

Taiwan Cogeneration Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as of and for the year ended December 31, 2022 as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies as of and for the year ended December 31, 2022. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2022.

Very truly yours,

TAIWAN COGENERATION CORPORATION

By

HUANG, SHUN-YI
Chairman

March 10, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Taiwan Cogeneration Corporation

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Cogeneration Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context 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 these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022 are described as follows:

Associates' Litigation Related to the Fair Trade Act

Please refer to Note 36(d) for details on the associates' litigation related to the Fair Trade Act; Note 4(p) for accounting policies on provisions; and Note 5(a) for critical accounting judgments and key sources of estimation uncertainty.

Taiwan Power Company (TPC) claimed to have suffered losses due to joint actions by Independent Power Producers, which violated the Fair Trade Act, and filed a civil action for damages against the associates of the Group: Sun Ba Power Corporation, Star Energy Power Corporation, Star Buck Power Corporation, and Kuo Kuang Power Company Ltd.

The aforementioned associates commissioned attorneys to analyze the case and believe they have not caused any losses to TPC. As a result, they have not recognized provisions for the relevant litigation, which in turn has not affected the Group's balance of investment accounted for using the equity method and the share of profit of associates accounted for using the equity method. The aforementioned associates have also engaged attorneys to assist with civil litigation matters. Since the litigation is still ongoing and the claimed amount is material to the consolidated financial statements of the Group, the outcome may change with subsequent developments of the cases, involving significant judgments by management. Thus, the assessment of contingent events in the associates' litigation related to the Fair Trade Act was considered as one of the key audit matters.

In our audit, we have obtained relevant documents, such as the lawsuit papers for the aforementioned case; discussed the management's correspondence with attorneys and the evaluation of the pending litigation; sent confirmation requests to the attorneys and reviewed their responses and assessments; and reviewed the latest developments of the pending litigation up to the date of the audit report to assess whether the associates' litigation related to the Fair Trade Act had been appropriately accounted and disclosed in accordance with International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets".

Evaluation of Profit and Loss of Construction Contracts

Please refer to Note 26 for information on construction contracts, Note 4(q) for the accounting policies on revenue recognition of construction contracts, and Note 5(b) for the critical accounting judgments and key sources of estimation uncertainty related to the evaluation of profit and loss of construction contracts.

The Group has entered into a construction contract for a large-scale offshore wind power generation project in central Taiwan. The construction service revenue of the aforementioned contract recognized for the year ended December 31, 2022 amounted to NT\$551,492 thousand, representing 12% of the Group's consolidated operating revenue. The percentage of completion and related profit or loss from the construction contract were assessed and determined by the Group's management based on the nature of activities, expected subcontracting, construction periods, progress, methods, etc., involving critical accounting judgments made by the management. Thus, the evaluation of profit and loss of construction contracts was considered as one of the key audit matters.

In our audit, we visited and observed the construction site; obtained the construction contract, construction project schedules, expected total construction cost, and construction acceptance reports; verified the construction cost, the estimated remaining cost before completion, and related supporting documents on a sampling basis to evaluate the reasonableness of the method and assumptions used by the management in the calculation of the percentage of completion; recalculated the percentage of completion, construction service revenue, construction service cost, profit or loss of the construction contract, contract assets and contract liabilities for accuracy; and assessed the appropriateness of provisions.

Other Matter

We have also audited the separate financial statements of Taiwan Cogeneration Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chao-Mei Chen and Cheng-Chuan Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 30)	\$ 3,734,653	15	\$ 2,763,822	12
Contract assets (Notes 4, 24, 26 and 34)	1,959,825	8	2,641,399	11
Accounts receivable (Notes 4, 7 and 26)	521,402	2	455,579	2
Accounts receivable from related parties (Notes 4, 26 and 34)	151,212	1	96,065	1
Finance lease receivables (Notes 4, 8 and 34)	10,324	-	10,224	-
Other receivables (Notes 4, 28 and 34)	36,885	-	36,224	-
Inventories (Notes 4 and 9)	18,104	-	13,187	-
Prepaid construction costs (Note 24)	46,184	-	18,279	-
Prepaid value-added tax	102,751	1	80,548	-
Other financial assets (Note 35)	20,341	-	1,646	-
Other current assets (Note 30)	<u>34,523</u>	<u>-</u>	<u>35,484</u>	<u>-</u>
Total current assets	<u>6,636,204</u>	<u>27</u>	<u>6,152,457</u>	<u>26</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4, 10 and 33)	277,120	1	275,310	1
Investments accounted for using the equity method (Notes 4 and 12)	13,004,719	52	12,750,996	53
Property, plant and equipment (Notes 4, 13 and 35)	3,231,917	13	3,009,667	12
Right-of-use assets (Notes 4, 14, 30 and 34)	417,718	2	447,802	2
Goodwill (Notes 4, 15 and 30)	141,014	-	141,014	1
Intangible assets (Notes 4, 16 and 35)	937,452	4	903,256	4
Deferred income tax assets (Notes 4, 28 and 30)	188,007	1	197,174	1
Prepayments for equipment	7,149	-	-	-
Long-term finance lease receivables (Notes 4, 8 and 34)	11,325	-	21,649	-
Refundable deposits	69,134	-	89,755	-
Other financial assets (Note 35)	34,104	-	42,549	-
Other non-current assets (Note 17)	<u>20,537</u>	<u>-</u>	<u>22,212</u>	<u>-</u>
Total non-current assets	<u>18,340,196</u>	<u>73</u>	<u>17,901,384</u>	<u>74</u>
TOTAL	<u>\$ 24,976,400</u>	<u>100</u>	<u>\$ 24,053,841</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 35)	\$ 67,000	-	\$ 40,000	-
Short-term bills payable (Note 18)	999,276	4	499,614	2
Contract liabilities (Notes 4, 24, 26 and 34)	583,082	3	193,467	1
Accounts payable	156,870	1	127,468	1
Construction costs payable	3,220,782	13	3,348,580	14
Accounts payable to related parties (Note 34)	2,045	-	1,911	-
Other payables (Notes 20, 30 and 34)	315,915	1	312,635	1
Current income tax liabilities (Notes 4 and 28)	70,657	-	50,921	-
Provisions (Notes 4, 22 and 24)	259,197	1	304,799	1
Lease liabilities (Notes 4, 14, 30 and 34)	53,315	-	54,533	-
Current portion of long-term borrowings (Notes 18 and 35)	947,393	4	115,693	1
Other current liabilities (Note 30)	<u>24,905</u>	<u>-</u>	<u>17,838</u>	<u>-</u>
Total current liabilities	<u>6,700,437</u>	<u>27</u>	<u>5,067,459</u>	<u>21</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 18 and 35)	3,127,031	13	3,746,919	16
Contract liabilities (Notes 4 and 26)	122,188	1	56,180	-
Lease liabilities (Notes 4, 14, 30 and 34)	424,382	2	448,506	2
Bonds payable (Note 19)	2,497,884	10	2,497,255	10
Provisions (Notes 4 and 22)	14,296	-	13,986	-
Deferred income tax liabilities (Notes 4, 15, 28 and 30)	70,691	-	74,201	-
Net defined benefit liabilities (Notes 4 and 23)	112,088	-	124,387	1
Guarantee deposits received	41,297	-	44,083	-
Other liabilities (Notes 4 and 21)	<u>15,866</u>	<u>-</u>	<u>2,802</u>	<u>-</u>
Total non-current liabilities	<u>6,425,723</u>	<u>26</u>	<u>7,008,319</u>	<u>29</u>
Total liabilities	<u>13,126,160</u>	<u>53</u>	<u>12,075,778</u>	<u>50</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 25)				
Share capital				
Ordinary shares	<u>5,890,486</u>	<u>24</u>	<u>5,890,486</u>	<u>24</u>
Capital surplus	<u>499,694</u>	<u>2</u>	<u>499,694</u>	<u>2</u>
Retained earnings				
Legal reserve	1,737,133	7	1,644,763	7
Special reserve	2,621,945	10	2,823,917	12
Unappropriated earnings	<u>958,281</u>	<u>4</u>	<u>961,235</u>	<u>4</u>
Total retained earnings	<u>5,317,359</u>	<u>21</u>	<u>5,429,915</u>	<u>23</u>
Other equity	<u>(14,130)</u>	<u>-</u>	<u>11,378</u>	<u>-</u>
Total equity attributable to owners of the Corporation	11,693,409	47	11,831,473	49
NON-CONTROLLING INTERESTS	<u>156,831</u>	<u>-</u>	<u>146,590</u>	<u>1</u>
Total equity	<u>11,850,240</u>	<u>47</u>	<u>11,978,063</u>	<u>50</u>
TOTAL	<u>\$ 24,976,400</u>	<u>100</u>	<u>\$ 24,053,841</u>	<u>100</u>

