Note 4 for the disclosure of relevant accounting policies.

- (2) The IFRSs endorsed by the FSC for application starting from 2024

<u>The new/amended/revised standards or interpretation</u>	<u>IASB publication effective date (Note 1)</u>
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The seller and lessee shall apply the amendments to IFRS 16 retrospectively to the sale and leaseback carried out after the date of initial application of IFRS 16.

Note 3: Upon the initial application of this amendment, a partial exemption from disclosure requirements is granted.

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

The amendments in 2020 are to clarify that when determining whether a liability is classified as non-current, the Company shall assess whether it has the right to defer payment of its liabilities to at least 12 months after the reporting period at the end of the reporting period. If the Company has the right at the end of the reporting period,

regardless of whether the Company expects to exercise the right, the liabilities are classified as non-current.

The amendments in 2020 have also clarified that if the Company must comply with certain conditions before it has the right to defer payment of its liabilities, the Company must have complied with said conditions at the end of the reporting period, even if the lender is testing whether the Company complies with said conditions at a later date. The amendments in 2022 further clarify that only the terms of the contracts to be observed before the end of the reporting period affect the classification of liabilities. Although the terms of the contracts to be observed within 12 months after the reporting period do not affect the classification of liabilities, relevant information shall be disclosed to enable users of financial reports to understand that the risk that the Company may not be able to comply with the terms of the contracts and shall make repayments within 12 months after the reporting period.

The amendments in 2020 stipulate that, for the purpose of classification of liabilities, the aforementioned settlement refers to the elimination of liabilities due to the transfer of cash, other economic resources, or equity instruments of the Company to the counterparty. However, as for the terms of the liability, where the transfer of the equity instruments of the Company may result in its settlement of the liability based on the counterparty's choice, if the choice is separately recognized in equity according to IAS 32 "Financial Instruments: Expression," the foregoing terms do not affect the liability classification.

Except for the above, the evaluation of the amendment to other IFRSs by the Company to the date this parent company's financial statement was approved and released, would not have a great effect on the financial positions and performance of the companies in the individual financial statements.

- (3) The IFRSs released by the IASB but not yet approved and announced effective by the Financial Supervisory Commission

<u>The new/amended/revised standards or interpretation</u>	<u>IASB publication effective date (Note 1)</u>
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates."	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendments to IAS No. 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments apply to the annual reporting periods beginning on or after January 1, 2025. Upon the first-time application of the amendment, the effect is recognized in the retained earnings on the date of initial application. When the Company adopts a non-functional currency as its presentation currency,

the effects will be recognized in the exchange differences related to the foreign operation under equity as of the date of initial application.

Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates.”

The amendment stipulates that if the Company sells or invests assets in an affiliated company (or joint venture), or the Company loses control of a subsidiary, but retains significant influence (or joint control) on the subsidiary, if the aforementioned assets or the former subsidiary meets the definition of “Business” as in IFRS 3 “Business Combination,” the Company shall fully recognize the profits and losses arising from such transactions.

In addition, if the Company sells or contributes assets to affiliated companies (or joint ventures), or the Company loses the control over a subsidiary but retains significant influence on the subsidiaries (or joint control), and if the aforementioned assets or subsidiary not in compliance with the definition of IFRS 3 “Business,” the Company is to recognize the profit and loss of the transactions only within the equity scope of the affiliated companies (or joint ventures) irrelevant to the investors, in other words, the profit and loss attributable to the Company should be offset.

Further to the aforementioned influence, the Bank will continue to evaluate the effect of the amendment to other IFRSs on the financial positions and performance of the Bank to the date this parent company only financial statement approved and released, and will make appropriate disclosure after the evaluation.

4. Summary of significant accounting policies

(1) Compliance Statement

The individual financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

(2) Basis of preparation

Except for the recognition of net defined benefit liabilities on the basis of the present value of net defined benefit obligation net of the fair value of planned assets, this individual financial statement was compiled on the basis of historical cost.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

In preparing individual financial statements, the Company adopts the equity method for investment in subsidiaries. In order to make the current year's profit or loss, other comprehensive income, and equity of the individual financial statements the same as the current year's profit or loss, other comprehensive income, and equity attributable to the owners of the Company in the Company's consolidated financial statements, "investments using the equity method," "share of profits or losses on subsidiaries using the equity method," "share of other comprehensive income on subsidiaries using the equity method," and relevant equity items were adjusted for certain accounting differences arising from between the individual basis and the consolidated basis.

(3) Standards in differentiating current and non-current assets and liabilities.

Current assets including:

1. Assets held mainly for trading purpose;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. Liabilities to be repaid within 12 months after the balance sheet date, and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date.

For those that are not current assets or liabilities above are classified as non-current assets or liabilities.

(4) Foreign currency

For the transactions conducted in a currency other than the Company's functional currency (foreign currency), it is to be translated to the functional currency in accordance with the exchange rate on the transaction date when preparing the Company's financial statements.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive income, the exchange difference is recognized in the other comprehensive income.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

When preparing the individual financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries that operate in countries or adopt the functional currencies different from the Company) are translated into New Taiwan dollars. Income and expense items are translated in accordance with the current average exchange rates and the exchange differences are booked in the other comprehensive profit or loss.

(5) Inventories

Inventories are raw materials, materials, finished products, work in process and products. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. The cost of inventory is calculated using the weighted average method.

(6) Investment in subsidiaries

The Company has the investment in subsidiaries handled in accordance with the equity method.

Subsidiaries refer to entities (including structured entities) over which the Company has control.

Under the equity method, investments were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the subsidiaries and other comprehensive profit or loss. In addition, for the changes in the affiliated company's equity, the Company is entitled to have it recognized proportionately to the shareholding.

When the Company's change in the ownership of the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the book amount of the investment and the fair value of the consideration paid or received shall be directly recognized as equity.

In assessing impairment, the Company based on the cash drivers of the financial statements and compared the recoverable amount and book value. If the amount of recoverable assets increased in the future, the reversal of impairment shall be recognized as income. The book value of the reversal of impaired assets shall not exceed the book value before recognition for impairment net of amortization.

The unrealized concurrent trade between the company and the subsidiaries stated in the financial statement of individual entities shall be removed. The profit or loss resulting from the countercurrent, and side-stream transactions between the Company and the subsidiary are recognized in the individual financial statement within the range irrelevant with the Company's interest in the subsidiary.

(7) Real property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment losses afterwards.

Those real estate, plant buildings, equipment & facilities under construction were recognized at the amount of the costs after deducting the loss in the accumulated impairment. Costs include professional service expanses and loan costs that meet the capitalization conditions. When such assets are completed and reach expected use status, such assets will be classified to proper items under real property, plant and equipment and the provision of depreciation shall begin.

The depreciation of each material part of real estate, plants, and equipment should be appropriated independently in accordance with the useful year and a straight-line method. The Company shall at least inspect the estimated service life, residual value and depreciation method by the day of the end of each fiscal year and postpone the effect of applying estimated accounting changes.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(8) Intangible assets

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets are amortized using straight-line method over the useful lives. The Company conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, and applies the effect of changes in accounting estimates prospectively.

In removing intangible assets, the difference between the net proceeds from the disposal and the book value shall be recognized as income.

(9) Impairment of property, plant and equipment, right-of-use assets, and intangible assets

The Company assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets (excluding goodwill) at each balance sheet date. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Company is to estimate the recoverable amount of the respective cash-generating unit. The common asset is amortized to each cash-generating unit in accordance with a consistent and reasonable sharing basis.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(10) Financial instruments

When the Company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the individual balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial assets

The regular way of purchase or sale of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Classification of measurement

The types of financial assets held by the Company are financial assets based on cost after amortization.

A. Financial assets based on cost after amortization

If the financial assets of the Company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

- a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents and accounts receivable on the basis of cost after amortization) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

(2) Impairment of financial assets

The Company shall, on each balance sheet day, evaluate the financial assets on the basis of cost after amortization on the basis of expected credit loss (including accounts receivable)

Accounts receivable shall be recognized for provisions for loss on the basis of expected credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

For internal credit risk management purpose, the Company, without considering the collateral, determines the following circumstances indicating that a default has occurred on the financial instrument:

- A. There is internal or external information indicating that the debtor is no longer able to pay off a debt.
- B. Payments are overdue for more than 180 days, unless there are reasonable and supporting information showing that the delayed default benchmark is more appropriate.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account.

(3) The derecognition of financial assets

The Company's financial assets are derecognized only when the contractual rights from the cash flows of a financial asset becomes invalid, or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

If the Company neither transfers nor retains almost all the risks and rewards of the ownership of a financial asset, and retains control of the asset, it will continue to recognize the asset within the scope of continuous participation in the asset and recognize relevant liabilities for the amount that may have to be paid. If the Company retains almost all the risks and rewards of the ownership of a financial asset, it will continue to recognize the asset and recognize the payments received as secured borrowings.

When a financial asset measured at amortized cost is derecognized as a whole, the difference between its book value and the consideration received is recognized in profit or loss.

2. Equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

An equity instrument issued by the Company is recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The Company's equity retrieved is debited or credited to the equity. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial assets shall be measured under the effective interest rate method on the cost after amortization except under the following circumstances:

Financial guarantee contract

The financial guarantee contract issued by the Company that is not measured at fair value through profit or loss (FVTPL) is measured at the allowance for the expected credit loss or the amortized amount after initial recognition, whichever is higher.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(11) Liability reserve

The recognized liability reserve amount is with the risk and uncertainty of the obligation considered, and it is the optimum estimate of the expenditure required to settle the obligations on the balance sheet date. Provision for liabilities shall be measured based on the discount value of the estimated cash flow for the settlement of obligation.

Warranty

The warranty obligation under a sales contract is the best estimated expense by management in clearing the Company's obligations and it is recognized when the related instrument income is recognized.

(12) Recognition of revenue

The Company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Commodity sales revenue

When the sales arrive at a customer's designated location or when the goods are shipped, and the customer has the right to set the price and use of the goods and bears the main responsibility for resale and the risk of obsolescence, the Company recognizes the sales in revenue and accounts receivable.

When the material is supplied for processing, the ownership of the processed product is not transferred; therefore, the income is not recognized when the material is supplied.

(13) Leasing

The Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

For contracts that include lease and non-lease components, the Company allocates the consideration in the contracts based on the relative stand-alone prices and treats them separately.

The Company is the lessee.

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at the lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any received, any incurred by the lessee, and an estimate of costs to be incurred by restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any. Right-of-use assets are separately expressed on the individual balance sheet.

Right-of-use assets are depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier. If the ownership of the underlying asset will be acquired at the end of the lease period, or if the cost of the right-of-use asset reflects exercising an option, the asset will be depreciated over the period from the commencement date of the lease to expiration of the useful life of the underlying asset.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, less lease incentives received). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortized cost using the effective interest method, and the interest expenses are amortized over the lease term. If changes in the lease term lead to changes in future lease payments, the Company will remeasure the lease liabilities and adjust the right-of-use asset accordingly. However, if the book value of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. For lease modifications that are not treated as a separate lease, remeasurement of lease liabilities due to the reduction in the scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss of partial or full termination of the lease. Remeasurement of lease liabilities due to other modifications is an adjustment to the right-of-use asset. Lease liabilities are separately expressed on the individual balance sheet.

The Company and the lessor engaged in rent reductions directly related to the COVID-19 pandemic, and adjusted the rents due before June 30, 2022, resulting in a decrease in the rents before the negotiation, with no substantive changes made to other lease terms and conditions. The Company has elected to adopt practical expedients to treat rent reductions that meet the aforementioned conditions without evaluating whether they constitute a lease modification, and recognizes the reduction in lease payments in profit or loss when the concession or such situation occurs, and makes a corresponding downward adjustment to the lease liabilities.

Changes in rent as stipulated in lease agreements not determined by indices or rates are recognized as expenses in the current period.

(14) Loan costs

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(15) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. The net interests of the service cost (including the service cost for the current period) and net defined benefit liability (asset) are recognized as employee benefit expenses when they occur. The value of second measurement (including the profits and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net defined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

(16) Share-based payment agreement - employee stock options

Employee stock options granted to employees

Employee stock options are recognized as expenses on a straight-line basis during the vesting period at fair value of the equity instruments on the grant date and the best estimated number to be vested, with the capital surplus – employee stock options adjusted at the same time. If an employee stock option is immediately vested on the grant date, it shall be fully recognized as an expense on the grant date.

The Company revises the estimated number of employee stock options to be vested on each balance sheet date. If the initial estimated number is revised, the effect is recognized as profit or loss, so that the cumulative expenses can reflect the revised estimate, with the capital surplus - employee stock options adjusted accordingly.

(17) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Deferred tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income.

Deferred income tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred income tax assets are recognized when there is the likelihood of having taxable income to be used for the income tax credit resulting from the temporary difference, R&D, and personnel training expense.

Deferred income tax liabilities are recognized for all taxable temporary differences related to the subsidiary, unless the Company can control the timing of reversal of temporary differences and the temporary differences are unlikely

to be reversed in the foreseeable future. The deductible temporary differences related to such investments are recognized as deferred income tax assets when there is likely a sufficient taxable income available for realizing a temporary difference and within the expected reverse in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive income or directly included in the equity are recognized in the other comprehensive income or directly included in the equity.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

When adopting accounting policy, the management of the Company shall make related judgments, estimations, and assumptions for information that cannot be easily retrieved from other sources based on historical experiences and other relevant factors. Actual results may differ from the estimates.

The Company's management has evaluated its accounting policies, estimates, and basic assumptions, determining that they are not subject to significant uncertainties of significant accounting judgments, estimates, and assumptions.

6. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 195	\$ 167
Bank checks and demand deposits	64,257	173,111
Cash equivalents (Investment with the original maturity date within three months)		
Bank time deposit	<u>125,891</u>	<u>-</u>
	<u>\$ 190,343</u>	<u>\$ 173,278</u>

The deposits in banks showed the following interest rate ranges as of the balance sheet date:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.10%~4.90%	0.20%~1.05%

7. Note receivable and account receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
Measured on the basis of cost after amortization		
Total book value	\$ 104,521	\$ 68,480
Less: Allowance for losses	(<u>1</u>)	(<u>2</u>)
	<u>\$ 104,520</u>	<u>\$ 68,478</u>
<u>Accounts receivable</u>		
Measured on the basis of cost after amortization		
Total book value	\$ 1,658,864	\$ 1,676,450
Less: Allowance for losses	(<u>15,551</u>)	(<u>5,222</u>)
	1,643,313	1,671,228
Measured at fair values through other comprehensive income	<u>6,716</u>	<u>26,572</u>
	<u>\$ 1,650,029</u>	<u>\$ 1,697,800</u>

(1) Accounts receivable based on cost after amortization

The Company's average credit period for sales open account with net 0 days to 285 days, and no interest is accrued on accounts receivable.

In order to mitigate the credit risk, the Company has formulated credit management measures to regulate the determination of credit limits, credit approval, and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the

circumstance, the Company's management believes that the Company's credit risk is significantly reduced.

The Company will recognize the lifetime expected credit losses as loss allowance for accounts receivable. The full lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, industry economic conditions, as well as GDP forecast and industry outlook. As the Company's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, the provision matrix does not further differentiate the customer groups, and only the expected credit loss rate is set based on the number of overdue days of the accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Company cannot reasonably expect to recover the amount, e.g. the counterparty is in liquidation, the Company directly writes off the relevant accounts receivable, but will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

The Company's allowance for loss of receivables is determined according to the preparation matrix as follows:

December 31, 2023

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0.02%	0.48%	9.22%	31.83%	40.09%	50.71%~100%	
Total book value	\$ 1,557,372	\$ 47,193	\$ 10,144	\$ 44,024	\$ -	\$ 131	\$ 1,658,864
Allowance for loss (expected credit loss of the given duration)	(246)	(225)	(935)	(14,014)	-	(131)	(15,551)
Cost after amortization	\$ 1,557,126	\$ 46,968	\$ 9,209	\$ 30,010	\$ -	\$ -	\$ 1,643,313

December 31, 2022

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0.02%	0.48%	8.72%	31.00%	40.09%	50.71%~100%	
Total book value	\$ 1,594,131	\$ 52,373	\$ 22,767	\$ 3,340	\$ 3,033	\$ 806	\$ 1,676,450
Allowance for loss (expected credit loss of the given duration)	(252)	(250)	(1,986)	(1,035)	(1,216)	(483)	(5,222)
Cost after amortization	\$ 1,593,879	\$ 52,123	\$ 20,781	\$ 2,305	\$ 1,817	\$ 323	\$ 1,671,228

(2) Accounts receivable at fair value through other comprehensive income.

For accounts receivable from specific clients, the Company signed the factoring agreement with financial institutions that determine whether to use non-recourse factoring to sell its receivables to the bank or not to sell regarding working capital. The business model of the Company managing this kind of accounts receivable is to complete its goal through receiving contractual cash flows and selling financial assets. Thus, these kinds of accounts receivable are measured through other comprehensive income in fair value.

December 31, 2023

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0.02%	0.48%	9.22%	31.83%	40.09%	50.71%~100%	
Total book value	\$ 6,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,717
Allowance for loss (expected credit loss of the given duration)	(1)	-	-	-	-	-	(1)
Cost after amortization	\$ 6,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,716

December 31, 2022

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0.02%	0.48%	8.72%	31.00%	40.09%	50.71%~100%	
Total book value	\$ 26,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,576
Allowance for loss (expected credit loss of the given duration)	(4)	-	-	-	-	-	(4)
Cost after amortization	\$ 26,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,572

The information on changes in the allowance for loss on notes receivable and accounts receivable is as follows:

	2023		
	Notes receivable	Accounts receivable	Total
Balance, beginning of year	\$ 2	\$ 5,226	\$ 5,228
Add (less): Impairment loss (reversal) for the current year	(1)	10,326	10,325
Balance, end of year	<u>\$ 1</u>	<u>\$ 15,552</u>	<u>\$ 15,553</u>

	2022		
	Notes receivable	Accounts receivable	Total
Balance, beginning of year	\$ 2	\$ 1,835	\$ 1,837
Add: Impairment loss provided for this year	-	3,391	3,391
Balance, end of year	<u>\$ 2</u>	<u>\$ 5,226</u>	<u>\$ 5,228</u>

8. Inventories

	December 31, 2023	December 31, 2022
Merchandise inventories	\$ 713	\$ 6,793
Finished products	150,489	239,933
Work-in-process	4,014	13,635
Raw materials	44,076	106,346
Inventory in-transit	115,454	96,050
	<u>\$ 314,746</u>	<u>\$ 462,757</u>

In 2023 and 2022, the cost of goods sold related to inventory was NTD 5,881,664 thousand and NTD 8,552,958 thousand, respectively. Cost of goods sold includes inventory valuation losses of NTD 34,792 thousand and NTD 0 thousand, respectively.