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

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5, 26 and 34)				
Sales	\$ 1,690,298	36	\$ 1,311,137	20
Construction services	2,777,596	60	4,931,367	77
Operations, maintenance and consulting services	<u>200,987</u>	<u>4</u>	<u>164,492</u>	<u>3</u>
Total operating revenues	<u>4,668,881</u>	<u>100</u>	<u>6,406,996</u>	<u>100</u>
OPERATING COSTS (Notes 5, 23, 27 and 34)				
Cost of sales	1,351,155	29	1,058,747	17
Construction services	2,494,907	53	4,415,665	69
Operations, maintenance and consulting services	<u>194,593</u>	<u>4</u>	<u>156,085</u>	<u>2</u>
Total operating costs	<u>4,040,655</u>	<u>86</u>	<u>5,630,497</u>	<u>88</u>
GROSS PROFIT	628,226	14	776,499	12
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>9,355</u>	<u>-</u>	<u>27,883</u>	<u>1</u>
REALIZED GROSS PROFIT	637,581	14	804,382	13
OPERATING EXPENSES (Notes 23, 27 and 34)	<u>401,716</u>	<u>9</u>	<u>364,157</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>235,865</u>	<u>5</u>	<u>440,225</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	5,431	-	854	-
Other income (Notes 27 and 34)	23,502	-	68,095	1
Other gains and losses (Note 27)	36,414	1	(47,019)	(1)
Finance costs (Note 27)	(86,457)	(2)	(66,981)	(1)
Share of profit of associates accounted for using the equity method (Note 12)	<u>791,123</u>	<u>17</u>	<u>631,227</u>	<u>10</u>
Total non-operating income and expenses	<u>770,013</u>	<u>16</u>	<u>586,176</u>	<u>9</u>
PROFIT BEFORE INCOME TAX	1,005,878	21	1,026,401	16
INCOME TAX EXPENSE (Notes 4 and 28)	<u>(88,863)</u>	<u>(1)</u>	<u>(121,012)</u>	<u>(2)</u>
NET PROFIT	<u>917,015</u>	<u>20</u>	<u>905,389</u>	<u>14</u>

(Continued)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 23)	\$ 13,478	-	\$ (5,385)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 33)	1,810	-	7,000	-
Share of unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income of associates accounted for using the equity method	(16,946)	(1)	16,557	-
Share of remeasurement of defined benefit plans of associates accounted for using the equity method	722	-	(2,420)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 28)	(2,695)	-	2,161	-
	<u>(3,631)</u>	<u>-</u>	<u>17,913</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of associate accounted for using the equity method - loss on hedging instruments	(9,386)	-	-	-
Exchange differences on translation of the financial statements of foreign operations	(986)	-	(15,715)	-
	<u>(10,372)</u>	<u>-</u>	<u>(15,715)</u>	<u>-</u>
Other comprehensive (loss) income, net of income tax	<u>(14,003)</u>	<u>-</u>	<u>2,198</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 903,012</u>	<u>19</u>	<u>\$ 907,587</u>	<u>14</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 906,774	20	\$ 897,884	14
Non-controlling interests	<u>10,241</u>	<u>-</u>	<u>7,505</u>	<u>-</u>
	<u>\$ 917,015</u>	<u>20</u>	<u>\$ 905,389</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 892,771	19	\$ 900,082	14
Non-controlling interests	<u>10,241</u>	<u>-</u>	<u>7,505</u>	<u>-</u>
	<u>\$ 903,012</u>	<u>19</u>	<u>\$ 907,587</u>	<u>14</u>

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TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 1.54</u>		<u>\$ 1.52</u>	
Diluted	<u>\$ 1.54</u>		<u>\$ 1.52</u>	

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

(Concluded)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Equity Attributable to Owners of the Corporation					Other Equity				
	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value through Other Comprehensive Income	Loss on Hedging Instruments	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2021	\$ 5,890,486	\$ 499,694	\$ 1,537,858	\$ 2,890,684	\$ 1,196,864	\$ (54,925)	\$ 89,922	\$ -	\$ 139,085	\$ 12,189,668
Appropriation of 2020 earnings										
Legal reserve	-	-	106,905	-	(106,905)	-	-	-	-	-
Reversal of special reserve	-	-	-	(66,767)	66,767	-	-	-	-	-
Cash dividends - NT\$1.9 per share	-	-	-	-	(1,119,192)	-	-	-	-	(1,119,192)
	-	-	106,905	(66,767)	(1,159,330)	-	-	-	-	(1,119,192)
Disposal of investments in equity instruments at fair value through other comprehensive income by associates	-	-	-	-	31,461	-	(31,461)	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	897,884	-	-	-	7,505	905,389
Other comprehensive (loss) income for the year ended December 31, 2021	-	-	-	-	(5,644)	(15,715)	23,557	-	-	2,198
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	892,240	(15,715)	23,557	-	7,505	907,587
BALANCE AT DECEMBER 31, 2021	5,890,486	499,694	1,644,763	2,823,917	961,235	(70,640)	82,018	-	146,590	11,978,063
Appropriation of 2021 earnings										
Legal reserve	-	-	92,370	-	(92,370)	-	-	-	-	-
Reversal of special reserve	-	-	-	(201,972)	201,972	-	-	-	-	-
Cash dividends - NT\$1.75 per share	-	-	-	-	(1,030,835)	-	-	-	-	(1,030,835)
	-	-	92,370	(201,972)	(921,233)	-	-	-	-	(1,030,835)
Net profit for the year ended December 31, 2022	-	-	-	-	906,774	-	-	-	10,241	917,015
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	11,505	(986)	(15,136)	(9,386)	-	(14,003)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	918,279	(986)	(15,136)	(9,386)	10,241	903,012
BALANCE AT DECEMBER 31, 2022	\$ 5,890,486	\$ 499,694	\$ 1,737,133	\$ 2,621,945	\$ 958,281	\$ (71,626)	\$ 66,882	\$ (9,386)	\$ 156,831	\$ 11,850,240

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

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,005,878	\$ 1,026,401
Adjustments for:		
Depreciation expense	304,212	289,023
Amortization expense	68,169	46,360
Finance costs	86,457	66,981
Interest income	(5,431)	(854)
Dividend income	(8,000)	(8,000)
Share of profit of associates accounted for using the equity method	(791,123)	(631,227)
Gain on disposal of investment accounted for using the equity method	(15,070)	-
Net unrealized gain on foreign currency exchange	(7,974)	(337)
Realized gain on transactions with associates	(9,355)	(27,883)
Others	(2,162)	(22)
Changes in operating assets and liabilities		
Contract assets	681,574	747,456
Notes receivable	-	293
Accounts receivable	(65,823)	(140,534)
Accounts receivable from related parties	(55,147)	5,448
Other receivables	(499)	126,527
Inventories	(4,917)	(5,702)
Prepaid construction costs	(27,905)	701
Other current assets	961	(15,251)
Prepaid value-added tax	(21,145)	(2,775)
Contract liabilities	455,623	34,862
Notes payable	-	(112,472)
Accounts payable	30,144	67,502
Construction costs payable	(127,798)	(88,021)
Accounts payable to related parties	134	(56,159)
Other payables	97,109	7,984
Provisions	(45,602)	(4,186)
Other current liabilities	7,067	9,008
Net defined benefit liabilities	1,179	(7,423)
Cash generated from operations	1,550,556	1,327,700
Interest received	5,377	760
Dividends received	383,376	654,775
Interest paid	(83,675)	(63,936)
Income tax paid	(66,273)	(150,561)
Net cash generated from operating activities	1,789,361	1,768,738
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income (Note 10)	-	(19,110)
Acquisition of associate (Note 12)	-	(160,000)

(Continued)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Disposal of associate (Note 12)	\$ 160,000	\$ -
Net cash outflow on acquisition of subsidiary (Note 30)	-	(42,251)
Proceeds from disposal of non-current assets held for sale	-	5,000
Payments for property, plant and equipment (Note 31)	(554,345)	(578,444)
Decrease in refundable deposits	20,621	13,702
Payments for intangible assets	(101,748)	(11,152)
Decrease in finance lease receivables	10,263	9,987
(Increase) decrease in other financial assets	(10,250)	18,987
Increase in prepayments for equipment	<u>(7,149)</u>	<u>-</u>
Net cash used in investing activities	<u>(482,608)</u>	<u>(763,281)</u>
CASH FLOWS FROM FINANCING ACTIVITIES (Note 31)		
Increase in short-term borrowings	27,000	5,000
Increase in short-term bills payable	499,078	499,171
Proceeds from long-term borrowings	11,530,000	7,505,200
Repayments of long-term borrowings	(11,318,188)	(6,688,679)
(Decrease) increase in guarantee deposits received	(2,786)	5,664
Repayments of the principal portion of lease liabilities	(47,276)	(50,537)
Dividends paid to owners of the Corporation	<u>(1,030,835)</u>	<u>(1,119,192)</u>
Net cash (used in) generated from financing activities	<u>(343,007)</u>	<u>156,627</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>7,085</u>	<u>(1,472)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	970,831	1,160,612
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,763,822</u>	<u>1,603,210</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,734,653</u>	<u>\$ 2,763,822</u>

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

(Concluded)

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Taiwan Cogeneration Corporation (the “Corporation” and its subsidiaries are collectively referred to as the “Group”) was established by Taiwan Power Corporation (TPC) and several local companies on May 7, 1992. The Corporation’s shares have been trading on the Taipei Exchange from May 8, 2000 to August 24, 2003 before being listed on the Taiwan Stock Exchange on August 25, 2003. The Corporation is engaged in the following businesses:

- a. Engineering, planning, design, procurement, installation, construction and financial planning of cogeneration systems, and environmental protection and procurement of fuel for cogeneration systems and related businesses;
- b. Operation and management of cogeneration plants;
- c. Research and development, technical services and consultation services related to cogeneration;
- d. Manufacture, assembly, sale, lease, installation, and repair of cogeneration equipment;
- e. Investment in cogeneration plants and trading of related equipment;
- f. Businesses with respect to power generation other than utility; and
- g. Electric equipment installation.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 10, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended or Revised Standards and Interpretations (The “New IFRSs”)	Effective Date Announced by the International Accounting Standards Board (IASB)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards and interpretations will not have a material impact on the Group’s consolidated financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

The Group engages in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 11 and Table 6 for the detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

Foreign currency transactions other than non-derivative financial instruments are translated into the functional currency using the exchange rate at the transaction date. When foreign currency assets and liabilities are translated or settled, the gains or losses arising from exchange rate changes, if any, are recognized in profit or loss. The ending balance of foreign currency assets and liabilities are translated using the prevailing exchange rates. Exchange differences arising thereof, if any, are recognized in profit or loss.