9. Investment under the equity method

Investment in subsidiaries

	December 31, 2023	December 31, 2022
<u>Non-public/non-OTC companies</u>		
Rechi Holdings Co., Ltd.	\$ 11,556,312	\$ 11,564,360
Rechi Investments Co., Ltd.	119,537	121,656
Dyna Rechi Co., Ltd.	691,852	442,733
	<u>\$ 12,367,701</u>	<u>\$ 12,128,749</u>

The Company's ownership and voting rights in the equity of the subsidiary at the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Rechi Holdings Co., Ltd.	100.00%	100.00%
Rechi Investments Co., Ltd.	100.00%	100.00%
Dyna Rechi Co., Ltd.	65.65%	42.20%

The Company has acquired more than half of the board seats, granting it the authority to direct the relevant activities of Dyna Rechi Co., Ltd. Consequently, it has been listed as a subsidiary of the Company. Furthermore, to consolidate the operation of the BLCD motor business, the Company repurchased a 23.45% stake in Dyna Rechi Co., Ltd. from China Steel Corporation on December 14, 2023. This transaction resulted in the Company's shareholding ratio increasing from 42.20% to 65.65%. For further details, please refer to Note 21.

The share of profits and losses and other comprehensive income on subsidiaries under the equity method for 2023 and 2022 is recognized based on the subsidiaries' financial statements that have been audited by auditors during the same period.

As mentioned in Table 2, the Company provided financial guarantees for bank borrowings of Rechi Holdings Co., Ltd. and Rechi Precision (Jiujiang) Electric Machinery Limited. As of December 31, 2023 and 2022, the financial guarantees provided above were not included in the book balance of the investments in subsidiaries.

10. Real property, plant and equipment

	<u>Proprietary land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>Costs</u>					
Balance as of January 1, 2022	\$ 207,567	\$ 475,954	\$ 283,382	\$ 534,878	\$ 1,501,781
Additions	-	56	7,635	5,311	13,002
Disposal	-	-	-	(22,802)	(22,802)
Other reclassification	-	-	6,741	-	6,741
Balance as of December 31, 2022	<u>\$ 207,567</u>	<u>\$ 476,010</u>	<u>\$ 297,758</u>	<u>\$ 517,387</u>	<u>\$ 1,498,722</u>
<u>Accumulated depreciation and impairment</u>					
Balance as of January 1, 2022	\$ -	\$ 262,802	\$ 108,032	\$ 418,538	\$ 789,372
Depreciation expenses	-	12,016	19,975	29,850	61,841
Disposal	-	-	-	(21,388)	(21,388)
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 274,818</u>	<u>\$ 128,007</u>	<u>\$ 427,000</u>	<u>\$ 829,825</u>
Net amount as of December 31, 2022	<u>\$ 207,567</u>	<u>\$ 201,192</u>	<u>\$ 169,751</u>	<u>\$ 90,387</u>	<u>\$ 668,897</u>

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	Proprietary land	Building	Machinery and equipment	Other equipment	Total
<u>Costs</u>					
Balance as of January 1, 2023	\$ 207,567	\$ 476,010	\$ 297,758	\$ 517,387	\$ 1,498,722
Additions	-	780	887	25,282	26,949
Disposal	-	-	(8,351)	(18,143)	(26,494)
Other reclassification	-	-	2,266	15,560	17,826
Balance as of December 31, 2023	<u>\$ 207,567</u>	<u>\$ 476,790</u>	<u>\$ 292,560</u>	<u>\$ 540,086</u>	<u>\$ 1,517,003</u>
<u>Accumulated depreciation and impairment</u>					
Balance as of January 1, 2023	\$ -	\$ 274,818	\$ 128,007	\$ 427,000	\$ 829,825
Depreciation expenses	-	11,773	20,073	27,820	59,666
Disposal	-	-	(6,797)	(18,037)	(24,834)
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 286,591</u>	<u>\$ 141,283</u>	<u>\$ 436,783</u>	<u>\$ 864,657</u>
Net amount as of December 31, 2023	<u>\$ 207,567</u>	<u>\$ 190,199</u>	<u>\$ 151,277</u>	<u>\$ 103,303</u>	<u>\$ 652,346</u>

Depreciation expenses is appropriated in accordance with the straight-line method and the years of useful life illustrated below:

Buildings	
Plant building	10 to 55 years
Electromechanical power equipment	5 to 35 years
Engineering systems	2 to 55 years
Others	3 to 35 years
Machinery and equipment	3 to 15 years
Other equipment	1 to 15 years

Please refer to Note 25 for the amount of property, plant and equipment provided as guarantees for borrowings.

11. Lease arrangements

(1) Right-of-use assets.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Building	\$ -	\$ 420
Transportation equipment	<u>2,304</u>	<u>4,522</u>
	<u>\$ 2,304</u>	<u>\$ 4,942</u>
	<u>2023</u>	<u>2022</u>
Addition of right-of-use assets	<u>\$ -</u>	<u>\$ 5,585</u>
Depreciation expense of right-of-use assets		
Building	\$ 412	\$ 737
Transportation equipment	<u>2,226</u>	<u>1,163</u>
	<u>\$ 2,638</u>	<u>\$ 1,900</u>

(2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 1,508</u>	<u>\$ 2,635</u>
Non-current	<u>\$ 650</u>	<u>\$ 2,197</u>

The range of lease liability discount is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Building	-	1.35%
Transportation equipment	1.35%	1.35%

(3) Other lease information

	<u>2023</u>	<u>2022</u>
Short-term lease expense	<u>\$ 9,327</u>	<u>\$ 588</u>
Variable lease payments not included in lease liability measurement	<u>\$ 238</u>	<u>\$ 596</u>
Total cash (outflow) of leases	<u>(\$ 12,284)</u>	<u>(\$ 3,210)</u>

The Company has elected to apply the recognition exemption for leases of dormitories and other equipment that meet short-term leases, and, thus, did not recognize said leases in right-of-use assets and lease liabilities.

12. Borrowings

(1) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured loans</u>		
- Credit borrowings	<u>\$ 570,000</u>	<u>\$ 300,000</u>
<u>Interest rate collars</u>		
- Unsecured borrowings	1.87%~1.92%	1.80%

(2) Short-term notes payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial papers payable	\$ 400,000	\$ 150,000
Less: Discount of short-term notes and bills payable	(<u>796</u>)	(<u>275</u>)
	<u>\$ 399,204</u>	<u>\$ 149,725</u>

The short-term notes payable not due yet are enumerated below:

December 31, 2023

Guarantee/underwriting institutions	Face amount	Discounted amount	Book value	Interest rate collars	Collateral	Collateral Book amount
<u>Commercial papers payable</u>						
Dah Chung Bills Finance Corp.	\$ 100,000	\$ 86	\$ 99,914	Note	—	\$ -
International Bills Finance Corporation	150,000	544	149,456	Note	—	-
Ta Ching Bills Finance Corporation	<u>150,000</u>	<u>166</u>	<u>149,834</u>	Note	—	<u>-</u>
	<u>\$ 400,000</u>	<u>\$ 796</u>	<u>\$ 399,204</u>			<u>\$ -</u>

Note: Interest rate range is 1.89%–2.21%.

December 31, 2022

Guarantee/underwriting institutions	Face amount	Discounted amount	Book value	Interest rate collars	Collateral	Collateral Book amount
<u>Commercial papers payable</u>						
International Bills Finance Corporation	<u>\$ 150,000</u>	<u>\$ 275</u>	<u>\$ 149,725</u>	1.89%	-	<u>\$ -</u>

(3) Long-term borrowings

	Date of maturity	Material terms	December 31, 2023	December 31, 2022
<u>Secured loans (Note 25)</u>				
Mega International Commercial Bank	2024.07.26	From July 26, 2019 to July 26, 2024, NTD 1,600,000 thousand was drawn down, and will be repaid in a lump sum upon maturity.	\$ 1,600,000	\$ 1,600,000
Chang Hwa Commercial Bank, Ltd.	2029.10.15	The amounts of NTD 86,000 thousand, NTD 10,000 thousand, and NTD 24,780 thousand were drawn down on October 15, 2019, February 5, 2020, and April 6, 2020, respectively, and the principal and interest will be amortized and repaid monthly from November 15, 2022.	100,650	117,904
<u>Unsecured loans</u>				
Far Eastern International Bank Co., Ltd.	2024.10.25	From May 2, 2023 to October 25, 2024, NTD 280,000 thousand was drawn down, and will be repaid in a lump sum upon maturity.	280,000	-
Taipei Fubon Commercial Bank (formerly Jih Sun International Commercial Bank)	2023.11.24	From May 17, 2022 to November 24, 2023, NTD 200,000 thousand was drawn down, and will be repaid in a lump sum upon maturity.	-	200,000
Bank of Taiwan	2024.05.05	From November 26, 2021 to May 5, 2024, NTD 200,000 thousand was drawn down, and NTD 100,000 thousand was repaid early in January 2022, and the remaining amount will be repaid upon maturity.	100,000	100,000
Chang Hwa Commercial Bank, Ltd.	2027.02.15	The amounts of NTD 64,300 thousand, NTD 69,000 thousand, NTD 74,000 thousand, and NTD 71,000 thousand were drawn down on February 26, 2020, April 13, 2020, June 22, 2020, and August 24, 2020, respectively, and the principal and interest will be amortized and repaid monthly from March 15, 2023.	<u>220,321</u>	<u>278,300</u>
			2,300,971	2,296,204
Less: Current portion			(<u>2,072,627</u>)	(<u>282,469</u>)
Long-term borrowings			<u>\$ 228,344</u>	<u>\$ 2,013,735</u>

The effective interest rate as of December 31, 2023 and 2022 was 1.35%–1.93% and 1.10%– 1.73%, respectively.

The Company has taken out loans from Mega International Commercial Bank, Chang Hwa Commercial Bank, Ltd., and Taipei Fubon Commercial Bank Co., Ltd (formerly Jih Sun International Commercial Bank). The contracts also stated four commitments based on the Company's consolidated financial statements: 1. The current ratio shall be maintained at 100% or more. 2. The debt ratio shall be maintained below 200%—250% (inclusive) or lower. 3. The interest coverage ratio shall be maintained above 2–2.5 times (inclusive). 4. The net value of tangible assets shall be maintained at NTD 5,000,000 thousand or more. The company's consolidated financial statements have satisfied said commitments.

(4) Long-term notes payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial papers payable	\$ 350,000	\$ 350,000
Less: Discount of long-term notes payable	(<u>1,039</u>)	(<u>501</u>)
	348,961	349,499
Less: Portion due within one year	(<u>348,961</u>)	-
	<u>\$ -</u>	<u>\$ 349,499</u>

1. The Company and the International Bills Finance Corporation signed a bank-guaranteed commercial paper revolving credit line and underwriting contract, allowing the Company to issue a 90-day bank-guaranteed commercial paper with a revolving credit line within a 5-year period. The Company drew down the underwriting facility of NTD 700,000 thousand as of November 18, 2019, with contract expiration dated November 11, 2024, of which NTD 350,000 thousand was repaid early by December 24, 2021.
2. The Company and the Ta Ching Bills Finance Corporation signed a bank-guaranteed commercial paper revolving credit line and underwriting contract, allowing the Company to issue a 90-day bank-guaranteed commercial paper with a revolving credit line within a 5-year period. The Company drew down the underwriting facility of NTD 300,000 thousand as of December 25, 2019, with the contract expiration dated November 29, 2024, and it was repaid early on July 8, 2022.
3. The effective interest rate for long-term notes payable as of December 31, 2023 and 2022 was 1.66% and 1.38%, respectively.

13. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salary and bonus payables	\$ 82,835	\$ 80,636
Remuneration to employees and directors payable	118,847	124,226
Payables for non-use of leave	10,461	10,640
Others (Note)	<u>74,199</u>	<u>80,119</u>
	<u>\$ 286,342</u>	<u>\$ 295,621</u>

Note: Others are service expenses, freight, commission, and utilities expenses payable.

14. Retirement benefits plan

(1) Defined contribution pension plan

The pension system of the “Labor Pension Act” that is applicable to the Company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance.

(2) Defined benefit plan

The company within the Company has a pension plan arranged in accordance with the “Labor Standard Law” of the Republic of China that was a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The company has a pension appropriated for an amount equivalent to 4% of the monthly salary and the proceeds are deposited in the designated account with Taiwan Bank in the name of the Labor Pension Reserve Commission. If the account balance before yearend is expected to be insufficient for paying the retiring employees of the year, the amount of difference should be appropriated in a lump sum before the end of March in the following year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the individual balance sheet is shown below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligations	\$ 125,388	\$ 130,842
The fair value of plan assets	(<u>85,393</u>)	(<u>82,953</u>)
Net defined benefit liability	<u>\$ 39,995</u>	<u>\$ 47,889</u>

Change in net defined benefit liability is shown below

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit liability
Balance as of January 1, 2022	<u>\$ 147,803</u>	<u>(\$ 94,178)</u>	<u>\$ 53,625</u>
Service costs			
Current service cost	1,105	-	1,105
Interest expenses (revenues)	<u>924</u>	<u>(595)</u>	<u>329</u>
Recognized in the profit or loss	<u>2,029</u>	<u>(595)</u>	<u>1,434</u>
Reevaluation			
Planned ROE (except the amount of net interest)	-	(7,482)	(7,482)
Actuarial losses (gains)			
- Changes in financial assumptions	1,229	-	1,229
- Experience adjustments	<u>3,796</u>	<u>-</u>	<u>3,796</u>
Recognized in the other comprehensive profit of loss	<u>5,025</u>	<u>(7,482)</u>	<u>(2,457)</u>
Employer appropriation	-	(4,713)	(4,713)
Benefits paid	<u>(24,015)</u>	<u>24,015</u>	<u>-</u>
Balance as of December 31, 2022	<u>\$ 130,842</u>	<u>(\$ 82,953)</u>	<u>\$ 47,889</u>
Balance as of January 1, 2023	<u>\$ 130,842</u>	<u>(\$ 82,953)</u>	<u>\$ 47,889</u>
Service costs			
Current service cost	782	-	782
Interest expenses (revenues)	<u>1,963</u>	<u>(1,253)</u>	<u>710</u>
Recognized in the profit or loss	<u>2,745</u>	<u>(1,253)</u>	<u>1,492</u>
Reevaluation			
Planned ROE (except the amount of net interest)	-	(598)	(598)
Actuarial losses (gains)			
- Changes in financial assumptions	2,872	-	2,872
- Experience adjustments	<u>(6,349)</u>	<u>-</u>	<u>(6,349)</u>
Recognized in the other comprehensive profit of loss	<u>(3,477)</u>	<u>(598)</u>	<u>(4,075)</u>
Employer appropriation	-	(5,311)	(5,311)
Benefits paid	<u>(4,722)</u>	<u>4,722</u>	<u>-</u>
Balance as of December 31, 2023	<u>\$ 125,388</u>	<u>(\$ 85,393)</u>	<u>\$ 39,995</u>

The recognized loss of determined benefit plans by function is summarized below:

	2023	2022
Operating cost	<u>\$ 153</u>	<u>\$ 162</u>
Marketing expenses	-	5
Administrative expenses	1,324	1,267
Research and development expenses	<u>15</u>	<u>-</u>
	<u>\$ 1,492</u>	<u>\$ 1,434</u>

The pension fund system of the company contained in the financial statements is exposed to the following risks due to the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the Company contained in the financial statements shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.
2. Interest rate risk: The decline in interest rates of government bonds will cause the present value of the defined benefit obligations to go up; however, the return on debt investment of the plan assets will go up too; therefore, they both have a partial write-off effect on the net defined benefit liability.
3. Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As such, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the company contained in the financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.250%	1.500%
The expected rate of increase in salaries	3.000%	3.000%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	<u>(\$ 2,872)</u>	<u>(\$ 3,139)</u>
Decrease by 0.25%	<u>\$ 2,971</u>	<u>\$ 3,251</u>
The expected rate of increase in salaries		
Increase by 0.25%	<u>\$ 2,871</u>	<u>\$ 3,148</u>
Decrease by 0.25%	<u>(\$ 2,791)</u>	<u>(\$ 3,056)</u>

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount projected for appropriation in 1 year	<u>\$ 5,360</u>	<u>\$ 1,100</u>
Average maturity of determined benefit obligation	9.3 years	9.7 years

15. Equity

(1) Capital stock

Common shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized number of shares (thousand shares)	<u>600,000</u>	<u>600,000</u>
Authorized capital	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued with fully paid-in capital (thousand shares)	<u>504,915</u>	<u>504,915</u>
Outstanding capital	<u>\$ 5,049,151</u>	<u>\$ 5,049,151</u>

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

(2) Capital reserves

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Other capital surplus of shares	\$ 279,956	\$ 279,956
Corporate bond conversion premium	1,050,383	1,050,383
Endowments	1,651	1,651
Treasury stock trade	11	11
Difference between consideration and carrying amount of subsidiaries acquired or disposed	11,445	-
<u>For covering loss carried forward only.</u>		
Gains on disposal of assets	21	21
Recognition of changes in ownership interests of subsidiaries (2)	11,693	11,693
Others	<u>164</u>	<u>164</u>
	<u>\$ 1,355,324</u>	<u>\$ 1,343,879</u>

(1) Such additional paid-in capital can be used to make up for losses; also, when the company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(2) Such capital reserves are the effects of equity transactions recognized due to the changes in a subsidiary's equity when the Company has not actually acquired or disposed of the equity of the subsidiary.

(3) Retained earnings and Dividend Policy

The Company's shareholders' meeting, on June 15, 2022, passed a resolution to amend its Articles of Incorporation, to specify that the Company delegates the Board of Directors, by supermajority resolution, to pay out dividends and bonuses to be distributed in cash and report to the shareholders' meeting.