The Corporation's functional currency is the New Taiwan dollar. In preparing the consolidated financial statements, the assets and liabilities of the Corporation's foreign operations (including subsidiaries, associates, or branches that operate in other countries or those that use currencies different from the currency of the Corporation) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Equity is translated using historical exchange rates. Exchange differences arising thereof, if any, are recognized in other comprehensive income.

g. Impairment of financial assets

Accounts receivable and contract assets are assessed for impairment using the expected credit loss model at the end of each reporting period.

The Group's policy is to always recognize lifetime Expected Credit Loss (ECL) on accounts receivable. For contract assets, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on contract assets has not increased significantly since initial recognition, the Group measures the loss allowance for contract assets at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. An impairment loss is recognized with a corresponding adjustment to the carrying amount through a loss allowance account.

h. Inventories

Inventories include raw materials, and are stated at the lower of weighted average cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items.

i. Financial assets at fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income (FVTOCI). Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

j. Investment in associates

The Group uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income or loss of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

Profits and losses resulting from upstream transactions, downstream transactions and transactions between associates are recognized in the Group's consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

k. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measure at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are tested whether the electricity produced during normal operation when ready for their intended use, the selling price and costs recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Goodwill

Goodwill is measured at cost less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent years.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

m. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

When the Group has a right to charge for the usage of concession infrastructure (as a consideration for providing construction services in a service concession arrangement), it recognizes this as an intangible asset - service concession arrangement which is subsequently measured at cost less accumulated amortization and accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

n. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization expenses or depreciation expenses) that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

o. Levies

Levies imposed by the government are accrued as other liabilities when the transactions or activities that trigger the payment of such levies occur. If the obligating event occurs over a period of time, the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

p. Provisions

A provision shall be recognized when the Group has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The Group's warranty provisions on construction are estimated based on the expected occurrence of the warranty obligations.

The Group is legally obligated to decommission power generators after its electric generation license expires. The Group will recognize any accreted provision and interest expense that would result from changes in the effective interest rate discounted on an annual basis. The Group regularly reviews and adjusts these numbers according to its best estimates.

q. Revenue recognition

Sales of energy are determined based on customers' monthly consumption of power, steam, hot water and ice water generated by the cogeneration system.

Sales of electricity are recognized when the electricity generated is transmitted to a substation of TPC.

Revenue from operations, maintenance and consulting services is recognized when services are provided.

For construction contracts where the construction is in progress, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligation. A contract asset is recognized during the construction and is reclassified to accounts receivable at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date, the Group recognizes a contract liability for the difference. Certain payment retained by the customer as specified in the contract is intended to ensure that the Group adequately completes all its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

The Group signed the Chingshuei Geothermal Contract with the Yilan county government for a service concession arrangement that requires the Group to construct and operate the public infrastructure of the Chingshuei geothermal power generation equipment. The Group recognizes construction revenue and contract assets over time with reference to the stand-alone selling price of the construction services provided. The contract assets are transferred to intangible assets - service concession arrangement when the construction is completed. During the operation phase, the Group recognizes the service concession income when it sells power to TPC and obtains benefits.

Revenue is measured at the fair value of the consideration received or receivables from customers. When the consideration is in the form of receivables that are collectible within one year, the difference between the fair value and the nominal amount of the consideration is insignificant, and the revenue transactions are frequent, the fair value of the consideration need not be determined by discounting all future cash receipts using an imputed rate of interest.

r. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as a lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, accounted for by applying a recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus initial direct costs and is presented as a finance lease receivable.

2) The Group as a lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets except for those that meet the definition of investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

s. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that stated above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

t. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur, when the plan amendment, curtailment or settlement occurs. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

u. Taxation

Income tax expense represents the sum of the income tax currently payable and deferred income tax.

1) Current income tax

Current income tax liabilities are determined based on current taxable income. Taxable income is different from the profit before income tax on the consolidated statement of comprehensive income for the reason that certain revenue and expenses are taxable or deductible items in other period, or not taxable or deductible items according to the Income Tax Act. The Group's current income tax liabilities are calculated by the legislated tax rate on the balance sheet date.

According to the Income Tax Act, an additional tax on undistributed earnings is provided for as income tax in the year the shareholders resolve to retain the earnings as, prior to the shareholders' meeting, the status of appropriations of earnings is uncertain.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred income tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liabilities are settled or the assets are realized, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

3) Current and deferred income tax

Current income tax and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current income tax and deferred income tax are also recognized in other comprehensive income.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 pandemic and its economic environment implications, climate change and related government policies and regulations, the economic environment implications of the military conflict between Russia and Ukraine and related international sanctions and inflation and interest rate fluctuations when making its critical accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revision and future periods if the revisions affect both the current year and future periods.

a. Fair Trade Act litigation against associates

Since TPC concluded that these associates of the Corporation violated the Fair Trade Act with concerted action and caused a loss to TPC, TPC filed civil actions to claim compensation for the loss, refer to Note 36 (d) for the detailed information. The aforementioned civil actions are still pending; results may vary depending on the subsequent development of the cases.

b. Profit and loss evaluation of construction contracts

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of the contract is measured based on the proportion of actual costs incurred relative to the total expected costs. Variations in contract work, claims and incentives are included in contract revenue to the extent that the amount can be measured reliably and its receipt is considered probable.

The expected total costs and contract items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc. for each construction contract. Changes in the estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 3,343	\$ 2,733
Checking accounts and demand deposits	3,146,874	2,683,629
Cash equivalents		
Time deposits	<u>584,436</u>	<u>77,460</u>
	<u>\$ 3,734,653</u>	<u>\$ 2,763,822</u>

Cash equivalents include time deposits which are highly liquid, readily convertible into a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

The market interest rates of cash in bank at the end of the reporting periods were as follows:

	December 31	
	2022	2021
Demand deposits	0.00%-2.88%	0.00%-0.10%
Time deposits	0.20%-5.35%	0.20%-0.75%

7. ACCOUNTS RECEIVABLE

	December 31	
	2022	2021
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 521,402</u>	<u>\$ 455,579</u>

The average credit period ranges from 30 to 60 days. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are individually estimated by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The Group did not recognize an allowance for impairment loss against all of the accounts receivable because lifetime ECL through individually assessed receivables indicated that all of the accounts receivable are collectible.

The aging analysis of accounts receivable based on the invoice date was as follows:

	December 31	
	2022	2021
Up to 60 days	\$ 507,056	\$ 455,579
61-90 days	14,346	-
91-120 days	-	-
121-180 days	-	-
More than 181 days	-	-
	<u>\$ 521,402</u>	<u>\$ 455,579</u>

8. FINANCE LEASE RECEIVABLES

	December 31	
	2022	2021
<u>Undiscounted lease payments</u>		
Year 1	\$ 10,481	\$ 10,481
Year 2	10,481	10,481
Year 3	900	10,481
Year 4	-	900
Year 5	-	-
	<u>21,862</u>	<u>32,343</u>
Less: Unearned finance income	<u>(213)</u>	<u>(470)</u>
Lease payments receivable	<u>21,649</u>	<u>31,873</u>
Net investment in leases presented as finance lease receivables	<u>\$ 21,649</u>	<u>\$ 31,873</u>
Finance lease receivables - current	<u>\$ 10,324</u>	<u>\$ 10,224</u>
Finance lease receivables - non-current	<u>\$ 11,325</u>	<u>\$ 21,649</u>

The Group subleased its leasehold office premises to associates, and the lease term was 5 years, with fixed annual lease payments referenced in the head lease agreement. As the Group subleased the leasehold office premises for all of the remaining lease term of the head lease, the sublease contracts were classified as finance leases. The interest rates inherent in leases were fixed at the contract dates for the entire term of the lease. The implicit interest rate was approximately 0.98%.

The Group measured the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. As of the reporting periods, no finance lease receivable was past due. The Group did not recognize a loss allowance for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held.

9. INVENTORIES

	December 31	
	2022	2021
Raw materials	<u>\$ 18,104</u>	<u>\$ 13,187</u>

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2022	2021
<u>Non-current</u>		
Domestic investments		
Unlisted shares		
Kaohsiung Arena Development Corporation (KADC)	\$ 254,800	\$ 256,200
Synergy Co., Ltd. (Synergy)	<u>22,320</u>	<u>19,110</u>
	<u>\$ 277,120</u>	<u>\$ 275,310</u>

The investments in KADC and Synergy are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Refer to Note 33 for fair value information relating to financial assets at FVTOCI.

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Nature of Activities	Percentage of Ownership		Remark
			December 31		
			2022	2021	
The Corporation	Star Energy Corporation (SEC)	Undertaking and installing of power engineering projects	100%	100%	
The Corporation	Taiwan Cogeneration International Corporation (TCIC)	Investment in foreign countries and international trading	100%	100%	a
The Corporation	Yi Yuan Corporation (YYC)	Investment in geothermal power plant	51%	51%	
The Corporation	TCC Green Energy Corporation (TGE)	Investment in green power plant	100%	100%	
The Corporation	Miaoli Wind Co., Ltd. (MWC)	Power generation	100%	100%	b
The Corporation	Hamaguri Co., Ltd. (HML)	Power generation	100%	100%	c
TGE	Shin Kuang Electric Energy Ltd. (SKE)	Power generation	100%	100%	
SEC	Star Wind Corporation (SWC)	Power generation	100%	100%	
SEC	Star Solar Corporation (SSC)	Power generation	100%	100%	d
YYC	Chingshuei Geothermal Power Corporation (CGPC)	Power generation	100%	100%	

- TCIC established a branch in the Philippines mainly for the expansion of the local engineering business.
- On December 27, 2021 and September 20, 2022, MWC returned its capital of \$200,000 thousand and \$200,000 thousand to the Corporation, respectively.
- In order to expand the renewable energy business, on March 10, 2021, the Corporation acquired 100% equity interest in HML for \$69,630 thousand (US\$2,500 thousand). On December 30, 2022, the Corporation participated in a capital raising of HML, and increased its investment by \$33,500 thousand. Please refer to Note 30 for information on business combinations.

- d. On April 12, 2021, SEC participated in a capital raising of SSC, and increased its investment by \$120,000 thousand.

Refer to Table 6 for the nature of activities, principal places of business and countries of incorporation of the subsidiaries.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
<u>Investments in associates</u>		
Material associates		
Ta-Yuan Cogeneration Company (TYC)	\$ 631,873	\$ 592,491
Sun Ba Power Corporation (Sun Ba)	5,901,135	5,480,326
Star Buck Power Corporation (SBPC)	2,335,752	2,163,416
Star Energy Power Corporation (SEPC)	2,264,035	2,339,732
Kuo Kuang Power Company Ltd. (KKPC)	<u>1,737,173</u>	<u>1,869,725</u>
	12,869,968	12,445,690
Associates that are not individually material	<u>134,751</u>	<u>305,306</u>
	<u>\$ 13,004,719</u>	<u>\$ 12,750,996</u>

The share of profit or loss of associates accounted for using the equity method was as follows:

	For the Year Ended December 31	
	2022	2021
Sun Ba	\$ 445,791	\$ 407,805
SBPC	200,564	25,368
TYC	107,884	49,937
SEPC	78,279	138,827
KKPC	(16,587)	47,077
Associates that are not individually material	<u>(24,808)</u>	<u>(37,787)</u>
	<u>\$ 791,123</u>	<u>\$ 631,227</u>

a. Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
TYC	29.31%	29.31%
Sun Ba	43.00%	43.00%
SEPC	40.50%	40.50%
SBPC	41.27%	41.27%
KKPC	35.00%	35.00%

Refer to Table 6 for the nature of activities, principal places of business and countries of incorporation of the associates.

The market value of the investment in TYC, which was based on its closing price at the balance sheet date, was as follows:

Name of Associate	December 31	
	2022	2021
TYC	\$ <u>1,490,687</u>	\$ <u>1,139,516</u>

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

TYC

	December 31	
	2022	2021
Current assets	\$ 1,108,306	\$ 1,148,317
Non-current assets	3,346,935	3,267,568
Current liabilities	(774,010)	(388,410)
Non-current liabilities	<u>(1,504,106)</u>	<u>(1,983,531)</u>
Equity	\$ <u>2,177,125</u>	\$ <u>2,043,944</u>
Proportion of the Group's ownership	29.31%	29.31%
Equity attributable to the Group	\$ 638,131	\$ 599,095
Unrealized gain with associates	<u>(6,258)</u>	<u>(6,604)</u>
Carrying amount	\$ <u>631,873</u>	\$ <u>592,491</u>

	For the Year Ended December 31	
	2022	2021
Operating revenue	\$ <u>2,861,009</u>	\$ <u>1,997,736</u>
Net profit	\$ 368,069	\$ 170,371
Other comprehensive (loss) income	<u>(51,506)</u>	<u>54,955</u>
Total comprehensive income	\$ <u>316,563</u>	\$ <u>225,326</u>
Dividends received from TYC	\$ <u>53,751</u>	\$ <u>50,167</u>

Sun Ba

	December 31	
	2022	2021
Current assets	\$ 3,856,190	\$ 2,902,942
Non-current assets	19,707,241	13,078,951
Current liabilities	(3,075,949)	(2,050,249)
Non-current liabilities	<u>(6,604,275)</u>	<u>(1,063,463)</u>
Equity	\$ <u>13,883,207</u>	\$ <u>12,868,181</u>
Proportion of the Group's ownership	43.00%	43.00%

(Continued)

	December 31	
	2022	2021
Equity attributable to the Group	\$ 5,969,779	\$ 5,533,318
Unrealized gain with associates	(70,731)	(55,079)
Goodwill	<u>2,087</u>	<u>2,087</u>
Carrying amount	<u>\$ 5,901,135</u>	<u>\$ 5,480,326</u> (Concluded)
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 19,393,575</u>	<u>\$ 11,015,174</u>
Net profit	\$ 1,036,723	\$ 948,385
Other comprehensive loss	<u>(21,697)</u>	<u>(2,014)</u>
Total comprehensive income	<u>\$ 1,015,026</u>	<u>\$ 946,371</u>
Dividends received from Sun Ba	<u>\$ -</u>	<u>\$ 283,800</u>

On May 9, 2022, Sun Ba issued 362,307 thousand new shares by transferring capital from earnings and 37,693 thousand new shares by transferring capital from legal reserve, which were resolved in the shareholders' meeting. The base date for the transfer of capital from earnings was May 23, 2022 and obtained an approval letter from the Ministry of Economic Affairs on June 10, 2022. The number of shares held by the Group increased by 172,000 thousand shares.

SEPC

	December 31	
	2022	2021
Current assets	\$ 3,133,426	\$ 1,727,988
Non-current assets	5,059,908	5,802,149
Current liabilities	(2,044,508)	(1,042,482)
Non-current liabilities	<u>(402,024)</u>	<u>(540,288)</u>
Equity	<u>\$ 5,746,802</u>	<u>\$ 5,947,367</u>
Proportion of the Group's ownership	40.50%	40.50%
Equity attributable to the Group	\$ 2,327,456	\$ 2,408,685
Unrealized gain with associates	<u>(63,421)</u>	<u>(68,953)</u>
Carrying amount	<u>\$ 2,264,035</u>	<u>\$ 2,339,732</u>

	For the Year Ended December 31	
	2022	2021
Operating revenue	\$ <u>9,114,399</u>	\$ <u>5,225,265</u>
Net profit	\$ 193,281	\$ 342,781
Other comprehensive loss	<u>(3,846)</u>	<u>(1,887)</u>
Total comprehensive income	\$ <u>189,435</u>	\$ <u>340,894</u>
Dividends received from SEPC	\$ <u>157,950</u>	\$ <u>131,220</u>

SBPC

	December 31	
	2022	2021
Current assets	\$ 2,419,226	\$ 1,449,005
Non-current assets	8,505,321	8,735,340
Current liabilities	(1,769,582)	(902,852)
Non-current liabilities	<u>(2,959,451)</u>	<u>(3,457,185)</u>
Equity	\$ <u>6,195,514</u>	\$ <u>5,824,308</u>
Proportion of the Group's ownership	41.27%	41.27%
Equity attributable to the Group	\$ 2,557,058	\$ 2,403,851
Unrealized gain with associates	<u>(221,306)</u>	<u>(240,435)</u>
Carrying amount	\$ <u>2,335,752</u>	\$ <u>2,163,416</u>

	For the Year Ended December 31	
	2022	2021
Operating revenue	\$ <u>9,571,004</u>	\$ <u>3,009,267</u>
Net profit	\$ 485,947	\$ 61,464
Other comprehensive income	<u>759</u>	<u>255</u>
Total comprehensive income	\$ <u>486,706</u>	\$ <u>61,719</u>
Dividends received from SBPC	\$ <u>47,670</u>	\$ <u>70,824</u>

KKPC

	December 31	
	2022	2021
Current assets	\$ 2,242,596	\$ 1,659,440
Non-current assets	4,390,089	5,121,269
Current liabilities	(1,528,172)	(875,598)
Non-current liabilities	<u>(321,694)</u>	<u>(802,585)</u>
Equity	<u>\$ 4,782,819</u>	<u>\$ 5,102,526</u>
Proportion of the Group's ownership	35.00%	35.00%
Equity attributable to the Group	\$ 1,673,986	\$ 1,785,884
Goodwill	19,304	19,304
Investment premium	<u>43,883</u>	<u>64,537</u>
Carrying amount	<u>\$ 1,737,173</u>	<u>\$ 1,869,725</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 8,620,190</u>	<u>\$ 4,497,318</u>
Net profit	\$ 11,622	\$ 193,514
Other comprehensive income (loss)	<u>113</u>	<u>(1,273)</u>
Total comprehensive income	<u>\$ 11,735</u>	<u>\$ 192,241</u>
Dividends received from KKPC	<u>\$ 116,005</u>	<u>\$ 110,764</u>

On July 10, 2014, the FTC fined Sun Ba, SEPC, SBPC, and KKPC a total of \$489 million, \$392 million, \$100 million and \$371 million, respectively, for violation of the Fair Trade Act (Original FTC Ruling) again. These companies requested the revocation of fines under the petition procedure. In December 2014, Petitions and Appeals Committee of the Executive Yuan notified these companies that the proceedings for the appeal were postponed and the appeal is subject to the ruling to be made by the Supreme Administrative Court. These companies paid the above-mentioned fines in full in advance in accordance with the Administrative Appeal Act and recognized them as other receivables. On June 16, 20, 30 and August 11, 2022, the Supreme Administrative Court revoked the second ruling, and ruled to dismiss original ruling against Sun Ba, SEPC, SBPC, and KKPC. Considering that the Supreme Administrative Court have made final decision, these companies reclassified the fines recognized in other receivables as impairment loss in 2022 Q2. However, the Petitions and Appeals Committee has also restarted the suspended appeal process due to the above-mentioned final judgment.