According to the earnings distribution policy of the Company's amended Articles of Association, if there are earnings in the Company's annual final accounts, the Company shall pay taxes, compensate the accumulated losses over the years, set aside 10% as a statutory surplus reserve, and then appropriate or reverse a special surplus reserve according to the laws or regulations of the competent authority. Regarding the special surplus reserve, if there are still earnings available, shareholder dividends shall be provided therefrom. For stock dividends, the Board of Directors draws up an earnings distribution proposal and submits it to the shareholders' meeting for resolution for distribution of shareholder dividends. If cash dividends are distributed, it shall be approved by a resolution by more than half of all directors present at a board meeting attended by two-thirds or more of all directors and reported to the shareholders' meeting. Please refer to Note 17 (5) regarding the policy for remuneration to the employees and the directors as stipulated in the Company's Articles of Association.

According to the earnings distribution policy of the Company's Articles of Association before amendment, if there are earnings in the Company's annual final accounts, the Company shall pay taxes, compensate the accumulated losses over the years, set aside 10% as a statutory surplus reserve, and then appropriate or reverse a special surplus reserve according to laws or regulations of the competent authority. Regarding the special surplus reserve, if there are still earnings available, together with the accumulated undistributed earnings, the Board of Directors shall put forward an earnings distribution proposal and submit it to the shareholders' meeting for a resolution to distribute dividends to shareholders.

For the Company's need for sustainable operation and business growth and to take into account the maintenance of profitability, the Company's capital budget plan is adopted to measure the capital needs of the following years. The board of directors drafts a shareholders' dividend distribution plan according to the law every year and submits it to the shareholders' meeting. Shareholders' dividends are distributed in two ways: cash dividends and stock dividends. The cash dividends must not be less than 10% of the total dividends distributed, and the rest are stock dividends.

Legal reserve shall be allocated up to the amount equivalent to the paid-in capital of the company. Legal reserve could be allocated for covering loss carried forward. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

The Company has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, FSC.Certificate.Issue.Tzi No. 1010047490 Letter, and "Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs)."

The Company's shareholders' meeting, on June 15, 2022, resolved a decision to amend the Company's Articles of Association, specifying that when a special reserve is provided from the net deduction of other equity accumulated from the prior periods, if the undistributed earnings from the prior period are insufficient for provision, the special reserve shall be provided from the net income after tax for the current period, plus items other than net income after tax, included in the amount of the undistributed earnings for the current period. Before the Articles of Association were amended, the Company provided a special reserve from the undistributed earnings from the prior period in accordance with the law.

Proposal for the Company's 2022 and 2021 earnings distribution are as follows:

	Distribution of retained earnings		Dividend Per Share (NTD)	
	2022	2021	2022	2021
Legal reserve appropriated	\$ 69,025	\$ 94,552		
Special reserve appropriated (reversed)	(146,967)	332,733		
Cash dividend	449,996	349,927	\$ 0.9	\$ 0.7

The distribution of 2022 cash dividends was resolved by the board of directors on March 7, 2023. The rest earnings appropriation items were resolved by the general shareholders meetings on June 15, 2023 and 2022, respectively.

On March 12, 2024, the board of directors proposed the 2023 earnings distribution proposal as follows:

	Distribution of retained earnings	Dividend Per Share (NTD)
Legal reserve appropriated	\$ 75,423	
Special reserve appropriated	168,420	
Cash dividend	499,995	\$ 1.0

The Board of Directors has decided to distribute the above cash dividends by resolution and is pending resolution by the annual shareholders' meeting scheduled to be held on June 13, 2024.

(4) Special surplus reserves

A special surplus reserve appropriated because of the first-time adoption of IFRSs for the exchange differences on translation of the financial statements of foreign operations (including subsidiaries) is reversed based on the percentage of the Company's disposal. When the Company loses significant influence, said reserve will be fully reversed. When distributing the earnings, a special surplus reserve shall be appropriated for the difference between the net deduction of other shareholders' equity and the special surplus reserve for the first-time application of IFRSs at the end of the reporting period. If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount can be distributed.

As of December 31, 2023 and 2022, the special surplus reserve provided by the Company in accordance with Letter Jin Guan-Zheng-Fa No. 1010012865 was NTD 928,988 thousand and NTD 1,075,955 thousand, respectively.

(5) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	(\$ 859,668)	(\$ 1,014,075)
Generated in current year		
Exchange differences on translation of foreign operations	(202,863)	191,890
Relating income tax	<u>36,933</u>	(<u>37,483</u>)
Balance, end of year	(<u>\$ 1,025,598</u>)	(<u>\$ 859,668</u>)

2. Unrealized gain on financial assets at fair value through other comprehensive profit or loss

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	(\$ 69,320)	(\$ 61,880)
Generated in current year		
Unrealized gains or losses – equity instruments	(<u>2,490</u>)	(<u>7,440</u>)
Balance, end of year	(<u>\$ 71,810</u>)	(<u>\$ 69,320</u>)

(6) Treasury shares

<u>Cause</u>	<u>Transfer of shares to employees (Thousand shares)</u>
Number of shares on January 1, 2022	5,020
Decrease in current period	(<u>100</u>)
Number of shares on December 31, 2022	<u>4,920</u>
Number of shares on January 1 and December 31, 2023	<u>4,920</u>

The company's Treasury stock may not be pledged in accordance with the Security and Exchange Law; moreover, it is without the privilege of dividend and voting right.

16. Revenue

(1) Revenue from contracts with customer

Product type	2023	2022
Commodity sales revenue		
Compressor	\$ 6,385,072	\$ 9,237,311
Others	<u>106,090</u>	<u>101,205</u>
	<u>\$ 6,491,162</u>	<u>\$ 9,338,516</u>

(2) Refund liability

Based on historical experience and contract conditions, the Company's estimated refund liability for sales returns and discounts in 2023 and 2022 was NTD 251,594 thousand and NTD 339,042 thousand, respectively. As of December 31, 2023 and 2022, the balance of the refund liability was NTD 187,184 thousand and NTD 213,334 thousand, respectively.

17. Business units in continuing operation income

(1) Other profits and losses

	2023	2022
Net gains or losses on disposal of property, plant	\$ 74	\$ 450
Net foreign exchange gain (loss)	44,002	259,270
Others	(<u>43</u>)	(<u>169</u>)
	<u>\$ 44,033</u>	<u>\$ 259,551</u>

(2) Financial costs

	2023	2022
Interest from bank borrowings	\$ 65,242	\$ 49,744
Interest on lease liabilities	<u>45</u>	<u>48</u>
	<u>\$ 65,287</u>	<u>\$ 49,792</u>

(3) Depreciation and amortization

	2023	2022
Consolidation of depreciation expenses based on functions		
Operating cost	\$ 29,301	\$ 30,319
Operating expenses	<u>33,003</u>	<u>33,422</u>
	<u>\$ 62,304</u>	<u>\$ 63,741</u>
Consolidation of amortization expenses based on functions		
Operating cost	\$ 228	\$ 305
Operating expenses	<u>6,468</u>	<u>5,413</u>
	<u>\$ 6,696</u>	<u>\$ 5,718</u>

(4) Employee benefits expenses

	2023	2022
Retirement benefits		
Defined contribution pension plan	\$ 10,646	\$ 10,525
Defined benefit plan (Note 14)	<u>1,492</u>	<u>1,434</u>
	12,138	11,959
Other employee benefits	<u>359,383</u>	<u>390,688</u>
Total employee benefits expenses	<u>\$ 371,521</u>	<u>\$ 402,647</u>
Consolidation based on functions		
Operating cost	\$ 89,128	\$ 108,044
Operating expenses	<u>282,393</u>	<u>294,603</u>
	<u>\$ 371,521</u>	<u>\$ 402,647</u>

(5) Remuneration to the employees and the directors

According to the Company's Articles of Association, based on the current year's pre-tax income before deduction of the remuneration to employees and directors, no less than 1% and no greater than 8% of the balance is allocated as remuneration to employees, and no more than 3% for remuneration to directors. For 2023 and 2022, the remuneration to employees and directors was estimated based on the aforementioned pre-tax profit and the possible distributable amount according to the past experience.

The remuneration to employees and directors for 2023 and 2022 was resolved by the board of directors on March 12, 2024 and March 7, 2023, respectively, as follows:

Amount

	2023		2022	
	Cash	Stock	Cash	Stock
Remuneration to employees	\$ 47,332	\$ -	\$ 43,754	\$ -
Remuneration to directors	14,791	-	13,964	-

If there are still changes in the amount specified in the individual financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

There is no difference between the remuneration to employees and directors actually distributed for 2022 and 2021 and the amount recognized in the individual financial statements for 2022 and 2021.

For information on the remuneration to employees and directors as resolved by the Company's board of directors, please visit the Market Observatory Post System of the Taiwan Stock Exchange.

(6) Foreign exchange gain (loss)

	2023	2022
Total foreign exchange gains	\$ 192,742	\$ 446,814
Total foreign exchange gain (loss)	(148,740)	(187,544)
Net profit (loss)	<u>\$ 44,002</u>	<u>\$ 259,270</u>

18. Continuing department income tax

(1) Income tax recognized in profit or loss

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

	2023	2022
Income tax expenses in the current period		
Accrued in current year	\$ 164,998	\$ 221,900
Additional levy on undistributed earnings	15,910	7,332
Prior year adjustment	(32,145)	(9,126)
	148,763	220,106
Deferred tax		
Accrued in current year	18,901	(41,576)
Income tax expense recognized in the profit or loss	<u>\$ 167,664</u>	<u>\$ 178,530</u>

Adjustment of accounting income and income tax expense are as follows:

	2023	2022
Income before tax from continuing operations	<u>\$ 918,636</u>	<u>\$ 866,811</u>
Income tax derived by applying the statutory tax rate to pre-tax net profit	\$ 183,727	\$ 173,362
Non-deductible expenses and losses for tax purposes	1,648	7,851
Additional levy on undistributed earnings	15,910	7,332
Unrecognized (recognizable) deductible temporary differences	(1,476)	(889)
Income tax expense of prior years adjusted in the current year	(32,145)	(9,126)
Income tax expense recognized in the profit or loss	<u>\$ 167,664</u>	<u>\$ 178,530</u>

(2) Income tax recognized in the other comprehensive profit or loss

	2023	2022
<u>Deferred tax</u>		
Accrued in current year		
- Translation of foreign operations	(\$ 36,933)	\$ 37,483
- Remeasurement of defined benefit plan	815	491
Income tax recognized in the other comprehensive profit or loss	<u>(\$ 36,118)</u>	<u>\$ 37,974</u>

(3) Current Tax Liability

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current Tax Liability		
Payable income tax	<u>\$ 36,208</u>	<u>\$ 126,253</u>

(4) Deferred income tax assets and liabilities

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

2023

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensiv e profit of loss	Balance, end of year
<u>Deferred income tax assets</u>				
Temporary difference				
Allowance to reduce inventory to market	\$ 3,234	\$ 6,959	\$ -	\$ 10,193
Unrealized exchange loss	-	4,522	-	4,522
Refund liability	32,454	(2,682)	-	29,772
Defined benefit pension plans	9,730	(764)	(815)	8,151
Vacation benefit payable	2,128	(36)	-	2,092
Exchange differences of foreign operations	90,066	-	36,933	126,999
	<u>\$ 137,612</u>	<u>\$ 7,999</u>	<u>\$ 36,118</u>	<u>\$ 181,729</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Investment gains of foreign investment companies	\$ 703,722	\$ 30,670	\$ -	\$ 734,392
Unrealized exchange gain	3,770	(3,770)	-	-
Real property, plant and equipment	942	-	-	942
Reserve for land revaluation increment tax ("LRIT")	10,104	-	-	10,104
	<u>\$ 718,538</u>	<u>\$ 26,900</u>	<u>\$ -</u>	<u>\$ 745,438</u>

2022

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensiv e profit of loss	Balance, end of year
<u>Deferred income tax assets</u>				
Temporary difference				
Allowance to reduce inventory to market	\$ 5,944	(\$ 2,710)	\$ -	\$ 3,234
Refund liability	10,351	22,103	-	32,454
Defined benefit pension plans	10,878	(657)	(491)	9,730
Vacation benefit payable	2,053	75	-	2,128
Exchange differences of foreign operations	127,549	-	(37,483)	90,066
	<u>\$ 156,775</u>	<u>\$ 18,811</u>	<u>(\$ 37,974)</u>	<u>\$ 137,612</u>

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	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensiv e profit of loss	Balance, end of year
<u>Deferred tax liabilities</u>				
Temporary difference				
Investment gains of foreign investment companies	\$ 728,014	(\$ 24,292)	\$ -	\$ 703,722
Unrealized exchange gain	2,243	1,527	-	3,770
Real property, plant and equipment	942	-	-	942
Reserve for land revaluation increment tax ("LRIT")	10,104	-	-	10,104
	<u>\$ 741,303</u>	<u>(\$ 22,765)</u>	<u>\$ -</u>	<u>\$ 718,538</u>

(6) Income tax audit

The profit-seeking enterprise income tax returns filed by the Company up to 2021 have been approved by the tax collection authority.

19. Earnings per share

Unit: NTD per share

	2023	2022
Basic earnings per share	<u>\$ 1.50</u>	<u>\$ 1.38</u>
Diluted earnings per share	<u>\$ 1.49</u>	<u>\$ 1.37</u>

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net profits of the current year

	2023	2022
The net income applied to calculate basic earnings per share	<u>\$ 750,972</u>	<u>\$ 688,281</u>

Number of shares

Unit: shares in thousands

	2023	2022
Weighted average common stock shares used to calculate basic earnings per share	499,995	499,980
Effect of dilutive potential common stock:		
Remuneration to employees	<u>2,679</u>	<u>3,136</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>502,674</u>	<u>503,116</u>

If the Company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of

shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

20. Share-based payment agreement

Treasury shares granted to employees

The Company granted 100,000 units of treasury stock options to employees in January 2022, and each unit is entitled to subscription for one ordinary share. The recipients of the options include employees of the Company and its subsidiaries who meet specific criteria. The strike price of stock options is the average price at which the Company purchased treasury shares.

The weighted average share price of treasury stock options exercised during 2022 was NTD 18.70 on the exercise date.

The Company adopted the Black-Scholes model for the treasury stock options granted in January 2022. The inputs used in the model are as follows:

	<u>January 2022</u>
Share price on the grant date	NTD 18.70
Strike price	NTD 19.03
Expected volatility	15.33%
Duration	26 days
Risk-free interest rate	0.29%

Expected volatility is based on historical stock price volatility over the past six months.

The remuneration cost recognized for 2022 was NTD 17 thousand.

21. Partial acquisition of subsidiary – no impact on control

On December 14, 2023, the Company repurchased a 23.45% stake, totaling 24,636 thousand shares, in Dyna Rechi Co., Ltd. from China Steel Corporation, a juridical person director of its subsidiary. This transaction resulted in the Company's shareholding ratio increasing from 42.20% to 65.65% for a consideration of NTD 248,000 thousand. The transaction price was determined with reference to the CPA's fairness opinion on price and was resolved by the board of directors.

Since the transaction above did not change the Company's control over the subsidiary, the Company treated it as an equity transaction. Please refer to Note 27 of the Company's 2023 consolidated financial statements for the details of the partial acquisition of the subsidiary.

22. Capital risk management

Under the premise of capital management for assuring sustainable operation, the Company seeks to maximize return to shareholders through the optimization of debts and equity balance. There is no major change in the Company's overall strategy.

The capital structure of the Company is composed of the net debt (i.e. borrowings less cash and cash equivalents) and equity (i.e. share capital, capital reserves, retained earnings, and other equity items).

The Company is not required to comply with other external capital requirements, except for the various commitments on long-term borrowings in Note 12.

The Company's management reviews the capital structure yearly, and the reviews include taking into consideration the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure by paying dividends, issuing new shares, buying back shares, borrowing new debts, or repaying old debts based on the suggestions of the key management.

23. Financial instruments

(1) Fair value information- Financial instruments that are not measured at fair value

The management of the Company believes that the carrying amount of financial assets and liabilities not measured by fair values approaches their fair values.

(2) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets based on cost after amortization (Note 1)	\$ 2,439,329	\$ 2,524,415
<u>Financial liabilities</u>		
Based on cost after amortization (Note 2)	5,126,641	5,139,509

Note 1: The balances include cash and cash equivalents, notes receivable, accounts receivable, other receivables, deposits, refundable deposits, and other financial assets measured at amortized cost.

Note 2: The balances include short-term borrowings, short-term notes payable, notes payable, accounts payable, other payables, guarantee deposits received, long-term borrowings, long-term notes payable, and other financial liabilities measured at amortized cost.

(3) Purpose and policy of financial risk management

The main financial instruments of the Company include investments in equity and debt instruments, accounts receivable, accounts payable, borrowings, and lease liabilities. The Company's financial management department shall provide services to each business unit, to plan and coordinate operations in the domestic and international financial markets, and to monitor and manage the Company's operation-related financial risks with the internal risk report, with the risk exposure analyzed in accordance with the degree and breadth of risks. These risks include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

The financial management department reports quarterly to the Company's board of directors.

1. Market Risk

Due to the operating activities, the major financial risk faced by the Company is the foreign currency exchange rate risk (see (1) below) and interest rate risk (see (2) below). The Company manages the foreign currency exchange rate and interest rate risks using the natural hedging method.

The exposure of market risk of the financial instruments of the Company and the management and measurement of this risk remained unchanged.

(1) Exchange rate risk

The Company engages in foreign currency-denominated sales and purchase transactions; therefore, the Company is exposed to exchange rate risks. Approximately 95.35% of the Group's sales are not denominated in the functional currency of any of the Group's entity involved in the transaction, and approximately 93.04% of the cost is not denominated in the functional currency of any of the Group's entity involved in the transaction. The Company manages the exposure to the exchange rate risk using the natural hedging method.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currencies of the Company at the balance sheet date, please refer to Note 28.

Sensitivity analysis

The Company is mainly affected by fluctuations in the exchange rates of the USD and RMB.