The Group is the single largest shareholder of Sun Ba, SEPC, and SBPC with 43%, 40.50%, and 41.27% ownership of the investees, respectively. However, according to the articles of incorporation of the investees, certain material events of the investees shall be approved by the vote of a certain number of members of the board of directors; therefore, the Group cannot direct the relevant activities of the investee and has no control over them. Management of the Group considered the Group as exercising significant influence over the investees and classified them as associates.

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Net loss	<u>\$ (24,808)</u>	<u>\$ (37,787)</u>
Total comprehensive loss	<u>\$ (24,808)</u>	<u>\$ (37,787)</u>

In order to expand the solar photovoltaic business, the Group signed an investment agreement with the original shareholder of Chao Feng Solar Energy Co. In February 2021, the Group participated in the capital increase of Chao Feng Solar Energy Co., Ltd. for \$160,000 thousand and acquired a 20% equity interest in it. Due to the Group and the shareholder not being able to agree on the terms of the investment, according to the agreement, the shareholder bought back the 20% equity interest in Chao Feng Solar Energy Co. held by the Group at the original price and completed the equity-settlement on March 4, 2022.

The amounts of the share of profit or loss and other comprehensive income of the investments in associates accounted for using the equity method for the years ended December 31, 2022 and 2021 were based on the associates' financial statements audited by independent auditors for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 264,637	\$ 78,954	\$ 5,911,042	\$ -	\$ 91,365	\$ 44,779	\$ 721,242	\$ 7,112,019
Additions	-	417	40,210	793	18,258	-	416,167	475,845
Decreases	-	-	(127)	-	-	-	-	(127)
Disposals	-	-	-	-	(10,662)	(4,136)	-	(14,798)
Reclassifications	-	282,725	679,865	-	92,636	-	(1,055,226)	-
Balance at December 31, 2022	<u>264,637</u>	<u>362,096</u>	<u>6,630,990</u>	<u>793</u>	<u>191,597</u>	<u>40,643</u>	<u>82,183</u>	<u>7,572,939</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	-	62,469	3,954,532	-	53,456	31,895	-	4,102,352
Depreciation expense	-	2,382	231,056	44	15,443	4,543	-	253,468
Disposals	-	-	-	-	(10,662)	(4,136)	-	(14,798)
Balance at December 31, 2022	<u>-</u>	<u>64,851</u>	<u>4,185,588</u>	<u>44</u>	<u>58,237</u>	<u>32,302</u>	<u>-</u>	<u>4,341,022</u>
Carrying amount at December 31, 2022	<u>\$ 264,637</u>	<u>\$ 297,245</u>	<u>\$ 2,445,402</u>	<u>\$ 749</u>	<u>\$ 133,360</u>	<u>\$ 8,341</u>	<u>\$ 82,183</u>	<u>\$ 3,231,917</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 264,637	\$ 78,954	\$ 5,929,812	\$ -	\$ 73,400	\$ 44,650	\$ 292,476	\$ 6,683,929
Additions	-	-	9,179	-	18,006	129	443,753	471,067
Decreases	-	-	(15,506)	-	-	-	-	(15,506)
Disposals	-	-	-	-	(41)	-	(27,430)	(27,471)
Reclassifications	-	-	(12,443)	-	-	-	12,443	-
Balance at December 31, 2021	<u>264,637</u>	<u>78,954</u>	<u>5,911,042</u>	<u>-</u>	<u>91,365</u>	<u>44,779</u>	<u>721,242</u>	<u>7,112,019</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	-	60,573	3,743,202	-	37,162	25,931	-	3,866,868
Depreciation expense	-	1,896	211,330	-	16,335	5,964	-	235,525
Disposals	-	-	-	-	(41)	-	-	(41)
Balance at December 31, 2021	<u>-</u>	<u>62,469</u>	<u>3,954,532</u>	<u>-</u>	<u>53,456</u>	<u>31,895</u>	<u>-</u>	<u>4,102,352</u>
Carrying amount at December 31, 2021	<u>\$ 264,637</u>	<u>\$ 16,485</u>	<u>\$ 1,956,510</u>	<u>\$ -</u>	<u>\$ 37,909</u>	<u>\$ 12,884</u>	<u>\$ 721,242</u>	<u>\$ 3,009,667</u>

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Office building	50 years
Plant and its attached facilities	15-25 years
Machinery and equipment	
Main power generation equipment	20-30 years
Others	3-15 years
Transportation equipment	5-10 years
Other equipment	2-8 years
Lease improvements	5 years

Refer to Note 27 for information on capitalized interest for the years ended December 31, 2022 and 2021.

Refer to Note 35 for the carrying amount of property plant and equipment mortgaged as collateral for bank borrowings of the Group.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	Land	Buildings	Transportation Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 338,341	\$ 191,834	\$ 22,591	\$ 9,424	\$ 562,190
Additions	7,408	1,228	12,830	-	21,466
Disposals	-	(506)	(12,861)	-	(13,367)
Balance at December 31, 2022	<u>345,749</u>	<u>192,556</u>	<u>22,560</u>	<u>9,424</u>	<u>570,289</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	41,351	57,946	14,245	846	114,388
Depreciation expense	15,681	26,724	7,808	580	50,793
Disposals	-	-	(12,610)	-	(12,610)
Balance at December 31, 2022	<u>57,032</u>	<u>84,670</u>	<u>9,443</u>	<u>1,426</u>	<u>152,571</u>
Carrying amount at December 31, 2022	<u>\$ 288,717</u>	<u>\$ 107,886</u>	<u>\$ 13,117</u>	<u>\$ 7,998</u>	<u>\$ 417,718</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 24,527	\$ 208,502	\$ 22,250	\$ 725	\$ 256,004
Acquisitions through business combinations (Note 30)	313,961	-	-	-	313,961
Additions	-	982	6,238	8,699	15,919
Disposals	(147)	(17,650)	(5,897)	-	(23,694)
Balance at December 31, 2021	<u>338,341</u>	<u>191,834</u>	<u>22,591</u>	<u>9,424</u>	<u>562,190</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	5,654	41,632	11,798	266	59,350
Acquisitions through business combinations (Note 30)	21,768	-	-	-	21,768
Depreciation expense	14,076	30,960	7,909	580	53,525
Disposals	(147)	(14,646)	(5,462)	-	(20,255)
Balance at December 31, 2021	<u>41,351</u>	<u>57,946</u>	<u>14,245</u>	<u>846</u>	<u>114,388</u>
Carrying amount at December 31, 2021	<u>\$ 296,990</u>	<u>\$ 133,888</u>	<u>\$ 8,346</u>	<u>\$ 8,578</u>	<u>\$ 447,802</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 53,315</u>	<u>\$ 54,533</u>
Non-current	<u>\$ 424,382</u>	<u>\$ 448,506</u>

As of December 31, 2022 and 2021, the range of discount rates for lease liabilities was 0.98%-2.83%.

c. Material lease activities and terms

The rental payments for some leases of the solar power generation equipment are calculated at an agreed ratio of sales of electricity generated pursuant to the power purchase agreements the Group entered into with TPC.

Refer to Note 16 for the information about the Group's acquisition of the rights to superficies from the Yilan county government.

In 2019, HML leased the land from the landlords in Fangyuan Township, Changhua County for the fishery and electricity symbiosis development project. The period covered by the agreements include the development and construction period and 20 years from the date of the start of commercial operations. HML shall make a priority request for renewal of the agreements six months before expiration of the lease if it obtains permission to continue operations. The lease agreements are renewable for no more than 5 years each time and within the limit of two times.

d. Subleases

Refer to Note 8 for the information on the Group's sublease transactions.

e. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 11,204</u>	<u>\$ 10,325</u>
Expenses relating to low-value asset leases	<u>\$ 1,081</u>	<u>\$ 2,210</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 5,282</u>	<u>\$ 7,995</u>
Total cash outflow for leases	<u>\$ (72,755)</u>	<u>\$ (76,737)</u>

The Group's leases of certain buildings and transportation equipment qualified as short-term leases and certain other equipment qualified as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. GOODWILL

	December 31	
	2022	2021
Beginning balance	\$ 141,014	\$ 96,370
Acquired in a business combination (Note 30)	<u>-</u>	<u>44,644</u>
Ending balance	<u>\$ 141,014</u>	<u>\$ 141,014</u>

In order to expand the renewable energy business, the Group acquired 100% equity interest in HML in March 2021. Refer to Note 30 for information on business combinations.

The Group's goodwill is relating to the expected benefits of the increase in sales of electricity. Since the goodwill relates solely to a single cash generating unit, the goodwill is assessed for impairment by calculating the recoverable amount and the carrying amount of its net assets.

However, the revised estimate of the recoverable amount was still higher than the related carrying amount; thus, no impairment loss was recognized.

16. INTANGIBLE ASSETS

	December 31	
	2022	2021
Service concession arrangement	\$ 586,974	\$ 526,318
Computer software	12,970	13,633
Business rights	<u>337,508</u>	<u>363,305</u>
	<u>\$ 937,452</u>	<u>\$ 903,256</u>

a. Movements in intangible assets were as follows:

	Service Concession Arrangement		Computer Software	Business Rights	Others	Total
	Operating Assets	Right-of-use Assets				
<u>Cost</u>						
Balance at January 1, 2022	\$ 537,752	\$ 2,710	\$ 23,053	\$ 402,000	\$ 12,000	\$ 977,515
Additions	95,501	-	6,247	-	-	101,748
Disposals	-	-	(9,347)	-	-	(9,347)
Balance at December 31, 2022	<u>633,253</u>	<u>2,710</u>	<u>19,953</u>	<u>402,000</u>	<u>12,000</u>	<u>1,069,916</u>
<u>Accumulated amortization and impairment loss</u>						
Balance at January 1, 2022	13,742	402	9,420	38,695	12,000	74,259
Amortization	34,698	147	6,910	25,797	-	67,552
Disposals	-	-	(9,347)	-	-	(9,347)
Balance at December 31, 2022	<u>48,440</u>	<u>549</u>	<u>6,983</u>	<u>64,492</u>	<u>12,000</u>	<u>132,464</u>
Carrying amount at December 31, 2022	<u>\$ 584,813</u>	<u>\$ 2,161</u>	<u>\$ 12,970</u>	<u>\$ 337,508</u>	<u>\$ -</u>	<u>\$ 937,452</u>

(Continued)

	Service Concession Arrangement		Computer Software	Business Rights	Others	Total
	Operating Assets	Right-of-use Assets				
<u>Cost</u>						
Balance at January 1, 2021	\$ -	\$ 2,710	\$ 14,161	\$ 402,000	\$ 12,000	\$ 430,871
Additions	-	-	11,152	-	-	11,152
Reclassifications (Note)	537,752	-	-	-	-	537,752
Disposals	<u>-</u>	<u>-</u>	<u>(2,260)</u>	<u>-</u>	<u>-</u>	<u>(2,260)</u>
Balance at December 31, 2021	<u>537,752</u>	<u>2,710</u>	<u>23,053</u>	<u>402,000</u>	<u>12,000</u>	<u>977,515</u>
<u>Accumulated amortization and impairment loss</u>						
Balance at January 1, 2021	-	255	5,006	12,898	12,000	30,159
Amortization	13,742	147	6,674	25,797	-	46,360
Disposals	<u>-</u>	<u>-</u>	<u>(2,260)</u>	<u>-</u>	<u>-</u>	<u>(2,260)</u>
Balance at December 31, 2021	<u>13,742</u>	<u>402</u>	<u>9,420</u>	<u>38,695</u>	<u>12,000</u>	<u>74,259</u>
Carrying amount at December 31, 2021	<u>\$ 524,010</u>	<u>\$ 2,308</u>	<u>\$ 13,633</u>	<u>\$ 363,305</u>	<u>\$ -</u>	<u>\$ 903,256</u>

(Concluded)

(Concluded)

Note: Reclassified from contract assets.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Service concession arrangement	
Main power generation equipment	20 years
Transmission pipelines and other facilities	10-20 years
Others	5-20 years
Computer software	1-6 years
Business rights	15 years

b. Service concession arrangement

YYC signed the investment agreement “Yilan Chingshuei Geothermal Power Generation Build, Reconstruction, Operation, and Transfer” (referred to also as “Chingshuei Geothermal Contract”) with the Yilan county government in July 2017 for a service concession which will be operated by CGPC. YYC established CGPC to undertake the operations for a period of 20 years starting from the commencement date of commercial operations of the power generating unit.

The operating assets refer to the public infrastructure constructed and operated by CGPC.

The right-of-use asset was obtained by YYC from the Yilan county government under the Chingshuei Geothermal Contract to build and operate the power plant site. The rental rate during the construction period was set at 1% of the announced land value, and the rental rate during the operation period was set at 3% of the announced land value.

c. Business rights

Business rights refer to the licenses to generate electricity from the Zhunan and Houlong wind farms in Miaoli County acquired from the Ministry of Economic Affairs through the business combination with MWC, in accordance with the Electricity Act. Amortization of the aforementioned licenses is recognized on a straight-line basis until February 2036.

d. Other intangible assets

Other intangible assets represent the Grade A comprehensive construction registration certificate of SEC, which is deemed to have an indefinite useful life and not amortized because the certificate can be reviewed and renewed at a fraction of the cost every 5 years and is expected to generate sustainable net cash inflow, but is rather tested for impairment at least once a year and assessed at each balance sheet date to determine whether events and circumstances continue to support the assessment of its indefinite useful life.

17. OTHER ASSETS

	December 31	
	2022	2021
<u>Other non-current assets</u>		
Prepaid power lines usage expenses	<u>\$ 20,537</u>	<u>\$ 22,212</u>

In order to operate the solar power plant, the Group signed an agreement with a company for the “Installation of Renewable Energy Generation Equipment (Non-user) for Integration of Line to User”, and the Group should apportion the electricity project expenses (power lines usage expenses) in accordance with “Calculation of Apportionment Expenses for Renewable Energy Enhancement Projects on Power Grid”.

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Secured borrowing	<u>\$ 67,000</u>	<u>\$ 40,000</u>

The ranges of interest rates on short-term borrowings at the end of the reporting were as follows:

	December 31	
	2022	2021
Secured borrowing	1.98%-2.76%	1.83%

b. Short-term bills payable

	December 31	
	2022	2021
Commercial paper	\$ 1,000,000	\$ 500,000
Less: Unamortized discounts on bills payable	<u>(724)</u>	<u>(386)</u>
	<u>\$ 999,276</u>	<u>\$ 499,614</u>

On March 18, 2022, the Group signed a revolving and non-guaranteed commercial paper underwriting contract with a bank. The Group could issue a non-guaranteed commercial paper (up to 90 days) on a revolving basis during the period of 4 years effective from March 23, 2022. The total underwriting amount is \$500 million.

On August 12, 2021, the Group signed a revolving and non-guaranteed commercial paper underwriting agreement with a bills finance company. The Group could issue a non-guaranteed commercial paper (up to 90 days) on a revolving basis during the period of 4 years effective from August 16, 2021. The total underwriting amount is \$500 million.

The ranges of interest rates on commercial paper payable were as follows:

	December 31	
	2022	2021
Commercial paper	0.64%-0.70%	0.64%

c. Long-term borrowings

	December 31	
	2022	2021
<u>Pledged or mortgaged borrowings</u>		
Repayable in semi-annual installments from August 2021 to February 2032	\$ 339,080	\$ 374,360
Repayable in semi-annual installments from July 2022 to May 2031	283,240	-
Repayable in quarterly installments from December 2021 to September 2034	162,692	176,539
Repayable in semi-annual installments from February 2020 to February 2026	154,980	166,320
Repayable in semi-annual installments from November 2021 to May 2031	121,250	125,000
Repayable in semi-annual installments from August 2021 to May 2031	84,390	87,000
Repayable in semi-annual installments from November 2022 to May 2031	70,810	-
Repayable in monthly installments from January 2019 to January 2034	61,044	66,511
Repayable in semi-annual installments from August 2022 to February 2032	38,000	-
Repayable in quarterly installments from September 2021 to September 2034	35,702	38,740
Repayable in semi-annual installments from May 2021 to May 2031	22,310	23,000

Secured borrowing

Repayable in semi-annual installments from July 2022 to January 2025	356,250	375,000 (Continued)
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	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Repayable in monthly installments from January 2021 to December 2025	\$ 88,400	\$ 95,200
Repayable in quarterly installments from April 2020 to March 2026	62,601	67,837
Repayable in quarterly installments from October 2019 to March 2026	52,193	56,749
Repayable in quarterly installments from October 2018 to October 2025	41,482	45,356
<u>Revolving unsecured borrowings</u>		
Revolving through November 2023	780,000	-
Revolving through November 2024	500,000	-
Revolving through November 2024	500,000	-
Revolving through October 2026	320,000	-
Revolving through January 2024	-	725,000
Revolving through July 2023	-	290,000
Revolving through July 2023	-	500,000
Revolving through September 2023	-	500,000
Revolving through August 2023	-	150,000
	4,074,424	3,862,612
Less: Current portion	(947,393)	(115,693)
	<u>\$ 3,127,031</u>	<u>\$ 3,746,919</u>
		(Concluded)

The Group's revolving unsecured borrowings are to be utilized on a revolving basis during the credit period according to the repayment schedule negotiated with banks.

The ranges of interest rates on long-term borrowings at the end of the reporting periods were as follows:

	December 31	
	2022	2021
Pledged or mortgaged borrowings	1.96%-2.97%	1.26%-2.04%
Secured borrowing	2.21%	1.72%
Unsecured borrowings	1.80%-2.41%	1.72%-1.80%
Revolving unsecured borrowings	1.40%-1.71%	0.75%-0.76%

19. BONDS PAYABLE

	December 31	
	2022	2021
Domestic unsecured bond	\$ 2,500,000	\$ 2,500,000
Less: Unamortized issuance cost	(2,116)	(2,745)
	<u>\$ 2,497,884</u>	<u>\$ 2,497,255</u>

On August 14, 2020, the Group issued unsecured bonds at par value for a total of \$2,500 million, which comprise bond A - \$1,900 million of 5-year bonds with annual coupon rate of 0.75% and bond B - \$600 million of 10-year bonds with annual coupon rate of 1%. Both types of bonds have bullet repayment terms, where simple interest is paid on an annual basis and the principal is repaid on maturity. The trustee of the bonds is Bank SinoPac Company Limited.

20. OTHER PAYABLES

	December 31	
	2022	2021
Payables for equipment	\$ 67,693	\$ 159,324
Payables for business tax	54,876	9,233
Payables for compensation of employees and remuneration of directors	47,492	47,770
Payables for salaries and bonuses	44,333	42,368
Payables for purchase of electricity	21,456	1,098
Payables for professional fees	17,489	5,980
Payables for compensated absences	14,384	12,776
Payables for repairs	12,208	-
Payables for interest	9,716	9,857
Others	<u>26,268</u>	<u>24,229</u>
	<u>\$ 315,915</u>	<u>\$ 312,635</u>

21. OTHER LIABILITIES

	December 31	
	2022	2021
Other liabilities		
Payables for levies	<u>\$ 15,866</u>	<u>\$ 2,802</u>

Pursuant to the Regulations Governing the Installation of Renewable Energy Generation Equipment, the module recovery fees of the Group's solar power generation equipment should be calculated based on the installed capacity (kW) of the equipment. The module recovery fees are levied over a period of 10 years and should be paid at the end of each year.