The Branch's sensitivity analysis for the exchange rate of NT dollar (the functional currency) to each relevant foreign currency increased or decreased by 1.7% is detailed as follows. The 1.7% sensitivity rate is used for the Branch's reporting exchange rate risk to management; also, it is management's reasonable estimation of the possible fluctuation in exchange rates. The sensitivity analysis includes only the outstanding monetary items in foreign currency; also, the translation at year-end is adjusted in accordance with the changes in exchange rates by 1.7%. Each positive number in the following table represents the amount of increase in net profit before tax when NTD depreciates by 1.7% in relation to each relevant foreign currency; when NTD appreciates by 1.7% in relation to

each relevant foreign currency, its effect on net profit before tax will be the negative number of the same amount.

	Effect on USD (i)		Effect on RMB (ii)	
	2023	2022	2023	2022
Profit or loss	\$ 26,003	\$ 28,748	(\$ 14,333)	(\$ 21,920)

- (i) It is mainly derived from the Company's outstanding USD-denominated bank deposits, receivables, and payables at the balance sheet date without cash flow hedging.
- (ii) It is mainly derived from the Company's outstanding RMB-denominated bank deposits, receivables, and payables at the balance sheet date without cash flow hedging.

(2) Interest rate risk

Because the Company holds assets and borrowings with fixed and floating interest rates at the same time, the interest rate risk has arisen. The Company manages interest rate risk by maintaining an appropriate combination of fixed and floating rate.

The carrying amount of financial assets and liabilities of the Company under interest rate exposure on balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
With fair value interest rate risk		
- Financial assets	\$ -	\$ -
- Financial liabilities	971,362	454,557
Contain cash flow interest rate risk		
- Financial assets	190,128	173,091
- Financial liabilities	2,649,932	2,645,703

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For assets and liabilities with floating interest rates, the analysis method is based on the assumption that the amount of assets and liabilities outstanding at the balance sheet date is outstanding throughout the reporting period. The rate of change used when the interest rates are reported to key management in the Company is 100 base points for increase or decrease in interest rates, which also represents the reasonably possible range of changes in interest rates determined by the management.

If the interest rate increased by 100 base points, with all other variables remaining unchanged, the Company's 2023 and 2022 net profit before tax would have decreased by NTD 24,598 thousand and NTD 24,726 thousand, respectively, mainly due to the Company's exposure to the risk of changes in the interest rate.

2. Credit Risk

Credit risk refers to the risk that the counter party delays the contractual obligation resulting in the financial loss of the Company. As of the balance sheet date, the maximum credit risk exposure that might cause the Company to suffer financial losses due to the counterparty's failure to perform its obligations and the financial guarantees provided by the Company was derived from the carrying amount of financial assets recognized in the individual balance sheet and the amount of contingent liabilities arising from the financial guarantees provided by the Company.

Except for the Company's top five customers, the Company does not have any major exposure to the credit risk of any single counterparty or any group of counterparties with similar characteristics. When the counterparty is an affiliated company, the Company defines it as a counterparty with similar characteristics. In 2023 and 2022, the Company's concentration of credit risk on the top five customers did not exceed 48% of the total monetary assets, and the concentration of credit risk on other counterparties did not exceed 4% of the total monetary assets.

The Company's credit risk is mainly concentrated on the top five customers. As of December 31, 2023 and 2022, the percentage of the total accounts receivable from the aforementioned customers was 66% and 71%, respectively.

3. Liquidity Risk

The Company has supported the business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The Company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is a main source of liquidity to the company. For the Company's bank financing amount not drawn down as of December 31, 2023 and 2022, please refer to the description of (2) regarding the financing amount below.

(1) Liquidity and interest rate risk table of non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the Company's undiscounted cash flow (including principal and estimated interest) of financial liabilities on the earliest possible repayment date upon request. The following table shows the earliest times that the Company may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

December 31, 2023

Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years

<u>Non-derivative financial liabilities</u>					
No interest-bearing liabilities	\$ 48,095	\$ 1,424,593	\$ 34,233	\$ 584	\$ -
Lease liabilities	130	261	1,173	745	-
Instruments with floating interest rates	10,057	20,098	2,071,286	568,597	14,379
Instruments with fixed interest rates	250,905	721,651	-	-	-
Financial guarantee liabilities	2,053,650	-	-	-	-
	<u>\$ 2,362,837</u>	<u>\$ 2,166,603</u>	<u>\$ 2,106,692</u>	<u>\$ 569,926</u>	<u>\$ 14,379</u>

December 31, 2022

	Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>					
No interest-bearing liabilities	\$ 58,662	\$ 1,959,891	\$ 24,944	\$ 584	\$ -
Lease liabilities	224	448	1,944	2,310	-
Instruments with floating interest rates	4,044	13,879	295,318	2,354,265	30,554
Instruments with fixed interest rates	450	450,450	-	-	-
Financial guarantee liabilities	2,581,200	-	-	-	-
	<u>\$ 2,644,580</u>	<u>\$ 2,424,668</u>	<u>\$ 322,206</u>	<u>\$ 2,357,159</u>	<u>\$ 30,554</u>

The amount of the financial guarantee contracts above is the maximum amount that the Company may have to pay to fulfill the guarantee obligation if the holders of the financial guarantee contracts ask the guarantor for the full guarantee amount. However, based on the expectations at the balance sheet date, the Company believes that it is unlikely that the payments for said contracts will be made.

(2) Financing amount

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Secured bank loan		
- The loan quota used	\$ 1,700,650	\$ 1,600,000
- The loan quota not yet used	393,450	184,260
	<u>\$ 2,094,100</u>	<u>\$ 1,784,260</u>
Unsecured bank loan amount		
- The loan quota used	\$ 1,918,486	\$ 1,495,428
- The loan quota not yet used	2,860,585	3,838,445
	<u>\$ 4,779,071</u>	<u>\$ 5,333,873</u>

(5) Information on transfer of financial assets

The relevant information on the factoring of the Company's accounts receivable not due at the end of the year is as follows:

December 31, 2023

Counterparties	Amount factored	Reclassified to other receivables	Amount available	Amount drawn down	The annual interest rate of prepaid amount (%)
DBS Bank Limited	<u>\$ 195,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,330</u>	2.89%~5.20%

December 31, 2022

Counterparties	Amount factored	Reclassified to other receivables	Amount available	Amount drawn down	The annual interest rate of prepaid amount (%)
DBS Bank Limited	<u>\$ 136,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,357</u>	0.85%~2.89%

According to the agreement of the factoring contract, the losses arising from business disputes (such as sales returns or discounts) shall be borne by the Company, and the losses arising from the credit risk shall be borne by the bank.

24. Related party transactions

Except as disclosed in other notes, transactions between the Company and related parties are also as follows:

(1) Name of related parties and the relations

Name	Relationship with the Company
Rechi Holdings Co., Ltd.	Subsidiary
Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiary
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary
Rechi Precision (Huizhou) Mechanism Company	Subsidiary
Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary
Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary
Dyna Rechi Co., Ltd.	Subsidiary
Dyna Rechi Jiujiang Co., Ltd.	Subsidiary
Qingdao Rechi Electric Machinery Sales Company	Subsidiary
SAMPO CORPORATION	Investor with significant influence
Sampo Japan	Subsidiary of Sampo Corporation
China Steel Corporation	Substantive related party (a juridical person director of a subsidiary)

(2) Operating income

Account titles in book	Type and Name of related party	2023	2022
Sales revenue	Subsidiary	\$ 4,396	\$ 147
	Investor with significant influence	<u>4,135</u>	<u>2,662</u>
		<u>\$ 8,531</u>	<u>\$ 2,809</u>

(3) Purchase

Type and Name of related party	2023	2022
Subsidiary		
Rechi Precision (Qingdao) Electric Machinery Limited	\$ 3,200,412	\$ 4,670,955
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	1,134,419	1,398,374
Rechi Precision (Jiujiang) Electric Machinery Limited	722,977	901,876
Others	285,126	627,755
	<u>\$ 5,342,934</u>	<u>\$ 7,598,960</u>

Compared with other customers, there is no significant difference in the price and payment terms of transactions between the Company and its related parties.

(4) Receivables from concerned parties (excluding loans borrowed from concerned parties)

Account titles in book	Type and Name of related party	December 31, 2023	December 31, 2022
Accounts receivable – related parties	Subsidiary	\$ 3,515	\$ 70
	Investor with significant influence	686	99
		<u>\$ 4,201</u>	<u>\$ 169</u>
Other receivables – related parties	Subsidiary	<u>\$ 4,799</u>	<u>\$ 7,765</u>

The outstanding receivables from the related party are without any guarantees collected. No allowance for losses was provided for accounts receivable from related parties in 2023 and 2022.

(5) Payables to concerned parties (excluding loans borrowed from concerned parties)

Account titles in book	Type and Name of related party	December 31, 2023	December 31, 2022
Accounts payable – related parties	Subsidiary		
	Rechi Precision (Qingdao) Electric Machinery Limited	\$ 947,303	\$ 1,270,389
	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	288,218	303,013
	Rechi Precision (Jiujiang) Electric Machinery Limited	93,233	159,488
	Others	69,498	188,082
		<u>\$ 1,398,252</u>	<u>\$ 1,920,972</u>
Other payables	Subsidiary	\$ 1,942	\$ 1,110
	Investor with significant influence	830	-
		<u>\$ 2,772</u>	<u>\$ 1,110</u>

For balance of payables to concerned parties outstanding, no guarantee has been provided.

(6) Loans to related parties (including interest receivable)

<u>Type and Name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Rechi Precision (Jiujiang)		
Electric Machinery Limited	\$ 218,183	\$ 354,815
Dyna Rechi Jiujiang Co., Ltd.	<u>260,792</u>	<u>220,716</u>
	<u>\$ 478,975</u>	<u>\$ 575,531</u>

The interest rate of the short-term loans provided by the Company to its subsidiaries is similar to the market interest rate. The interest income from loans to subsidiaries for 2023 and 2022 was NTD 8,282 thousand and NTD 8,194 thousand, respectively.

(7) Lease agreement

<u>Type and Name of related party</u>	<u>2023</u>	<u>2022</u>
<u>Rent expense</u>		
Investor with significant influence	<u>\$ 9,178</u>	<u>\$ 440</u>

The rent of the lease contract between the Company and the above-mentioned related parties is determined through negotiation with reference to the market conditions and is paid on a monthly or quarterly basis in accordance with the general payment terms.

Lease expenses include short-term leases. The total amount of lease payments to be paid in the future for short-term leases is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The total amount of lease payments to be paid in the future	<u>\$ 10,308</u>	<u>\$ 372</u>

(8) Remuneration to the management

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 70,467	\$ 65,238
Retirement benefits	<u>649</u>	<u>613</u>
	<u>\$ 71,116</u>	<u>\$ 65,851</u>

The remuneration of directors and other key management personnel is determined by the Remuneration Committee after considering the factors, including industry standards and market conditions and taking into account their education and experience, seniority, work performance, and company profitability.

25. Pledged assets

The following assets have been provided as collateral for borrowings from banks, notes issued, and customs guarantees for imported goods:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Proprietary land	\$ 207,567	\$ 207,567
Building	190,119	201,192
Machinery and equipment	128,708	-
Other equipment	3,940	-
	<u>\$ 530,414</u>	<u>\$ 408,759</u>

26. Significant contingent liabilities and unrecognized contractual commitments

In addition to those disclosed in other notes, the significant commitments and contingencies of the Company as of balance sheet date were as follows:

(1) Unrecognized material contractual commitments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Purchase of property, plant, and equipment		
NTD	\$ 2,506	\$ 1,867
JPY	-	54,500
RMB	36	-

- (2) The Company has commissioned the bank to issue letters of guarantee to the Customs Administration for the post-release duty payments for imported goods. As of December 31, 2023 and 2022, the amount of the letters of guarantee issued by the bank was NTD 10,000 thousand.

27. Significant subsequent events

In order to integrate the operation of the BLDC motor business, the Company's board of directors resolved to acquire equity stake in its subsidiary, Dyna Rechi Co., Ltd., on March 12, 2024. The acquisition involves purchasing shares from directors and supervisors of Dyna Rechi Co., Ltd., Taiwan Sanyo Electric Co., Ltd., Richtek Technology Corporation, AccessTop Ltd., director HSU, YUNG FU and his first-degree relatives. The transaction comprises acquiring a 28.77% equity stake in Dyna Rechi Co., Ltd., totaling 30,225 thousand shares, with a transaction amount of NTD 312,249 thousand.

28. Information of foreign currency assets and liabilities with significant effects

The following information is expressed in foreign currencies other than the functional currencies of each entity within the Company; also, the exchange rate disclosed refers to the exchange rate used for having such foreign currency converted into the functional currency. Foreign currency assets and liabilities with significant influence as follows:

December 31, 2023

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book value</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 56,273	30.705 (USD : NTD)	\$ 1,727,859
RMB	128,864	4.3552 (RMB : NTD)	558,651
EUR	2,903	33.98 (EUR : NTD)	98,646
<u>Non-monetary items</u>			
Subsidiaries accounted for under the equity method			
USD	376,366	30.705 (USD : NTD)	11,556,312
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	6,457	30.705 (USD : NTD)	198,276
RMB	323,348	4.3552 (RMB : NTD)	1,401,779
EUR	177	33.98 (EUR : NTD)	6,013

December 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book value</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 59,195	30.71 (USD : NTD)	\$ 1,817,865
RMB	133,918	4.4094 (RMB : NTD)	590,502
EUR	1,531	32.72 (EUR : NTD)	50,107
<u>Non-monetary items</u>			
Subsidiaries accounted for under the equity method			
USD	376,507	30.71 (USD : NTD)	11,564,360

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Foreign currency liabilities	Foreign currency	Exchange rate	Book value
<u>Monetary items</u>			
USD	\$ 4,129	30.71 (USD : NTD)	\$ 126,805
RMB	426,342	4.4094 (RMB : NTD)	1,879,927
EUR	260	32.72 (EUR : NTD)	8,506

The unrealized foreign currency exchange gains and losses with a material impact are as follows:

Foreign currency	2023		2022	
	Exchange rate	Net exchange losses (gains)	Exchange rate	Net exchange losses (gains)
USD	30.705 (USD : NTD)	(\$ 50,481)	30.71 (USD : NTD)	\$ 4,270
RMB	4.3552 (RMB : NTD)	11,151	4.4094 (RMB : NTD)	(8,342)
EUR	33.98 (EUR : NTD)	(1,416)	32.72 (EUR : NTD)	9,101
		(\$ 40,746)		\$ 5,029

29. Notes of disclosure

(1) Information about important transactions:

1. The Loaning of funds: Table 1.
2. Endorsement and Guarantee: Table 2.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Table 3.
4. The cumulative purchase or sale of the same security for an amount exceeding NTD 300 million or 20% of paid-in capital: Table 4.
5. The acquisition of real estate for an amount exceeding NTD 300 million or 20% of paid-in capital: None.
6. The disposal of real estate for an amount exceeding NTD 300 million or 20% of paid-in capital: None.
7. The purchase or sale with the related party for an amount exceeding NTD 100 million or 20% of paid-in capital: Table 5.
8. Accounts receivable-related party reaching NTD 100 million or more than 20% of the Paid-in shares capital: Table 6.
9. Trading in derivative instruments: N/A.

(2) Information on investees: Table 7.

- (3) Information regarding investment in the territory of Mainland China:
1. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, current profit or loss and investment gains or losses recognized, ending balance, amount received as earnings distributions from the investment, and the limitations on investment: Table 8.
 2. Significant direct transactions with the investee in Mainland China or indirectly through third regions, its prices, terms of payment, and unrealized gain or loss: Table 9.
 - (1) Input amounts, percentages, balance, and percentages of relevant payable at end of the term.
 - (2) Sales amounts, percentages, balance, and percentages of relevant receivables at end of the term.
 - (3) Amount of property transaction and amount of the profit and/or loss so incurred.
 - (4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term.
 - (5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term.
 - (6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g. provision or acceptance of services.
 - (4) Information on major shareholders: Names of shareholders with a shareholding ratio of more than 5%, number of shares held, and percentage: Table 10.

RECHI PRECISION CO., LTD. and its subsidiaries

The Loaning of Funds

For the Year Ended December 31, 2023

Table 1

Unit: NTD thousand or in thousands in foreign currencies

No.	The lender of fund	The borrower of fund	Transaction title	Are they related parties	Maximum balance – current period (Note 3)		Balance, ending (Note 3)		The actual amounts disbursed (Note 3)		Interest rate collars	Nature of financing (Note 1)	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of provision for bad debts	Collateral		Limit of financing particular beneficiary (Note 2)	Total limit of financing (Note 2)	Note
																Name	Value			
0	RECHI PRECISION CO., LTD.	Rechi Precision (Jiujiang) Electric Machinery Limited	Other receivables	Yes	NTD 346,817 (RMB 80,000)		NTD 216,760 (RMB 50,000)		NTD 216,760 (RMB 50,000)		1.79%	2	\$ -	Working capital	\$ -	—	—	NTD 963,890	NTD 1,927,779	
0	RECHI PRECISION CO., LTD.	Dyna Rechi Jiujiang Co., Ltd.	Other receivables	Yes	NTD 390,169 (RMB 90,000)		NTD 260,112 (RMB 60,000)		NTD 260,112 (RMB 60,000)		1.74%	2	-	Working capital	-	—	—	NTD 963,890	NTD 1,927,779	
1	Rechi Holdings Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Other receivables	Yes	NTD 736,920 (USD 24,000)		NTD 721,568 (USD 23,500)		NTD 721,568 (USD 23,500)		-	2	-	Working capital	-	—	—	NTD 11,643,131	NTD 11,643,131	
2	Rechi Precision (Jiujiang) Electric Machinery Limited	Dyna Rechi Jiujiang Co., Ltd.	Other receivables	Yes	NTD 173,408 (RMB 40,000)		NTD 173,408 (RMB 40,000)		NTD 173,408 (RMB 40,000)		2.50%	2	-	Working capital	-	—	—	NTD 914,032	NTD 914,032	
3	Dongguan Rechi Compressor Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Other receivables	Yes	NTD 56,358 (RMB 13,000)		NTD - RMB -		NTD - RMB -		-	2	-	Working capital	-	—	—	NTD 40,577	NTD 40,577	

Note 1: (1) There are business transactions going on.

(2) There is a need for short-term financing.

Note 2: (1) The Company's limit of financing for individual recipients and the total limit of financing shall not exceed 10% and 20% of the net worth of the Company as in the latest financial statements, respectively.

(2) Rechi Holdings Co., Ltd.'s limit of financing for individual recipients and the total limit of financing shall not exceed 40% of the net worth of the Company as in the latest financial statements; however, for those located overseas who directly and indirectly hold 100% of the voting shares of the company and have a need for purchase of materials or working capital, the limit of financing shall not exceed the net worth of the Company as in the latest financial statements.

(3) Rechi Precision (Jiujiang) Electric Machinery Limited's limit of financing for individual recipients and the total limit of financing shall not exceed 40% of the net worth of the Company as in the latest financial statements; however, for those located overseas who directly and indirectly hold 100% of the voting shares of the company and have a need for purchase of materials or working capital, the limit of financing shall not exceed the net worth of the Company as in the latest financial statements.

(4) Dongguan Rechi Compressor Co., Ltd.'s limit of financing for individual recipients and the total limit of financing shall not exceed 40% of the net worth of the Company as in the latest financial statements; however, for those located overseas who directly and indirectly hold 100% of the voting shares of the company and have a need for purchase of materials or working capital, the limit of financing shall not exceed the net worth of the Company as in the latest financial statements.

Note 3: Measured based on the exchange rate at the end of the period.

RECHI PRECISION CO., LTD. and its subsidiaries

Endorsements and guarantees made for others

For the Year Ended December 31, 2023

Table 2

Unit: NTD thousand or in thousands in foreign currencies

No.	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity (Notes 4 and 6)	The highest balance of endorsements and/or guarantees in the current period	The balance of endorsements and/or guarantees at the end of the period (Note 6)	The actual amounts disbursed (Note 6)	The endorsements and/or guarantees secured with property	Ratio of cumulative endorsement and guarantee to net worth in the most recent financial statement (%)	The upper limit of an endorsement and/or guarantee (Notes 4 and 6)	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement by subsidiary to parent company	Guarantee and endorsement in Mainland China	Note
		Company name	Relation											
0	RECHI PRECISION CO., LTD.	Rechi Holdings Co., Ltd.	Note 1	NTD 9,638,894	NTD 1,320,315 (USD 43,000)	NTD 1,320,315 (USD 43,000)	NTD - (USD -)	\$ -	14%	NTD14,458,341	Y	N	N	
0	RECHI PRECISION CO., LTD.	Rechi Precision (Jiujiang) Electric Machinery Limited	Note 2	NTD 9,638,894	NTD 1,255,320 (USD 31,000) (RMB 70,000)	NTD 733,335 (USD 14,000) (RMB 70,000)	NTD - (USD -) (RMB -)	-	8%	NTD14,458,341	Y	N	Y	
1	Rechi Precision (Qingdao) Electric Machinery Limited (Note 5)	Qingdao Rechi Electric Machinery Sales Company	Note 3(2)	NTD 4,490,408 (RMB 1,035,800)	NTD 216,760 (RMB 50,000)	NTD - (RMB -)	NTD - (RMB -)	-	-	NTD 6,735,613 (RMB 1,553,700)	N	N	Y	
1	Rechi Precision (Qingdao) Electric Machinery Limited	Rechi Refrigeration Dongguan Co., Ltd.	Note 3 (1)	NTD 4,490,408 (RMB 1,035,800)	NTD 130,056 (RMB 30,000)	NTD 130,056 (RMB 30,000)	NTD 130,048 (RMB 29,998)	-	3%	NTD 6,735,613 (RMB 1,553,700)	N	N	Y	
2	Dyna Rechi Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Note 2	NTD 526,920	NTD 92,115 (USD 3,000)	NTD - (USD -)	NTD - (USD -)	-	-	NTD 526,920	N	N	Y	
2	Dyna Rechi Co., Ltd.	Ablek Technology Co., Ltd.	Note 1	NTD 526,920	NTD 15,000	NTD 15,000	NTD -	-	1%	NTD 526,920	N	N	N	
3	Dongguan Rechi Compressor Co., Ltd.	Rechi Refrigeration Dongguan Co., Ltd.	Note 3 (1)	NTD 101,444 (RMB 23,400)	NTD 138,727 (RMB 32,000)	NTD - (RMB -)	NTD - (RMB -)	-	-	NTD 152,166 (RMB 35,100)	N	N	Y	
4	Rechi Precision (Jiujiang) Electric Machinery Limited	Dyna Rechi Jiujiang Co., Ltd.	Note 2	NTD 2,285,079 (RMB 527,098)	NTD 78,034 (RMB 18,000)	NTD 78,034 (RMB 18,000)	NTD 45,624 (RMB 10,524)	-	3%	NTD 3,427,619 (RMB 790,647)	N	N	Y	

Note 1: Subsidiaries in which at least 50% of the ordinary shares are held directly by the Company.

Note 2: Investees in which at least 50% of the ordinary shares are held by the Company and its subsidiaries in total.

Note 3: (1) For companies that the Company directly and indirectly holds 90% of the voting shares.

(2) Companies that are endorsed and guaranteed by each shareholder based on their shareholding ratio because of a joint investment relationship.

Note 4: (1) The upper limit of the Company's endorsement/guarantee provided to each entity is NTD 9,638,894 (net worth) $\times$ 100% = NTD 9,638,894.

(2) The upper limit of the Company's endorsements/guarantees provided is NTD 9,638,894 (net worth) $\times$ 150% = NTD 14,458,341.

(3) The upper limit of the Rechi Precision (Qingdao) Electric Machinery Limited's endorsement/guarantee provided to each entity is RMB 1,035,800 (net worth) $\times$ 100% = RMB 1,035,800.

(4) The upper limit of the Rechi Precision (Qingdao) Electric Machinery Limited's endorsements/guarantees provided is RMB 1,035,800 (net worth) $\times$ 150% = RMB 1,553,700.

(5) The upper limit of the Dyna Rechi Co., Ltd.'s endorsement/guarantee provided to each entity is NTD 1,053,840 (net worth) $\times$ 50% = NTD 526,920.

(6) The upper limit of the Dyna Rechi Co., Ltd.'s endorsements/guarantees provided is NTD 1,053,840 (net worth) $\times$ 50% = NTD 526,920.

(7) The upper limit of the Dongguan Rechi Compressor Co., Ltd.'s endorsement/guarantee provided to each entity is RMB 23,400 (net worth) $\times$ 100% = RMB 23,400.

(8) The upper limit of the Dongguan Rechi Compressor Co., Ltd.'s endorsement/guarantee provided is RMB 23,400 (net worth) $\times$ 150% = RMB 35,100.

(9) The upper limit of the Rechi Precision (Jiujiang) Electric Machinery Limited's endorsement/guarantee provided to each entity is RMB 527,098 (net worth) $\times$ 100% = RMB 527,098.

(10) The upper limit of the Rechi Precision (Jiujiang) Electric Machinery Limited's endorsements/guarantees provided is RMB 527,098 (net worth) $\times$ 150% = RMB 790,647.

Note 5: The amount endorsement/guarantee provided by the Rechi Precision (Qingdao) Electric Machinery Limited to the Qingdao Rechi Electric Machinery Sales Company is jointly endorsed by the Rechi Precision (Qingdao) Electric Machinery Limited and the TCL Rechi (Huizhou) Refrigeration Equipment Company Limited.

Note 6: Measured based on the exchange rate at the end of the period.

RECHI PRECISION CO., LTD. and its subsidiaries
Marketable securities held – end of year
December 31, 2023

Table 3

Unit: Thousand shares/NTD thousand

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Note
				Number of shares	Book value	Shareholding ratio	Fair value	
Rechi Investments Co., Ltd.	Sharp Corporation	None	Financial assets at fair value through profit or loss – current	20	\$ 4,368	-	\$ 4,368	Note 1
	Taichung Commercial Bank Taiwan Quantitative Fund	None	Financial assets at fair value through profit or loss – current	1,049	19,994	-	19,994	Note 1
	Bigbest Solutions, Inc.	None	The financial assets measured for the fair values through other comprehensive income – non-current	600	-	0.9%	-	-
	Magnpower Corporation	None	The financial assets measured for the fair values through other comprehensive income – non-current	3,000	8,190	7.5%	8,190	-
Rechi Refrigeration Dongguan Co., Ltd.	BOC Wealth Management – Enjoy Everyday	None	Financial assets at fair value through profit or loss – current	-	87,699	-	87,699	Note 2
	Zhao-Jin 7007 wealth management product of China Merchants Bank Co., Ltd.	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
Dongguan Rechi Compressor Co., Ltd.	BOC Wealth Management – Enjoy Everyday	None	Financial assets at fair value through profit or loss – current	-	9,063	-	9,063	Note 2
	Zhao-Jin 7007 wealth management product of China Merchants Bank Co., Ltd.	None	Financial assets at fair value through profit or loss – current	-	52,023	-	52,023	Note 2
Qingdao Rechi Electric Machinery Sales Company	The National Trust Ltd.'s Jia Long No. 106 - Term Chun Guei	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Jia	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Yi	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Ding	None	Financial assets at fair value through profit or loss – current	-	86,704	-	86,704	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Wu	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Ji	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Geng	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2

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Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Note
				Number of shares	Book value	Shareholding ratio	Fair value	
Qingdao Rechi Electric Machinery Sales Company	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Xin	None	Financial assets at fair value through profit or loss – current	-	\$ 43,352	-	\$ 43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Ren	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
Rechi Precision (Qingdao) Electric Machinery Limited	The National Trust Ltd.'s Jia Long No. 106 - Term Xia Guei	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 106 - Term Qiu Jia	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Chun Ding	None	Financial assets at fair value through profit or loss – current	-	43,353	-	43,353	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Chun Wu	None	Financial assets at fair value through profit or loss – current	-	43,353	-	43,353	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Chun Xin	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Chun Ren	None	Financial assets at fair value through profit or loss – current	-	86,704	-	86,704	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Chun Guei	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Jia	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Yi	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Bing	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Ding	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Wu	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Ji	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Geng	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2
	The National Trust Ltd.'s Jia Long No. 107 - Term Xia Xin	None	Financial assets at fair value through profit or loss – current	-	43,352	-	43,352	Note 2

Note 1: The fair values were calculated based on the closing prices or net values of the stocks, funds, and beneficiary certificates at the end of December 2023.

Note 2: The fair value measurement is based on the quoted prices offered the counterparties as the valuation techniques and significant unobservable inputs to calculate the expected return on such investments.

RECHI PRECISION CO., LTD. and its subsidiaries
Total Purchases from or Sales to Related Parties Amounting to at least NTD 100 Million or 20% of the Paid-in Capital
For the Year Ended December 31, 2023

Table 4

Unit: NTD 1 thousand

Purchase (sale) company	Counterparties	Relation	Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)			Note
			Purchase (sale)	Amount	Proportion to total purchase (sale) (%)	The credit period	Unit price	The credit period	Title	Balance	Proportion to notes and accounts receivable (payable) (%)	
RECHI PRECISION CO., LTD.	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary of Rechi Holdings Co., Ltd.	Purchase	\$ 1,134,419	19%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	\$ 288,218	20%	
	Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiary of Rechi Investments Holdings Co., Ltd.	Purchase	3,200,412	54%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	947,303	66%	
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Purchase	722,977	12%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	93,223	7%	
Rechi Refrigeration Dongguan Co., Ltd.	Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary of GR Holdings (Hong Kong) Limited	Purchase	284,637	5%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	69,467	5%	
	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary of Rechi Holdings Co., Ltd.	Sale	1,078,033	67%	O/A with net 60 days via T/T	No significant difference	O/A with net 60–90 days via T/T	Accounts receivable	350,233	68%	
									Notes receivable	130,999	95%	
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiary of Rechi Investments Holdings Co., Ltd.	Sale	169,207	10%	O/A with net 60 days via T/T	No significant difference	O/A with net 60–90 days via T/T	Accounts receivable	58,178	11%	
	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	284,637	18%	60–90 days from reimbursement	No significant difference	O/A with net 60–90 days via T/T	Accounts receivable	69,467	14%	
	Rechi Precision (Huizhou) Mechanism Company	Subsidiary	Purchase	765,564	19%	O/A with net 90 days via T/T	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	289,414	28%	
Rechi Precision (Huizhou) Mechanism Company	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	1,134,419	26%	60–90 days from reimbursement	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Payable notes	1,261,784	50%	
	Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary of GR Holdings (Hong Kong) Limited	Purchase	1,078,033	27%	O/A with net 60 days via T/T	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	288,218	22%	
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Purchase	1,078,033	27%	O/A with net 60 days via T/T	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	350,233	33%	
Rechi Precision (Huizhou) Mechanism Company									Payable notes	130,999	5%	
									Accounts receivable	978,702	76%	
									Notes receivable	141,327	12%	
Rechi Precision (Huizhou) Mechanism Company	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	The parent company	Sale	765,564	100%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	289,414	100%	
Rechi Precision (Qingdao) Electric Machinery Limited	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	765,564	100%	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Notes receivable	1,261,784	100%	
									Accounts receivable	947,303	57%	

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Purchase (sale) company	Counterparties	Relation	Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)			Note
			Purchase (sale)	Amount	Proportion to total purchase (sale) (%)	The credit period	Unit price	The credit period	Title	Balance	Proportion to notes and accounts receivable (payable) (%)	
Qingdao Rechi Electric Machinery Sales Company	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Sale	\$ 2,914,090	47%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	\$ 705,391 91,039	42% 11%	
	Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary of GR Holdings (Hong Kong) Limited	Purchase	169,207	3%	O/A with net 60 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Notes receivable	58,178	7%	
	Qingdao China Steel Precision Metal Co., Ltd.	Affiliated enterprises	Purchase	161,529	3%	7 days from arrival of goods/O/A via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	3,730	0%	
	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	The parent company	Purchase	3,219,328	35%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	978,702 141,327	38% 13%	
	Rechi Precision (Qingdao) Electric Machinery Limited	The parent company	Purchase	2,914,090	31%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 60 days via 180-day bank acceptance bill	Payable notes	705,391 91,039	27% 9%	
Rechi Precision (Jiujiang) Electric Machinery Limited	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Purchase	3,040,205	33%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	923,487 510,558	35% 49%	
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited	Sale	3,040,205	76%	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Payable notes	923,487 510,558	88% 31%	
	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	722,977	18%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	93,223	9%	
Dyna Rechi Jiujiang Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Purchase	1,524,718	43%	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	578,940 13,933	61% 1%	
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Sale	1,524,718	82%	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Payable notes	578,940 13,933	85% 51%	
	Dyna Rechi Co., Ltd.	The parent company	Sale	207,118	11%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	85,287	12%	
Dyna Rechi Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Sub-subsidiary	Purchase	207,118	100%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	85,287	97%	
Ablek Technology Co., Ltd.	Ablek Technology Ltd.	Sub-subsidiary	Purchase	376,128	100%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	145,663	100%	
Ablek Technology Ltd.	Ablek Technology Co., Ltd.	The parent company	Sale	376,128	97%	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts receivable	145,663	98%	

RECHI PRECISION CO., LTD. and its subsidiaries
Accounts receivable from related parties for an amount exceeding NTD 100 million or 20% of paid-in capital
December 31, 2023

Table 5

Unit: NTD 1 thousand

The company booked in the receivables	Name of counterparty	Relation	Balance of accounts receivable from related parties (Note 1)	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Amount of provision for bad debts
					Amount	Process		
RECHI PRECISION CO., LTD.	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Other receivables (Note 1) \$ 218,262	-	\$ -	—	\$ 82	\$ -
	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Other receivables (Note 1) 260,792	-	-	—	-	-
Rechi Holdings Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary	Other receivables (Note 2) 721,568	-	-	—	-	-
Rechi Refrigeration Dongguan Co., Ltd.	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary of Rechi Holdings Co., Ltd.	Accounts receivable 350,233	2.20	-	—	160,511	-
			Notes receivable 130,999	2.20	-	—	74,208	-
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	RECHI PRECISION CO., LTD.	Ultimate parent company	Accounts receivable 288,218	3.86	-	—	277,445	-
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Accounts receivable 978,702	2.82	-	—	624,503	-
			Notes receivable 141,327	2.82	-	—	92,756	-
Rechi Precision (Huizhou) Mechanism Company	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	The parent company	Accounts receivable 289,414	0.48	-	—	156,836	-
			Notes receivable 1,261,784	0.48	-	—	-	-
Rechi Precision (Qingdao) Electric Machinery Limited	RECHI PRECISION CO., LTD.	Ultimate parent company	Accounts receivable 947,303	3.31	-	—	566,512	-
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Accounts receivable 705,391	3.59	-	—	492,961	-
			Notes receivable 91,039	3.59	-	—	91,039	-
Rechi Precision (Jiujiang) Electric Machinery Limited	Qingdao Rechi Electric Machinery Sales Company	Subsidiary of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited	Accounts receivable \$ 923,487	2.08	-	—	546,913	-
			Notes receivable 510,558	2.08	-	—	398,706	-
	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Other receivables (Note 1) 176,394	-	-	—	241	-

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The company booked in the receivables	Name of counterparty	Relation	Balance of accounts receivable from related parties (Note 1)	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Amount of provision for bad debts
					Amount	Process		
Dyna Rechi Jiujiang Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Accounts receivable \$ 578,940	2.52	\$ -	—	\$ 297,124	\$ -
			Notes receivable 13,933	2.52	-	—	-	-
Ablek Technology Ltd.	Ablek Technology Co., Ltd.	Subsidiaries of Dyna Rechi Co., Ltd.	Accounts receivable 145,663	2.53	-	—	66,251	-

Note 1: It includes loans provided to others and advance payments receivable.

Note 2: It refers to loans provided to others.