22. PROVISIONS

	December 31	
	2022	2021
<u>Current</u>		
Warranties	<u>\$ 259,197</u>	<u>\$ 304,799</u>
<u>Non-current</u>		
Decommissioning costs and liability	<u>\$ 14,296</u>	<u>\$ 13,986</u>

	Warranties	Decommissioning Costs and Liability	Total
Balance at January 1, 2022	\$ 304,799	\$ 13,986	\$ 318,785
Additions	53,383	310	53,693
Usage	(60,021)	-	(60,021)
Reversal	<u>(38,964)</u>	<u>-</u>	<u>(38,964)</u>
Balance at December 31, 2022	<u>\$ 259,197</u>	<u>\$ 14,296</u>	<u>\$ 273,493</u>
Balance at January 1, 2021	\$ 308,985	\$ 13,682	\$ 322,667
Additions	118,154	304	118,458
Usage	(45,799)	-	(45,799)
Reversal	<u>(76,541)</u>	<u>-</u>	<u>(76,541)</u>
Balance at December 31, 2021	<u>\$ 304,799</u>	<u>\$ 13,986</u>	<u>\$ 318,785</u>

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Except for TCIC, the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, these companies make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. TCIC currently has no employee; therefore, no pension plan was established.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation and SEC in accordance with the Labor Standards Act are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation and SEC contribute amounts equal to 6.5% and 3% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation and SEC assess the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation and SEC are required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation and SEC have no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 220,861	\$ 225,212
Fair value of plan assets	<u>(108,773)</u>	<u>(100,825)</u>
Deficit	<u>112,088</u>	<u>124,387</u>
Net defined benefit liabilities	<u>\$ 112,088</u>	<u>\$ 124,387</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	<u>\$ 227,883</u>	<u>\$ (101,458)</u>	<u>\$ 126,425</u>
Service cost			
Current service cost	4,342	-	4,342
Net interest expense (income)	<u>1,108</u>	<u>(507)</u>	<u>601</u>
Recognized in profit or loss	<u>5,450</u>	<u>(507)</u>	<u>4,943</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,322)	(1,322)
Actuarial loss - changes in demographic assumptions	6,885	-	6,885
Actuarial income - experience adjustments	<u>(178)</u>	<u>-</u>	<u>(178)</u>
Recognized in other comprehensive income or loss	<u>6,707</u>	<u>(1,322)</u>	<u>5,385</u>
Contributions from employers	(8,909)	(3,457)	(12,366)
Benefits paid	<u>(5,919)</u>	<u>5,919</u>	<u>-</u>
	<u>(14,828)</u>	<u>2,462</u>	<u>(12,366)</u>
Balance at December 31, 2021	<u>\$ 225,212</u>	<u>\$ (100,825)</u>	<u>\$ 124,387</u>
Balance at January 1, 2022	<u>\$ 225,212</u>	<u>\$ (100,825)</u>	<u>\$ 124,387</u>
Service cost			
Current service cost	4,096	-	4,096
Net interest expense (income)	<u>1,126</u>	<u>(513)</u>	<u>613</u>
Recognized in profit or loss	<u>5,222</u>	<u>(513)</u>	<u>4,709</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,143)	(8,143)
Actuarial income - changes in financial assumptions	(17,873)	-	(17,873)
Actuarial loss - experience adjustments	<u>12,538</u>	<u>-</u>	<u>12,538</u>
Recognized in other comprehensive income or loss	<u>(5,335)</u>	<u>(8,143)</u>	<u>(13,478)</u>
Contributions from employers	(68)	(3,462)	(3,530)
Benefits paid	<u>(4,170)</u>	<u>4,170</u>	<u>-</u>
	<u>(4,238)</u>	<u>708</u>	<u>(3,530)</u>
Balance at December 31, 2022	<u>\$ 220,861</u>	<u>\$ (108,773)</u>	<u>\$ 112,088</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans was as follows:

	For the Year Ended December 31	
	2022	2021
Operating costs	<u>\$ 2,813</u>	<u>\$ 2,844</u>
Operating expenses	<u>\$ 1,896</u>	<u>\$ 2,099</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate	1.50%	0.50%
Expected rate of salary increase	3.25%	3.00%

If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (5,481)</u>	<u>\$ (6,185)</u>
0.25% decrease	<u>\$ 5,675</u>	<u>\$ 6,420</u>
Expected rate of salary increase/decrease		
0.25% increase	<u>\$ 5,486</u>	<u>\$ 6,165</u>
0.25% decrease	<u>\$ (5,327)</u>	<u>\$ (5,973)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

An analysis of the average duration of the defined benefit obligation is as follows:

	December 31	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 3,456</u>	<u>\$ 3,485</u>
Average duration of the defined benefit obligation	10.20 years	11.33 years

24. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Group's assets and liabilities related to the construction business are classified as either current or non-current based on the operating cycle. The amounts expected to be recovered or settled within one year after the reporting period and more than one year after the reporting period for related assets and liabilities were as follows:

December 31, 2022

	Within One Year	More than One Year	Total
<u>Assets</u>			
Contract assets	\$ 1,516,324	\$ 171,567	\$ 1,687,891
Prepaid construction costs	<u>46,184</u>	<u>-</u>	<u>46,184</u>
	<u>\$ 1,562,508</u>	<u>\$ 171,567</u>	<u>\$ 1,734,075</u>
<u>Liabilities</u>			
Contract liabilities	\$ 221	\$ 582,861	\$ 583,082
Provisions - warranties	<u>7,439</u>	<u>251,758</u>	<u>259,197</u>
	<u>\$ 7,660</u>	<u>\$ 834,619</u>	<u>\$ 842,279</u>

December 31, 2021

	Within One Year	More than One Year	Total
<u>Assets</u>			
Contract assets	\$ 2,221,357	\$ 278,173	\$ 2,499,530
Prepaid construction costs	<u>18,279</u>	<u>-</u>	<u>18,279</u>
	<u>\$ 2,239,636</u>	<u>\$ 278,173</u>	<u>\$ 2,517,809</u>
<u>Liabilities</u>			
Contract liabilities	\$ 361	\$ 193,106	\$ 193,467
Provisions - warranties	<u>7,888</u>	<u>296,911</u>	<u>304,799</u>
	<u>\$ 8,249</u>	<u>\$ 490,017</u>	<u>\$ 498,266</u>

25. EQUITY

a. Share capital

	December 31	
	2022	2021
Number of authorized ordinary shares (in thousands)	800,000	800,000
Amount of authorized ordinary shares	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Number of issued and fully paid ordinary shares (in thousands)	589,049	589,049
Amount of issued and fully paid ordinary shares	<u>\$ 5,890,486</u>	<u>\$ 5,890,486</u>

A holder of issued ordinary shares with par value of \$10 is entitled to vote and to receive dividends.

b. Capital surplus

	December 31	
	2022	2021
Issuance of ordinary shares	\$ 460,000	\$ 460,000
Conversion of bonds	32,494	32,494
Share options	<u>7,200</u>	<u>7,200</u>
	<u>\$ 499,694</u>	<u>\$ 499,694</u>

The capital surplus generated from shares issued in excess of par (including additional paid-in capital from issuance of ordinary shares and conversion of bonds) may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be transferred to share capital or distributed in cash. Capitalization of such capital surplus is limited to once a year and a certain prescribed percentage of the Corporation's paid-in capital.

The capital surplus generated from share options may not be used for any purpose except for offsetting a deficit.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Corporation's current articles of incorporation (the "Articles"), where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan where not less than 70% of distributable retained earnings shall be distributed; the plan should be resolved in the shareholders' meeting for the distribution of dividends to shareholders. For the policies on the distribution of the compensation of employees and remuneration of directors, please refer to Note 27.f.

The Corporation adopted a balanced dividend policy, where dividends are distributed in the form of both cash and shares, out of which cash dividends shall not be less than 20% of the total dividends distributed. However, the ratio of cash dividends may be reduced to less than 20%, which should be resolved by the shareholders, if the expenditure for a new important investment plan reaches \$300 million or above and the Corporation is unable to obtain other funds to meet the cash needs of the plan.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2021 and 2020, which had been resolved in the shareholders’ meetings on May 31, 2022 and July 30, 2021, respectively, were as follows:

	Appropriation of Earnings	
	2021	2020
Legal reserve	\$ 92,370	\$ 106,905
Reversal of special reserve	(201,972)	(66,767)
Cash dividends	1,030,835	1,119,192
Cash dividends per share (NT\$)	1.75	1.9

The reversals of the special reserve in 2021 and 2020 were the reversal amount voluntarily set aside in accordance with the Company Act in prior years.

The appropriations of earnings for 2022 had been proposed by the Corporation’s board of directors on March 10, 2023. The appropriations and dividends per share were as follows:

	Appropriation of Earnings 2022
Legal reserve	\$ 91,828
Special reserve	14,130
Reversal of special reserve	(200,714)
Cash dividends	618,501
Share dividends	412,334
Cash dividends per share (NT\$)	1.05
Share dividends per share (NT\$)	0.7

The appropriations of earnings for 2022 are subject to the resolution of the shareholders in their meeting to be held on June 26, 2023.