RECHI PRECISION CO., LTD. and its subsidiaries

Information on Investees

For the Year Ended December 31, 2023

Table 6

Unit: Thousand shares/NTD thousand or in thousands in foreign currencies

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding			Current period profit/loss of the investee	Recognized investment Income	Note
				Current period-end	Previous period-end	Number of shares	Percentage (%)	Book value			
RECHI PRECISION CO., LTD.	Rechi Holdings Co., Ltd.	British Virgin Islands	Investment business	\$ 8,194,085	\$ 8,194,085	-	100.00	\$ 11,556,312	\$ 855,419	\$ 851,593	Subsidiary
	Rechi Investments Co., Ltd.	Taiwan	Investment business	150,000	150,000	15,000	100.00	119,537	371	371	Subsidiary
Rechi Holdings Co., Ltd.	Dyna Rechi Co., Ltd.	Taiwan	BLDC Motor	691,442	443,442	68,980	65.65	691,852	16,996	7,870	Subsidiary
	Rechi International Holdings Co., Ltd.	British Virgin Islands	Investment business	USD 25,768	USD 25,768	-	100.00	USD 34,414	USD 1,442	N/A	Sub-subsidiary
	Rechi Investments Holdings Co., Ltd.	British Virgin Islands	Investment business	USD 90,000	USD 90,000	-	100.00	USD 146,091	USD 14,099	N/A	Sub-subsidiary
Rechi International Holdings Co., Ltd.	GR Holdings (Hong Kong) Limited	Hong Kong	Investment business	USD 25,701	USD 25,701	-	100.00	USD 34,254	USD 1,445	N/A	Third-tier subsidiaries.
Dyna Rechi Co., Ltd.	Dyna Rechi Holdings Co., Ltd.	Samoa	Investment business	784,303	784,303	-	100.00	786,318	9,240	N/A	Sub-subsidiary
Ablek Technology Co., Ltd.	Ablek Technology Co., Ltd.	Taiwan	Sales business	90,746	90,746	7,004	100.00	78,174	28,820	N/A	Sub-subsidiary
	Ablek Technology Ltd.	Samoa	Investment business	90,919	90,919	-	100.00	96,417	27,272	N/A	Third-tier subsidiaries.

Note 1: For information on investments in Mainland China, please refer to Table 7.

RECHI PRECISION CO., LTD. and its subsidiaries
Information regarding investment in the territory of Mainland China
For the Year Ended December 31, 2023

Table 7

Unit: NTD thousand or in thousands in foreign currencies

Names of investees in China	Principal business	Paid-up capital	Mode of investments	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Investee profit or loss for the period	The Company's directly or indirectly invested shareholding	Recognized investment Income (Note 4)	Book value of investment at ending	The investment income received at the end of the current period	Note
					Outward remittance	Recover							
Rechi Refrigeration Dongguan Co., Ltd.	Refrigerant compressor motors and air conditioner accessories	NTD 231,884 (USD 7,552)	Note 2	NTD 776,560 (USD 25,291)	\$ -	\$ -	NTD 776,560 (USD 25,291)	\$ 46,231	100.00	\$ 46,231	NTD 1,017,245 (USD 33,130)	NTD 462,448 (USD 15,061)	
Dongguan Rechi Compressor Co., Ltd.	Rotary refrigerant compressors	NTD 16,089 (USD 524)	Note 1	NTD 320,837 (USD 10,449) (Note 12)	-	-	NTD 320,837 (USD 10,449) (Note 12)	(4,313)	100.00	(4,313)	NTD 101,443 (USD 3,304)	NTD 46,979 (USD 1,530)	
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Rotary refrigerant compressors	NTD 2,202,838 (USD 71,742)	Note 1	NTD 1,018,301 (USD 33,164)	-	-	NTD 1,018,301 (USD 33,164)	182,538	77.78	141,974	NTD 2,424,320 (USD 78,955)	NTD 2,168,449 (USD 70,622)	
Rechi Precision (Huizhou) Mechanism Company	Rotary refrigerant compressor components	NTD 1,453,851 (USD 47,349)	Note 1	NTD 92,115 (USD 3,000)	-	-	NTD 92,115 (USD 3,000)	4,978	77.78	3,872	NTD 1,171,663 (USD 38,159)	NTD 178,887 (USD 5,826)	
Rechi Precision (Qingdao) Electric Machinery Limited	Rotary refrigerant compressor components	NTD 2,763,450 (USD 90,000)	Note 2	NTD 859,740 (USD 28,000) (Note 7)	-	-	NTD 859,740 (USD 28,000) (Note 7)	439,237	100.00	439,237	NTD 4,490,409 (USD 146,244)	NTD 3,387,283 (USD 110,317)	
Qingdao Rechi Electric Machinery Sales Company	Sales business	NTD 30,346 (RMB 7,000)	Note 9	NTD - (RMB -)	-	-	NTD - (RMB -)	64,964	88.89	57,746	NTD 477,020 (RMB 110,034)	-	
Qingdao China Steel Precision Metal Co., Ltd.	Processing production	NTD 614,100 (USD 20,000)	Note 1	NTD - (USD -)	-	-	NTD - (USD -)	16,860	30.00	5,058	NTD 166,586 (USD 5,425)	NTD 35,741 (USD 1,164)	
Dyna Rechi Jiujiang Co., Ltd.	Refrigerant compressor motors and BLDC motors	NTD 1,119,416 (RMB 258,215)	Note 3	NTD 703,934 (RMB 162,376) (Note 10)	-	-	NTD 703,934 (RMB 162,376) (Note 10)	14,324	77.85	9,231	NTD 948,344 (RMB 218,754)	-	
Rechi Precision (Jiujiang) Electric Machinery Limited	Rotary refrigerant compressors	NTD 2,026,530 (USD 66,000)	Note 1	NTD 2,026,530 (USD 66,000)	-	-	NTD 2,026,530 (USD 66,000)	198,611	100.00	198,611	NTD 2,285,080 (USD 74,420)	-	
Jiangxi Baida Precision Manufacturing Corp.	Processing production	NTD - (USD -)	Note 1	NTD 352,985 (USD 11,496) (Note 13)	-	-	NTD 352,985 (USD 11,496) (Note 13)	2,536	-	761	NTD - (USD -)	-	
Ablek Technology Ltd.	Home appliance motors	NTD 21,494 (USD 700)	Note 11	NTD - (USD -)	-	-	NTD - (USD -)	27,270	65.65	12,470	NTD 22,319 (RMB 5,148)	-	

Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA (Note 5)	Investment amount approved by the Investment Commission MOEAIC
NTD 6,151,001	NTD 3,547,594 (USD115,538) (Note 5)	(Note 6)

- Note 1: The Company has established a holding company (Rechi Holdings Co., Ltd.) in the British Virgin Islands and invested in the establishment of Rechi International Holdings Co., Ltd., Rechi Investments Holdings Co., Ltd., TCL Rechi (Huizhou) Refrigeration Equipment Company Limited, Dongguan Rechi Compressor Co., Ltd., Rechi Precision (Huizhou) Mechanism Company, Qingdao China Steel Precision Metal Co., Ltd., Rechi Precision (Jiujiang) Electric Machinery Limited, and Jiangxi Baida Precision Manufacturing Corp. through Rechi Holdings Co., Ltd.
- Note 2: Through GR Holdings (Hong Kong) Limited and Rechi Investments Holdings Co., Ltd., the Company has invested in the establishment of Rechi Refrigeration Dongguan Co., Ltd. and Rechi Precision (Qingdao) Electric Machinery Limited in Mainland China.
- Note 3: The Company's subsidiary Dyna Rechi Co., Ltd. has invested in the establishment of Dyna Rechi Jiujiang Co., Ltd. in Mainland China through Dyna Rechi Holdings Co., Ltd.
- Note 4: Recognized based on the financial statements audited by independent accountants.

Note 5: Investment amounts authorized by Investment Commission, Ministry of Economic Affairs

Name of investee in China	Amount
Rechi Refrigeration Dongguan Co., Ltd.	\$ 11,093
Dongguan Rechi Compressor Co., Ltd.	408
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	-
Rechi Precision (Huizhou) Mechanism Company	6,566
Rechi Precision (Qingdao) Electric Machinery Limited	-
Qingdao China Steel Precision Metal Co., Ltd.	4,971
Dyna Rechi Jiujiang Co., Ltd.	25,800
Rechi Precision (Jiujiang) Electric Machinery Limited	66,000
Jiangxi Baida Precision Manufacturing Corp.	-
Ablek Technology Ltd.	700
	<u>\$ 115,538</u>

Note 6: It has been approved to not be subject to the upper limit of the investment amount or percentage as it meets the proviso of Point 3 of the “Principles for the Review of Investment or Technical Collaboration in Mainland China” per the Jin-Shou-Gong Letter No. 10320409110 issued by the Industrial Development Bureau, Ministry of Economic Affairs (MOEA).

Note 7: The difference between the amount of paid-in capital and the accumulated investment amount remitted from Taiwan at the end of the period is due to direct investment by Rechi Holdings Co., Ltd. with its own funds.

Note 8: The difference between the accumulated investment amount remitted from Taiwan at the end of the period and the amount approved by the Investment Commission, MOEA, is due to the capitalization of earnings and the repatriation of earnings.

Note 9: It is the joint investment by TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited, each with a 50% shareholding percentage.

Note 10: The difference between the amount of paid-in capital and the accumulated investment amount remitted from Taiwan at the end of the period is due to the direct investment by Rechi Precision (Jiujiang) Electric Machinery Limited with its own funds.

Note 11: Ablek Technology Co., Ltd., the sub-subsidiary of the Company, invests in Ablek Technology Ltd. in China through Ablek Technology Ltd.

Note 12: The difference between the amount of paid-in capital and the accumulated investment amount remitted from Taiwan at the end of the period is due to the capital reduction of Dongguan Rechi Compressor Co., Ltd. and its return of stock payment to Rechi Holdings Co., Ltd., which was approved by the Investment Commission, Ministry of Economic Affairs.

Note 13: Rechi Holdings Co., Ltd. disposed of Jiangxi Baida Precision Manufacturing Co., Ltd. in May 2023 and recovered RMB 82,727 thousand, equivalent to USD 11,631 thousand, which was approved by the Investment Commission, Ministry of Economic Affairs.

Note 14: Already eliminated in the consolidated financial statements except for Qingdao China Steel Precision Metal Co., Ltd. and Jiangxi Baida Precision Manufacturing Corp.

RECHI PRECISION CO., LTD. and its subsidiaries

Significant direct transactions with the investee in Mainland China or indirectly through third regions, its prices, terms of payment, unrealized gain or loss, and other relevant information.

For the Year Ended December 31, 2023

Table 8

Unit: NTD 1 thousand

Names of investees in China	Transaction type	Purchase/Sale		Price	Terms and conditions		Notes and accounts receivable (payable)		Unrealized gains or losses	Note
		Amount	Percentage		Payment terms	Comparison with general transactions	Amount	Percentage		
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Purchase	\$ 1,134,419	19%	Normal	60–90 days from reimbursement	Normal	(\$ 288,218)	20%	\$ 941	
Rechi Precision (Qingdao) Electric Machinery Limited	Purchase	3,200,412	54%	Normal	60–90 days from reimbursement	Normal	(947,303)	66%	4,933	
Rechi Precision (Jiujiang) Electric Machinery Limited	Purchase	722,977	12%	Normal	60–90 days from reimbursement	Normal	(93,223)	7%	-	
Rechi Refrigeration Dongguan Co., Ltd.	Purchase	284,637	5%	Normal	60–90 days from reimbursement	Normal	(69,467)	5%	1,113	

RECHI PRECISION CO., LTD.
Information on Major Shareholders
December 31, 2023

Table 9

Names of Dominant Shareholders	Shares	
	Shares	Shareholding ratio
SAMPO CORPORATION	138,160,160	27.36%

Note 1: The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares with dematerialized registration and delivery completed (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. The share capital recorded in the Company's individual financial statements and the number of shares actually delivered by the Company with the dematerialized registration completed may differ due to different calculation bases.

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RECHI PRECISION CO., LTD.
Cash and cash equivalent Statement

December 31, 2023

Statement 1

Unit: NTD thousand or in foreign currencies

Item	Summary	Amount
Cash on hand		\$ 195
Check deposits		20
Current deposits		33,111
Time deposit	USD4,100,000x30.705	125,891
Foreign currency deposits	USD882,280x30.705 EUR64,363x33.98 THB332,200x0.9017 RMB357,309x4.3352	<u>31,126</u>
		<u>\$ 190,343</u>

RECHI PRECISION CO., LTD.

Accounts receivable statement

December 31, 2023

Statement 2

Unit: NTD 1 thousand

<u>Name of customer</u>	<u>Amount</u>
Customer A	\$ 414,477
Customer B	263,703
Customer C	174,455
Customer D	150,639
Customer E	88,878
Others (aggregate amount for customers accounting for within 5%)	<u>573,429</u>
	1,665,581
Less: Allowance for losses	(<u>15,552</u>)
	<u>\$ 1,650,029</u>

RECHI PRECISION CO., LTD.

Statement of Inventories

December 31, 2023

Statement 3

Unit: NTD 1 thousand

Item	Amount	
	Costs	Market price (Note)
Raw materials	\$ 48,561	\$ 36,825
Work-in-process	4,503	4,018
Finished products	174,211	189,063
Merchandise inventories	830	797
Inventory in-transit	128,753	118,654
Spare parts for repair and maintenance	<u>8,853</u>	<u>8,853</u>
	365,711	<u>\$ 358,210</u>
Less: Allowance for inventory devaluation and obsolescence	(<u>50,965</u>)	
	<u>\$ 314,746</u>	

Note: Net realizable value.

RECHI PRECISION CO., LTD.
Statement of changes in long-term equity investments under the equity method
For the Year Ended December 31, 2023

Statement 4

Unit: Thousand shares/NTD thousand

Company name	Balance, beginning of year		Increase in current period		Decrease in current period		Investment income under equity method	Balance, end of year			Equity net value or market price (Note 4)	Valuation basis	Collateral or pledge
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount		Number of shares	Shareholding ratio (%)	Amount			
Rechi Holdings Co., Ltd. (Note 1)	-	\$ 11,564,360	-	\$ -	-	\$ 859,641	\$ 851,593	-	100	\$ 11,556,312	\$ 11,643,131	Equity method	None
Rechi Investments Co., Ltd. (Note 2)	15,000	121,656	-	-	-	2,490	371	15,000	100	119,537	119,537	Equity method	None
Dyna Rechi Co., Ltd. (Note 3)	44,344	<u>442,733</u>	24,636	<u>259,445</u>	-	<u>18,196</u>	<u>7,870</u>	68,980	65.65	<u>691,852</u>	<u>691,852</u>	Equity method	None
		<u>\$ 12,128,749</u>		<u>\$ 259,445</u>		<u>\$ 880,327</u>	<u>\$ 859,834</u>			<u>\$ 12,367,701</u>	<u>\$ 12,454,520</u>		

Note 1: The decrease this year was due to a decrease in exchange differences from the translation of financial statements of foreign operations of NTD 184,667 thousand, and the distribution of cash dividends of NTD 674,974 thousand by the subsidiary accounted for using the equity method of accounting.

Note 2: The decrease for this year was due to the recognition of the increase in the unrealized loss on the financial assets of the investees.

Note 3: The increase for this year was due to the acquisition of partial equity stake in a subsidiary, and the decrease for this year was due to a decrease in the exchange differences from the translation of financial statements of foreign operations.

Note 4: The difference between the book value and the net equity value is the realized/unrealized gross profit on subsidiaries and the goodwill of the investment in subsidiaries.

RECHI PRECISION CO., LTD.
Statement of long-term borrowings
December 31, 2023

Statement 5

Unit: NTD 1 thousand

Creditor	Agreement Terms	Repayment method	Annual rate (%)	Amount			Collateral or Mortgage	Note
				Due within 1 year or 1 operating cycle	Mature beyond one year	Total		
Mega International Commercial Bank	2019.07.26-2024.07.26	Repayment in a lump sum upon maturity	Note	\$ 1,600,000	\$ -	\$ 1,600,000	Land and building	—
Chang Hwa Commercial Bank, Ltd.	2019.10.15-2029.10.15	Monthly amortization and repayment of the principal and interest from November 15, 2022	Note	17,254	83,396	100,650	Machinery and other equipment	—
Far Eastern International Bank Co., Ltd.	2023.05.02-2024.10.25	Repayment in a lump sum upon maturity	Note	280,000	-	280,000	—	—
Bank of Taiwan	2021.11.26-2024.05.05	Repayment in a lump sum upon maturity	Note	100,000	-	100,000	—	—
Chang Hwa Commercial Bank, Ltd.	2020.02.26-2027.02.15	Monthly amortization and repayment of the principal and interest from March 15, 2023	Note	<u>75,373</u>	<u>144,948</u>	<u>220,321</u>	—	—
				<u>\$ 2,072,627</u>	<u>\$ 228,344</u>	<u>\$ 2,300,971</u>		

Note: The annual rate of interest is 1.35%– 1.93%.

RECHI PRECISION CO., LTD.
Statement of operating income
For the Year Ended December 31, 2023

Statement 6

Unit: NTD 1 thousand

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
Revenue from sales of compressors	5,515 thousand units	\$ 6,544,952
Others		<u>131,228</u>
Total sales income		6,676,180
Less: Sales discounts and allowances		(168,794)
Sales return		(<u>16,224</u>)
		<u>\$ 6,491,162</u>

RECHI PRECISION CO., LTD.
Statement of operating cost
For the Year Ended December 31, 2023

Statement 7

Unit: NTD 1 thousand

Item	Amount
Raw materials, beginning of period	\$ 108,831
Add: Raw materials purchased in current period	696,158
Work-in-process/Finished products transferred in	105,191
Less: Work-in-process/Finished products transferred in	(13,804)
Scrap of raw materials	(15,325)
Other deductions	(7,370)
Raw materials, end of period	(<u>48,561</u>)
Material consumption in current period	825,120
Direct labor	44,805
Manufacturing overhead	<u>106,994</u>
Total manufacturing cost	976,919
Work in process – beginning	13,904
Less: Raw materials transferred in	(88,106)
Other deductions	(665)
Work in process – ending	(<u>4,503</u>)
Cost for finished goods	897,549
Opening finished products	242,157
Add: Accessories purchased	38,424
Raw materials transferred in	13,804
Other credits	21,854
Less: Raw materials transferred in	(17,085)
Scrap of finished products	(11,368)
Finished products, end of period	(<u>174,211</u>)
Cost of goods sold in the manufacturing industry	<u>1,011,124</u>
Opening inventory	7,479
Add: Supplies purchased in current period	4,797,506
Less: Ending inventory	(<u>830</u>)
Cost of goods sold in the trading industry	<u>4,804,155</u>
Write-downs of inventories and spare parts for repair and maintenance	34,792
Loss on scrapped inventories and maintenance spare parts	27,728
Others	<u>3,865</u>
Cost of goods sold	<u>\$ 5,881,664</u>

RECHI PRECISION CO., LTD.
Statement of operating expenses
For the Year Ended December 31, 2023

Statement 8

Unit: NTD 1 thousand

Item	Marketing expenses	Administrative expenses	Research and development expenses	Total
Salaries	\$ 42,897	\$ 121,901	\$ 80,761	\$ 245,559
Utilities expense	-	5,019	16,934	21,953
Depreciation	725	6,580	25,698	33,003
Transportation expenses	44,337	134	462	44,933
Testing and inspection expenses	342	-	32,470	32,812
Insurance	14,033	9,063	8,367	31,463
Import/Export (customs) expense	11,273	-	-	11,273
Professional service fees	-	14,580	15	14,595
Commissions expense	15,324	-	-	15,324
Others (Note)	<u>19,971</u>	<u>51,338</u>	<u>18,375</u>	<u>89,684</u>
	<u>\$ 148,902</u>	<u>\$ 208,615</u>	<u>\$ 183,082</u>	<u>\$ 540,599</u>

Note: The balance of each of other accounts did not exceed 5% of the amount of this account.

RECHI PRECISION CO., LTD.

Statement of employee benefits, depreciation, depletion, and amortization expenses

For the Years Ended December 31, 2023 and 2022

Statement 9

Unit: NTD 1 thousand

Characteristics	2023			2022		
	Allocated as operating cost	Allocated as operating expenses	Total	Allocated as operating cost	Allocated as operating expenses	Total
Salaries and wages	\$ 70,551	\$ 224,969	\$ 295,520	\$ 87,790	\$ 240,339	\$ 328,129
Labor insurance and national health insurance	8,804	17,861	26,665	9,043	16,538	25,581
Pension expenses	3,411	8,727	12,138	3,699	8,260	11,959
Remuneration to directors	-	20,590	20,590	-	19,804	19,804
Other employee benefits expenses	6,362	10,246	16,608	7,512	9,662	17,174
Depreciation expenses	29,301	33,003	62,304	30,319	33,422	63,741
Amortization expenses	<u>228</u>	<u>6,468</u>	<u>6,696</u>	<u>305</u>	<u>5,413</u>	<u>5,718</u>
	<u>\$ 118,657</u>	<u>\$ 321,864</u>	<u>\$ 440,521</u>	<u>\$ 138,668</u>	<u>\$ 333,438</u>	<u>\$ 472,106</u>

Note 1: As of December 31, 2023 and 2022, the number of employees of the Company was 317 and 317, respectively, of which the number of directors who did not serve as employees concurrently was both 8.

Note 2: The average employee benefit expenses in 2023 and 2022 were NTD 1,136 thousand and NTD 1,239 thousand, respectively.

Note 3: The average employee salary expenses in 2023 and 2022 were NTD 956 thousand and NTD 1,062 thousand, respectively. The average employee salary expenses is a decreased or decrease of 9.94%.

Note 4: Independent directors have been engaged in the current year and the previous year, so no supervisors were engaged.

Note 5: The salary and remuneration policy of the Company's directors, managers, and employees is as follows:

Directors and managers: The performance evaluation and remuneration of directors and managers are determined and confirmed based on the usual level of payment in the industry and the consideration for the reasonableness of the connection between individual performance, the Company's operating performance, and future risks before being reviewed by the remuneration committee and approved by the board of directors.

Employees: The employee remuneration is determined by the head of each unit according to the salary survey and analysis results, the Company's operating performance, and individual performance and achievement, and approved by the manager in charge of the business.

VI. Financial insolvency incidents encountered by the Company and affiliates for the most recent years, up till the publication date of this annual report. The impact on the company's financial situation shall be specified:

None

[VII. Review of financial position, business performance and risk issues]

I. Financial position

Unit: NTD thousand

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	18,147,320	16,633,506	1,513,814	9%
Property, plant, and equipment	5,367,798	5,985,075	(617,277)	-10%
Intangible assets	52,183	50,781	1,402	3%
Other assets	1,016,095	1,270,788	(254,693)	-20%
Total assets	24,583,396	23,940,150	643,246	3%
Current liabilities	12,697,074	9,875,572	2,821,502	29%
Non-current liabilities	1,085,231	3,193,521	(2,108,290)	-66%
Total liabilities	13,782,305	13,069,093	713,212	5%
Share capital	5,049,151	5,049,151	0	0%
Capital reserve	1,355,324	1,343,879	11,445	1%
Retained earnings	4,425,400	4,121,164	304,236	7%
Other equity	(1,097,408)	(928,988)	(168,420)	18%
Treasury shares	(93,573)	(93,573)	0	0%
Non-controlling interests	1,162,197	1,379,424	(217,227)	-16%
Total equity	10,801,091	10,871,057	(69,966)	-1%
The annual report shall list the main reasons for any material change (any increase or decrease greater than 20%) in the Company's assets, liabilities, or equity during the most recent 2 fiscal years, the effect thereof, and the measures to be taken in response: 1. Other assets decreased, mainly due to the disposal of associated companies this year, resulting in a decrease in investments accounted for using the equity method. 2. Current liabilities increased, mainly due to an increase in long-term loans and notes payable due within a year. 3. Non-current liabilities decreased, mainly due to long-term loans being reclassified to long-term loans due within one year as they approach maturity.				

II. Financial performance

- (I) The main reasons for any material change in operating revenues, operating income, and income before tax during the past two fiscal years:

Unit: NTD thousand

Item \ Year	2023	2022	Difference	
			Amount	Rate of change
Operating revenue – net	16,859,695	18,370,990	(1,511,295)	-8%
Operating costs	14,353,857	16,125,298	(1,771,441)	-11%
Gross profit	2,505,838	2,245,692	260,146	12%
Operating expenses	1,574,636	1,663,547	(88,911)	-5%
Net Operating Income	931,202	582,145	349,057	60%
Non-operating incomes and expenses	186,835	361,431	(174,596)	-48%
Net profit before tax	1,118,037	943,576	174,461	18%
Income tax expenses	317,019	241,194	75,825	31%
Net income for the period	801,018	702,382	98,636	14%
Main reasons for items with changes of more than 20% between the two periods:				
1. Operating net profit increased, primarily due to a decrease in operating costs this year.				
2. Non-operating income decreased, mainly due to profits from the sale of subsidiaries' real estate, factories, and equipment last fiscal year.				
3. The increase in income tax expenses in mainly due to the increase in the net profit before tax.				

- (II) The sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response: In 2023, the overall compressor sales volume was 15.50 million units, a year-on-year decrease of 2.31%; the consolidated operating revenue was NTD 16,859,695 thousand, a year-on-year decrease of 8.23%. In 2024, the company adheres to the concept of sustainable operation and integrity management, adjusted its operation strategy, and focused on pursuing a reasonable gross profit margin as the primary goal. With an objective to sell over 16.53 million compressors, it strives to reach new customers, develop new models, and adopt new applications, as a response to products with forward-thinking features, and speed of development, internally the Company focuses on product competitiveness; whereas the factory is speeding up automation and intelligent transformation, for the pursuit of better and consistent quality, in order to improve customer satisfaction, maximize corporate value and continue to maintain financial stability.

III. Cash flow

(I) Analysis of changes in cash flow in the most recent year (2023):

Unit: NTD thousand

Balance, beginning of year (1)	Cash flow from operating activities for the whole year (2)	Cash flow from investment activities for the whole year (3)	Cash flow from operating activities for the whole year (4)	Impact of changes in exchange rate on cash and cash equivalents (5)	Cash surplus (deficit) (1)+(2)+(3) +(4)+(5)	Measures taken for cash deficits	
						Investment plans	Financing plans
4,482,658	743,424	(271,334)	(1,155,604)	(66,395)	3,732,749	-	-
Analysis of variance in increase/decrease:							
1. Analysis of changes in cash flow in the most recent year							
Operating activities: Mainly due to cash flow provided from profits							
Investing activities: Mainly due to cash outflows from the acquisition of financial assets measured at amortized cost.							
Financing activities: Mainly due to cash flow used in the repayment of bank loans							
2. Remedies for expected cash deficits and liquidity analysis							
Investment plans: N/A							
Financing plans: N/A							

(II) Corrective measures to be taken in response to illiquidity: N/A

(III) Cash liquidity analysis for the coming year (2024):

Unit: NTD thousand

Balance, beginning of year (1)	Cash flow from operating activities for the whole year (2)	Cash flow from investment activities for the whole year (3)	Cash flow from operating activities for the whole year (4)	Impact of changes in exchange rate on cash and cash equivalents (5)	Cash surplus (deficit) (1)+(2)+(3) +(4)+(5)	Measures taken for cash deficits	
						Investment plans	Financing plans
3,732,749	861,176	(1,001,209)	(205,898)	-	3,386,818	-	-
Analysis of variance in increase/decrease: 1. Analysis of changes in cash flow for the coming year Operating activities: Cash inflow is mainly generated from anticipated revenues and collection of receivables. Investing activities: Cash outflow is mainly generated from acquisition of equipment. Financing activities: Cash outflow is mainly generated from the distribution of cash dividends. 2. Remedies for expected cash deficits and liquidity analysis Investment plans: N/A Financing plans: N/A							

IV. Impacts of Major Capital Expenditures in the Most Recent Year to Financial Performance:

The Company is in good operating condition with stable cash inflows from operating activities. The significant capital expenditures in 2023 were covered mainly by the Company's own operating capitals. Thus, such matter did not have a significant impact on the Company's financial operations.

V. The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year:

- (I) The Company's main investment policy is to expand the capacity of its primary businesses and increase revenues and profitability.
- (II) In 2023, the overall compressor sales volume was 15.50 million units, a year-on-year increase of 2.31%; the consolidated operating revenue was NTD 16,859,695 thousand, a year-on-year decrease of 8.23%.
- (III) The Company prudently evaluates various opportunities, actively expands its business, continues to invest appropriate resources, and streamlines processes and related costs to create higher profits.
- (IV) Investment plans

VI. Risk disclosure

- (I) The effect upon the company's profits/losses of interest and exchange rate fluctuations and changes in the inflation rate in the most recent year, and response measures to be taken in the future:

- (1) In recent years, the Company has been utilizing a combination of low-interest-rate short-term loan and medium- and long-term loans from stable sources to finance the operations in aim to reduce the volatility caused by changes in market interest rates. In addition, the Company's cash management policy is based on the principle of safe and sound operation, and its capital allocation prioritizes safety management. By strengthening the Group's capital allocation, increasing the efficiency of capital utilization, grasping information on interest rates on the monetary market and financial market, and taking appropriate countermeasures in order to reduce the impact of interest rate changes on the Company.
- (2) The Company's exchange rate risk is mainly related to operating activities (when revenues and expenses are denoted in currency other than the Company's functional currency) and net investment in a foreign operation. The Company offsets asset positions and liability positions denoted in foreign currencies to balance the positions in aim to achieve a natural hedging effect and decrease the exchange rate risk. The Company continuously monitors market movements in exchange rates in order to respond in a timely manner to the impact of significant exchange rate fluctuations.
- (3) The changes in inflation in the most recent year has no significant influence on the profits (loss) of the Company.

- (II) The policy of engaging in high-risk, highly leveraged investments, loaning of funds, endorsements and guarantee, and derivatives trading, the main reason for profit or loss, and future response measures:

The Company did not engage in high-risk, high-leverage investments in the year 2023. Any derivative transactions of the Company are for the purpose of improving operating results and reducing the Company's operational and financial risks. The Company's lending to others and endorsement of guarantees that the Company provided for related parties are carried out in accordance with the Company's "Procedures for Loans to Others," and "Procedures for Endorsements & Guarantees."

- (III) R&D work to be carried out in the future, and further expenditures expected for R&D work:

The Company's R&D of compressors is carried out according to its annual R&D plan and the needs of customers. The Company is able effectively master the key technology and manage R&D progress of its products to ensure the scheduling of mass production and meet the needs of customers. In the future, the Company will continue to expand R&D capabilities and integrate with market trends to develop innovative key components for air-conditioners. The Company will also develop various energy-saving applications and expanded into new compressor applications in line with the trend of energy saving and carbon reduction. The estimated R&D expense for 2024 was NTD 585,000 thousand.

- (IV) The impact of the changes in domestic and foreign major policies and law on the Company's finance and business in the most recent years, and the response measures:

The changes in domestic and foreign major policies and law have no significant impact

on the Company's finance and business in the most recent year.

- (V) The impact of the changes in domestic and foreign major technologies on the Company's finance and business in the most recent years, and the response measures:

The changes in domestic and foreign major technologies have no significant impact on the Company's finance and business in the most recent year.

- (VI) The impact of changes in corporate image on the Company's crisis management and the response measures:

There are no significant changes in corporate image, and thus there is no crisis.

- (VII) Expected benefits and possible risks associated with any merger and acquisitions: The Company has no ongoing M&A operations.

- (VIII) Expected benefits and possible risks associated with any plant expansion:

All of the Company's expansion plans of new businesses are prudently evaluated before implementation. During the implementation, the Company also closely monitors changes in the industry to achieve the estimated profits and avoid possible risks.

- (IX) Risks associated with any consolidation of sales or purchasing operations: The Company has no consolidation of sales. Thus, N/A.

- (X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

No such matter in the most recent year and as of the publication date of this annual report in the current year.

- (XI) The effects, risks and responsive measures associated with changes in management:

No such matter in the most recent year and as of the publication date of this annual report in the current year.

- (XII) Litigation or non-litigation events: None.

- (XIII) Other important risks: None.

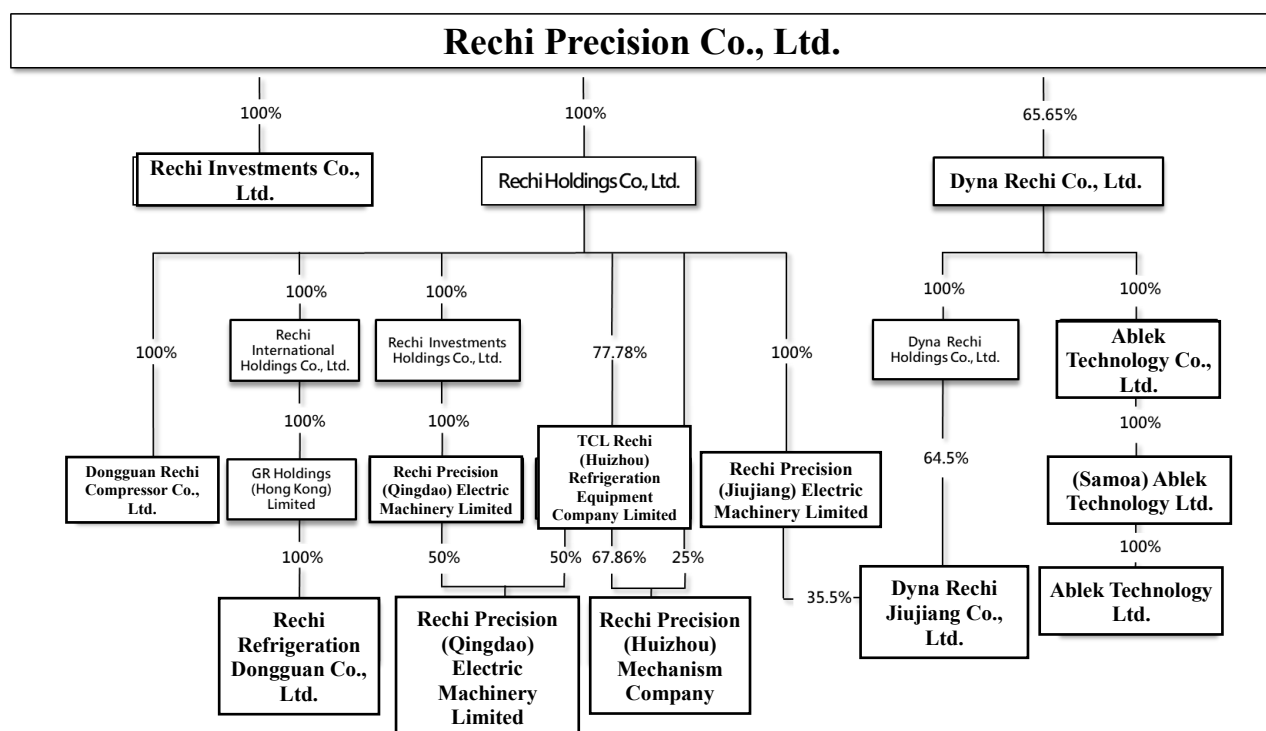
VII. Other important notes: None.

[VIII. Specific Notes]

I. Information on the affiliates (as of Dec. 31, 2023)

(I) Consolidated Report on business operations:

1. Organization chart for affiliates:



2. Profiles of the bank's subsidiaries

Unit: NTD thousand or thousand in foreign currencies

Names of affiliates	Date of establishment	Address	Authorized capital	Principal business
Rechi Investments Co., Ltd.	2002/05/10	9F.-1, No. 374, Sec. 2, Bade Rd., Songshan Dist., Taipei City 10556	150,000	Investment business
Rechi Holdings Co., Ltd.	2000/02/22	Palm Grove House, P.O. Box 438, Road Town Tortola, British Virgin Islands	USD 258,015	Investment business
Rechi International Holdings Co., Ltd.	2000/11/20	Palm Grove House, P.O. Box 438, Road Town Tortola, British Virgin Islands	USD 25,768	Investment business
Rechi Investments Holdings Co., Ltd.	2000/11/20	Palm Grove House, P.O. Box 438, Road Town Tortola, British Virgin Islands	USD 90,000	Investment business
GR Holdings (Hong Kong) Limited	2000/06/07	Room 1610-1611, No. 302-308 Hennessy Road, Wan Chai, Hong Kong	USD 14,050	Investment business
Rechi Refrigeration Dongguan Co., Ltd.	2000/07/11	No. 38, Gaokesan Road, Xinliangao High-Tech Zone, Humenzhen, Dongguan City, Guangzhou, 523917 China	HKD 58,850	Manufacture of motors
Dongguan Rechi Compressor Co., Ltd.	2001/01/16	No. 38, Gaokesan Road, Xinliangao High-Tech Zone, Humenzhen, Dongguan City, Guangzhou, 523917 China	HKD 28,025	Manufacture of motors
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	2001/01/17	Xiaoqu No. 7, Zhongkaigaixin Technology Development Zone, Xiaoqu, Huizhou City, Guangdong	USD 71,742	Compressor assembly

		Province, 516006, China		
Rechi Precision (Huizhou) Mechanism Company	2004/07/27	Xiaoqu No. 7, Zhongkaigaoxin Technology Development Zone, Xiaoqu, Huizhou City, Guangdong Province, 516006, China	USD 47,349	Compressors and components
Rechi Precision (Qingdao) Electric Machinery Limited	2005/04/21	No. 500, Fenjin Road, Huangdao District, Qingdao City, Shangdong Province, 266555 China.	USD 90,000	Compressor assembly
Qingdao Rechi Electric Machinery Sales Company	2009/09/30	(Assembly shop 3F) No. 500, Fenjin Road, Huangdao District, Qingdao City, Shangdong Province, 266555 China.	RMB 7,000	Sales of compressors and components
Dyna Rechi Co., Ltd.	2013/06/28	No. 943, Sec. 2, Chenggong Rd., Guanyin Dist., Taoyuan City 328	1,050,711	Design and manufacture of BLDC motors
Dyna Rechi Holdings Co., Ltd	2013/08/02	Novasage Chambers, PO Box 3018, Level 2. CCCS Building, Beach Road, Apia, Samoa	USD 25,800	Investment business
Dyna Rechi Jiujiang Co., Ltd.	2013/11/07	No. 15, Chunjiang Road, Chengxigang District, Economy and Technology Development Zone, Jiujiang City, Jiangxi Province, China	USD 40,000	Design and manufacture of BLDC motors
Rechi Precision (Jiujiang) Electric Machinery Limited	2014/12/02	No. 13, Chunjiang Road, Chengxigang District, Economy and Technology Development	USD 66,000	Sales of new model parts, compressors, and components

		Zone, Jiujiang City, Jiangxi Province, China		
Ablek Technology Co., Ltd.	2019/05/16	No. 943, Sec. 2, Chenggong Rd., Guanyin Dist., Taoyuan City 328	70,038	Purchase and sales of motors and components
(Samoa) Ablek Technology Ltd.	2017/06/22	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD 1,000	Investment business
Ablek Technology Ltd.	2007/01/19	1F, Bld 1, Sanjiagaoxinjishu Industrial Park, No. 123, Junfasan Road, Dongkeng Town, Dongguan City, Guangdong Province, China	USD 700	Manufacture of motors

3. Considered to be a controlled and subordinate relation according to Article 369-3 of the Company Act: None.
4. Industries covered by all the affiliates: Air-conditioner compartment business, motor business, investment business.

5. Where connections exist among the businesses operated by individual affiliates, a description of the mutual dealings and division of work among such affiliates should be provided:

Company name	Product	Sales counterparties
RECHI PRECISION CO., LTD.	Compressors and related components	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited Rechi Precision (Qingdao) Electric Machinery Limited Rechi Precision (Jiujiang) Electric Machinery Limited
Rechi Refrigeration Dongguan Co., Ltd.	Motor-related components	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited Rechi Precision (Qingdao) Electric Machinery Limited Rechi Precision (Huizhou) Mechanism Company Rechi Holdings Co., Ltd Dyna Rechi (Jiujiang) Co., Ltd. Rechi Precision (Jiujiang) Electric Machinery Limited RECHI PRECISION CO., LTD.
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Compressors and related components	RECHI PRECISION CO., LTD. Rechi Holdings Co., Ltd Rechi Precision (Qingdao) Electric Machinery Limited Qingdao Rechi Electric Machinery Sales Company Rechi Precision (Huizhou) Mechanism Company Rechi Refrigeration Dongguan Co., Ltd. Dyna Rechi Jiujiang Co., Ltd. Rechi Precision (Jiujiang) Electric Machinery Limited
Rechi Precision (Huizhou) Mechanism Company	Pumps and motor-related components	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited Rechi Precision (Qingdao) Electric Machinery Limited Rechi Refrigeration Dongguan Co., Ltd.
Rechi Precision (Qingdao) Electric Machinery Limited	Compressors and related components	RECHI PRECISION CO., LTD. Rechi Holdings Co., Ltd TCL Rechi (Huizhou) Refrigeration Equipment Company Limited Qingdao Rechi Electric Machinery Sales Company
Qingdao Rechi Electric Machinery Sales Company	Sales of compressors and components	Sales counterparties are non-affiliates in China
Dyna Rechi Co., Ltd.	BLDC motors, actuators, and related mechatronics systems	Dyna Rechi Jiujiang Co., Ltd.

Dyna Rechi Jiujiang Co., Ltd.	BLDC motors, actuators, and related mechatronics systems	RECHI PRECISION CO., LTD. Dyna Rechi Co., Ltd. Qingdao Rechi Electric Machinery Sales Company Rechi Precision (Jiujiang) Electric Machinery Limited Rechi Precision (Qingdao) Electric Machinery Limited
Rechi Precision (Jiujiang) Electric Machinery Limited	New model parts, compressors, and related components	RECHI PRECISION CO., LTD. Rechi Holdings Co., Ltd TCL Rechi (Huizhou) Refrigeration Equipment Company Limited Rechi Precision (Qingdao) Electric Machinery Limited Qingdao Rechi Electric Machinery Sales Company
Ablek Technology Ltd.	Motors and related components	Ablek Technology Co., Ltd. (Samoa) Ablek Technology Ltd.

6. Information on directors, supervisors, and presidents of affiliates:

Unit: NTD thousand or thousand in foreign currencies

Names of affiliates	Title	Names or representative	Shareholding	
			No. of shares/ Capital contribution	Shareholding ratio
Rechi Investments Co., Ltd.	Chairman	CHEN, SHENG TIEN (legal representative of RECHI PRECISION CO., LTD.)	15,000	100%
	Director	YANG, CHENG MING (legal representative of RECHI PRECISION CO., LTD.)		
	Director	FENG, MING FA (legal representative of RECHI PRECISION CO., LTD.)		
	Supervisor	KO, CHIH CHENG (legal representative of RECHI PRECISION CO., LTD.)		
	President	FENG, MING FA	-	-
Rechi Holdings Co., Ltd.	Chairman	RECHI PRECISION CO., LTD. Rep.: CHEN, SHENG TIEN	USD 258,015	100%
Rechi International Holdings Co., Ltd.	Director	Rechi Holdings Co., Ltd. Rep.: FENG, MING FA	USD 25,768	100%
Rechi Investments Holdings Co., Ltd.	Director	Rechi Holdings Co., Ltd. Rep.: FENG, MING FA	USD 90,000	100%
GR Holdings (Hong Kong) Limited	Chairman	FENG, MING FA (legal representative of Rechi International Holdings Co., Ltd.)	USD 14,050	100%
	Director	KO, CHIH CHENG (legal representative of Rechi International Holdings Co., Ltd.)		
	Director	CHEN, CHIAO MING (legal representative of Rechi International Holdings Co., Ltd.)		
Rechi Refrigeration Dongguan Co., Ltd.	Chairman	WU, YI WEN (legal representative of GR Holdings (Hong Kong) Limited)	HKD 58,850	100%
	Director	KO, CHIH CHENG (legal representative of GR Holdings (Hong Kong) Limited)		
	Director	FENG, MING FA (legal representative of GR Holdings (Hong Kong) Limited)		
	Director	CHEN, CHIAO MING (legal representative of GR Holdings (Hong Kong) Limited)		
	Supervisor	WU, CHIN MEI (legal representative of GR Holdings (Hong Kong) Limited)		
	President	Liao, Hsiang-Wei	-	-
Dongguan Rechi	Chairman	WU, YI WEN (legal representative of Rechi Holdings Co., Ltd.)	HKD 28,025	100%

Compressor Co., Ltd.	Director	FENG, MING FA (legal representative of Rechi Holdings Co., Ltd.)		
	Director	CHEN, CHIAO MING (legal representative of Rechi Holdings Co., Ltd.)		
	Director	KO, CHIH CHENG (legal representative of Rechi Holdings Co., Ltd.)		
	Supervisor	WU, CHIN MEI (legal representative of Rechi Holdings Co., Ltd.)		
	President	Liao, Hsiang-Wei	-	-
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Chairman	CHEN, SHAO LIN (legal representative of TCL Air-Conditioner (Zhongshan) Co., Ltd.)	USD 15,941	22.22%
	Vice chairman	WU, YI WEN (legal representative of Rechi Holdings Co., Ltd.)	USD 55,801	77.78%
	Director	LIU, SHIH CHIEH (legal representative of Rechi Holdings Co., Ltd.)		
	Director	FENG, MING FA (legal representative of Rechi Holdings Co., Ltd.)		
	Supervisor	KO, CHIH CHENG (legal representative of Rechi Holdings Co., Ltd.)		
	President	WANG, HSIAO WEN	-	-
Rechi Precision (Huizhou) Mechanism Company	Chairman	CHEN, SHAO LIN (legal representative of TCL Air-Conditioner (Zhongshan) Co., Ltd.)	USD 3,381	7.14%
	Director	LIU, SHIH CHIEH (legal representative of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited)	USD 32,131	67.86%
	Vice chairman	WU, YI WEN (legal representative of Rechi Holdings Co., Ltd.)	USD 11,837	25.00%
	Director	FENG, MING FA (legal representative of Rechi Holdings Co., Ltd.)		
	Supervisor	KO, CHIH CHENG (legal representative of Rechi Holdings Co., Ltd.)		
	President	WANG, HSIAO WEN	-	-
Rechi Precision (Qingdao) Electric Machinery Limited	Chairman	KO, CHIH CHENG (legal representative of Rechi Investments Holdings Co., Ltd.)	USD 90,000	100%
	Director	NIU, YONG GUANG (legal representative of Rechi Investments Holdings Co., Ltd.)		
	Director	WU, YI WEN (legal representative of Rechi Investments Holdings Co., Ltd.)		
	Supervisor	WU, CHIN MEI		

		(legal representative of Rechi Investments Holdings Co., Ltd.)		
	President	WANG, CHOU CHIANG	-	-
Qingdao Rechi Electric Machinery Sales Company	Chairman	FENG, MING FA (legal representative of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited)	RMB 3,500	50%
	Director	WU, YI WEN (legal representative of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited)		
	Supervisor	WU, CHIN MEI (legal representative of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited)		
	Director	KO, CHIH CHENG (legal representative of Rechi Precision (Qingdao) Electric Machinery Limited)	RMB 3,500	50%
	Director	NIU, YONG GUANG (legal representative of Rechi Precision (Qingdao) Electric Machinery Limited)		
	President	NIU, YONG GUANG		
			-	-
Dyna Rechi Co., Ltd.	Chairman	YANG, CHENG MING (legal representative of RECHI PRECISION CO., LTD.)	689,799	65.65%
	Director	CHEN, CHIAO MING (legal representative of RECHI PRECISION CO., LTD.)		
	Director	WU, YI WEN (legal representative of RECHI PRECISION CO., LTD.)		
	Director	FENG, MING FA (legal representative of RECHI PRECISION CO., LTD.)		
	Director	KO, CHIH CHENG (legal representative of RECHI PRECISION CO., LTD.)		
	Director	HSU, YUNG FU (legal representative of Ablek Technology Ltd.)	49,271	4.69%
	Director	Tso, Chung Hsien (legal representative of Richtek Technology Corporation)	98,543	9.38%
	Supervisor	LI, WEN FENG (legal representative of Taiwan Sanyo Electric Co., Ltd.)	98,543	9.38%
	Supervisor	Yuki Horikawa (Corporate Representative of Sharp Corporation, Japan)	49,271	4.69%
	President	LIAO, HSUEH YEN	259	0.02%
Dyna Rechi Holdings Co., Ltd	Chairman	Dyna Rechi Co., Ltd. Rep.: LIAO, HSUEH YEN	USD 25,800	100%
Dyna Rechi Jiujiang Co., Ltd.	Chairman	WU, YI WEN (legal representative of Dyna Rechi Holdings Co., Ltd.)	USD 25,800	64.5%
	Director	LIAO, HSUEH YEN (legal representative of Dyna Rechi Holdings Co., Ltd.)		
	Director	KO, CHIH CHENG (legal representative of Dyna Rechi Holdings Co., Ltd.)		
	Supervisor	LI, WEN LIN (legal representative of Dyna Rechi Holdings Co., Ltd.)		
	President	Sun, Yu-Cheng	-	-

Rechi Precision (Jiujiang) Electric Machinery Limited	Chairman	WU, YI WEN (legal representative of Rechi Holdings Co., Ltd.)	USD 66,000	100%
	Director	CHEN, CHIAO MING (legal representative of Rechi Holdings Co., Ltd.)		
	Director	LIU, SHIH CHIEH (legal representative of Rechi Holdings Co., Ltd.)		
	Supervisor	KO, CHIH CHENG (legal representative of Rechi Holdings Co., Ltd.)		
	President	Chang, Chun-Hao	-	-
Ablek Technology Co., Ltd.	Chairman	LIAO, HSUEH YEN (legal representative of Dyna Rechi Co., Ltd.)	7,004	100%
	Director	FENG, MING FA (legal representative of Dyna Rechi Co., Ltd.)		
	Director	CHIEN, CHENG CHUNG (legal representative of Dyna Rechi Co., Ltd.)		
	Supervisor	KO, CHIH CHENG (legal representative of Dyna Rechi Co., Ltd.)		
Ablek Technology Ltd.	Chairman	LIAO, HSUEH YEN (legal representative of (Samoa) Ablek Technology Ltd.)	USD 700	100%
	Director	CHIEN, CHENG CHUNG (legal representative of (Samoa) Ablek Technology Ltd.)		
	Director	Li, Chi (legal representative of (Samoa) Ablek Technology Ltd.)		
	Supervisors	KO, CHIH CHENG (legal representative of (Samoa) Ablek Technology Ltd.)		
(Samoa) Ablek Technology Ltd.	Director	Ablek Technology Co., Ltd. Representative: LIAO, HSUEH YEN	USD 1,000	100%

7. 2023 Operating summary of affiliates

Unit: EPS in NTD, otherwise NTD thousand or thousand in foreign currencies

Company name	Authorized capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Income after taxation	Earnings per share
Rechi Investments Co., Ltd.	NTD 150,000	NTD 119,657	NTD 120	NTD 119,537	NTD 0	NTD (155)	NTD 371	NTD 0.02
Rechi Holdings Co., Ltd.	USD 258,015	USD 379,193	USD 0	USD 379,193	USD 0	USD (12)	USD 27,457	Note 1
Rechi International Holdings Co., Ltd.	USD 25,768	USD 34,414	USD 0	USD 34,414	USD 0	USD (5)	USD 1,442	Note 1
Rechi Investments Holdings Co., Ltd.	USD 90,000	USD 146,244	USD 0	USD 146,244	USD 0	USD 0	USD 14,099	Note 1
GR Holdings (Hong Kong) Limited	USD 14,050	USD 34,259	USD 5	USD 34,254	USD 0	USD (82)	USD 1,445	Note 1
Rechi Refrigeration Dongguan Co., Ltd.	RMB 62,253	RMB 323,237	RMB 88,590	RMB 234,647	RMB 366,090	RMB 7,521	RMB 10,450	Note 1
Dongguan Rechi Compressor Co., Ltd.	RMB 4,020	RMB 24,181	RMB 781	RMB 23,400	RMB 1,983	RMB (2,343)	RMB (975)	Note 1
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	RMB 509,746	RMB 1,586,277	RMB 867,290	RMB 718,987	RMB 986,202	RMB 32,415	RMB 41,261	Note 1
Rechi Precision (Huizhou) Mechanism Company	RMB 324,550	RMB 380,178	RMB 32,692	RMB 347,486	RMB 173,169	RMB 1,291	RMB 1,125	Note 1
Rechi Precision (Qingdao) Electric Machinery Limited	RMB 614,443	RMB 1,758,252	RMB 722,452	RMB 1,035,800	RMB 1,387,330	RMB 89,435	RMB 99,286	Note 1
Qingdao Rechi Electric Machinery	RMB 7,000	RMB 1,121,288	RMB 997,501	RMB 123,787	RMB 2,122,367	RMB 9,213	RMB 14,684	Note 1

Sales Company								
Dyna Rechi Co., Ltd.	NTD 1,050,712	NTD 1,152,398	NTD 98,558	NTD 1,053,840	NTD 213,596	NTD (22,694)	NTD 16,996	NTD 0.16
Dyna Rechi Holdings Co., Ltd.	RMB 162,476	RMB 181,420	RMB 40	RMB 181,380	RMB 0	RMB 0	RMB 2,089	Note 1
Dyna Rechi Jiujiang Co., Ltd.	RMB 258,214	RMB 569,656	RMB 288,643	RMB 281,013	RMB 419,905	RMB 1,488	RMB 3,238	Note 1
Rechi Precision (Jiujiang) Electric Machinery Limited	RMB 429,771	RMB 1,247,921	RMB 720,823	RMB 527,098	RMB 903,320	RMB 51,313	RMB 44,894	Note 1
Ablek Technology Ltd.	RMB 5,394	RMB 54,114	RMB 46,272	RMB 7,842	RMB 87,372	RMB 6,618	RMB 6,164	Note 1
(Samoa) Ablek Technology Ltd.	RMB 6,786	RMB 22,281	RMB 41	RMB 22,240	RMB 0	RMB 0	RMB 6,165	Note 1
Ablek Technology Co., Ltd.	NTD 70,038	NTD 237,227	NTD 159,053	NTD 78,174	NTD 381,664	NTD 8,444	NTD 28,820	NTD 4.11

Note 1: Non-shareholding. Thus, N/A.

- (I) Consolidated financial statements of affiliates: **Please refer to page 118**
- (II) Affiliation reports: N/A
- II. The status of private placement of securities in the most recent year to the date this report was printed: None.
- III. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
- IV. Other matters that require additional description: None
- [IX. If the result of incidents set forth in Subparagraph 2 Paragraph 3, Article 36 of the Securities and Exchange Act that could have a material effect on shareholder equity or securities prices during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report]:**
None