26. REVENUES

	For the Year Ended December 31	
	2022	2021
Revenues from contracts with customers		
Sales		
Sales of electricity	\$ 1,475,942	\$ 1,028,461
Sales of steam	117,977	238,029
Service concession	96,009	44,152
Others	370	495
	<u>1,690,298</u>	<u>1,311,137</u>
Construction service	2,777,596	4,931,367
Operations, maintenance and consulting services	<u>200,987</u>	<u>164,492</u>
	<u>\$ 4,668,881</u>	<u>\$ 6,406,996</u>

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>293</u>
Accounts receivable (including related parties)	\$ <u>672,614</u>	\$ <u>551,644</u>	\$ <u>416,558</u>
Contract assets			
Construction contracts	\$ 1,687,891	\$ 2,499,530	\$ 3,772,809
Rendering of services	<u>271,934</u>	<u>141,869</u>	<u>153,798</u>
	\$ <u>1,959,825</u>	\$ <u>2,641,399</u>	\$ <u>3,926,607</u>
Contract liabilities			
Construction contracts	\$ 583,082	\$ 193,467	\$ 202,706
Sales	<u>122,188</u>	<u>56,180</u>	<u>12,079</u>
	\$ <u>705,270</u>	\$ <u>249,647</u>	\$ <u>214,785</u>

The changes in the contract assets and the contract liabilities balances primarily resulted from the timing difference between the Group's satisfaction of performance obligations and the customer's payment.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the customer, and the contract assets have substantially the same risk characteristics as the trade receivables from the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables can be applied to the contract assets. The Group did not recognize an allowance for impairment loss against all of the contract assets.

b. Refer to Note 40 for information about disaggregation of revenue from contracts with customers.

27. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividend income	\$ 8,000	\$ 8,000
Compensation income	-	45,366
Others	<u>15,502</u>	<u>14,729</u>
	\$ <u>23,502</u>	\$ <u>68,095</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Foreign exchange gain	\$ 70,388	\$ 13,376
Gain on disposal of associate	15,070	-
Foreign exchange loss	(46,882)	(60,417)
Others	<u>(2,162)</u>	<u>22</u>
	<u>\$ 36,414</u>	<u>\$ (47,019)</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 49,773	\$ 36,446
Interest on bonds payable	20,879	20,874
Interest on lease liabilities	8,903	7,906
Interest on commercial paper	6,340	1,291
Others	<u>562</u>	<u>464</u>
	<u>\$ 86,457</u>	<u>\$ 66,981</u>

Information about capitalized interest were as follows:

	For the Year Ended December 31	
	2022	2021
Amount of capitalized interest	<u>\$ 5,010</u>	<u>\$ 5,188</u>
Capitalized interest rate	1.44%-2.00%	1.10%-1.72%

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 253,468	\$ 235,525
Right-of-use assets	50,744	53,498
Intangible assets	67,552	46,360
Prepaid power lines usage expense	<u>617</u>	<u>-</u>
	<u>\$ 372,381</u>	<u>\$ 335,383</u>
An analysis of depreciation by function		
Operating costs	\$ 251,515	\$ 239,071
Operating expenses	<u>52,697</u>	<u>49,952</u>
	<u>\$ 304,212</u>	<u>\$ 289,023</u>
An analysis of amortization by function		
Operating costs	\$ 35,821	\$ 14,317
Operating expenses	<u>32,348</u>	<u>32,043</u>
	<u>\$ 68,169</u>	<u>\$ 46,360</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 13,917	\$ 13,231
Defined benefit plans	<u>4,709</u>	<u>4,943</u>
	18,626	18,174
Short-term benefits	<u>462,158</u>	<u>433,764</u>
Total employee benefits expense	<u>\$ 480,784</u>	<u>\$ 451,938</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 296,831	\$ 266,696
Operating expenses	<u>183,953</u>	<u>185,242</u>
	<u>\$ 480,784</u>	<u>\$ 451,938</u>
Short-term benefits		
Wages and salaries	\$ 401,712	\$ 376,025
Labor and health insurance	30,847	28,160
Others	<u>29,599</u>	<u>29,579</u>
	<u>\$ 462,158</u>	<u>\$ 433,764</u>

f. Compensation of employees and remuneration of directors

The compensation of employees and remuneration of directors is set aside at the rates not less than 0.5% and not higher than 1%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021, which had been resolved by the Corporation's board of directors on March 10, 2023 and March 16, 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
Compensation of employees - cash	\$ 30,046	\$ 30,225
Remuneration of directors	9,522	9,496

If there will be a change in the proposed amount after the annual consolidated financial statements are authorized for issue, the difference will be recorded as a change in accounting estimate.

There was no difference between the above resolved amounts and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

28. INCOME TAX

- a. Major components of income tax recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current income tax		
In respect of the current year	\$ 85,749	\$ 97,506
Income tax on unappropriated earnings	152	6
Adjustments for prior years	<u>-</u>	<u>2,980</u>
	85,901	100,492
Deferred income tax		
In respect of the current year	<u>2,962</u>	<u>20,520</u>
Income tax expense recognized in profit or loss	<u>\$ 88,863</u>	<u>\$ 121,012</u>

A reconciliation of profit before income tax and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 1,005,878</u>	<u>\$ 1,026,401</u>
Income tax expense calculated at the statutory rate	\$ 201,176	\$ 205,280
Non-taxable income and non-deductible expenses in determining taxable income/loss carryforwards	(112,298)	(114,645)
Changes in unrecognized loss carryforwards and deductible temporary differences	(167)	25,326
Income tax on undistributed earnings	152	6
Adjustments for prior years' tax	-	2,980
Adjustments for prior deferred tax	<u>-</u>	<u>2,065</u>
Income tax expense recognized in profit or loss	<u>\$ 88,863</u>	<u>\$ 121,012</u>

- b. Major components of income tax expense (benefit) recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred income tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	<u>\$ 2,695</u>	<u>\$ (2,161)</u>

c. Current income tax assets and liabilities

	December 31	
	2022	2021
<u>Current income tax assets</u>		
Income tax refund receivable (included in other receivables)	<u>\$ 6,957</u>	<u>\$ 6,849</u>
<u>Current income tax liabilities</u>		
Income tax payable	<u>\$ 70,657</u>	<u>\$ 50,921</u>

d. Movements of deferred income tax assets and liabilities

For the year ended December 31, 2022

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred income tax assets</u>				
Loss carryforwards	\$ 15,048	\$ 3,013	\$ -	\$ 18,061
Temporary differences				
Unrealized gain on transactions with associates	67,659	1,468	-	69,127
Loss on investments accounted for using the equity method	978	(978)	-	-
Defined benefit obligation	18,056	236	(2,695)	15,597
Depreciation differences of property, plant and equipment	27,857	(1,055)	-	26,802
Construction warranties	60,960	(9,120)	-	51,840
Allowance for loss on inventories	50	(50)	-	-
Others	<u>6,566</u>	<u>14</u>	<u>-</u>	<u>6,580</u>
	<u>\$ 197,174</u>	<u>\$ (6,472)</u>	<u>\$ (2,695)</u>	<u>\$ 188,007</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gain or loss	\$ -	\$ 1,723	\$ -	\$ 1,723
Business rights	72,661	(5,159)	-	67,502
Depreciation differences of right-of-use assets	<u>1,540</u>	<u>(74)</u>	<u>-</u>	<u>1,466</u>
	<u>\$ 74,201</u>	<u>\$ (3,510)</u>	<u>\$ -</u>	<u>\$ 70,691</u>

For the year ended December 31, 2021

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisitions through Business Combinations	Ending Balance
<u>Deferred income tax assets</u>					
Loss carryforwards	\$ 8,900	\$ (5,798)	\$ -	\$ 11,946	\$ 15,048
Temporary differences					
Unrealized gain on transactions with associates	69,904	(2,245)	-	-	67,659
Loss on investments accounted for using the equity method	9,049	(8,071)	-	-	978
Defined benefit obligation	17,381	(1,486)	2,161	-	18,056
Depreciation differences of property, plant and equipment	28,675	(818)	-	-	27,857
Construction warranties	61,797	(837)	-	-	60,960
Allowance for loss on inventories	13	37	-	-	50
Others	<u>13,832</u>	<u>(7,266)</u>	<u>-</u>	<u>-</u>	<u>6,566</u>
	<u>\$ 209,551</u>	<u>\$ (26,484)</u>	<u>\$ 2,161</u>	<u>\$ 11,946</u>	<u>\$ 197,174</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Unrealized foreign exchange gain or loss	\$ 744	\$ (744)	\$ -	\$ -	\$ -
Business rights	77,820	(5,159)	-	-	72,661
Depreciation differences of right-of-use assets	<u>-</u>	<u>(61)</u>	<u>-</u>	<u>1,601</u>	<u>1,540</u>
	<u>\$ 78,564</u>	<u>\$ (5,964)</u>	<u>\$ -</u>	<u>\$ 1,601</u>	<u>\$ 74,201</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred income tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Deductible temporary differences		
Loss on investments accounted for using the equity method	\$ 379,138	\$ 394,498
Deferred interest expense	255,200	241,538
Others	<u>12,000</u>	<u>12,000</u>
	<u>\$ 646,338</u>	<u>\$ 648,036</u>
Loss carryforwards		
YYC	<u>\$ 9,328</u>	<u>\$ 8,465</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

	Unused Amount
<u>HML</u>	
Expiry in 2029	\$ 26,854
Expiry in 2030	24,466
Expiry in 2031	17,805
Expiry in 2032	<u>21,183</u>
	<u>\$ 90,308</u>

g. Income tax assessments

The income tax returns of the Corporation, SEC, SSC, SWC, TGE, SKE, YYC, CGPC, MWC and HML through 2020 have been assessed by the tax authorities.

Under the local income tax law, TCIC is not obligated to pay income tax.

29. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share (NT\$)	<u>\$ 1.54</u>	<u>\$ 1.52</u>
Diluted earnings per share (NT\$)	<u>\$ 1.54</u>	<u>\$ 1.52</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net profit

	<u>For the Year Ended December 31</u>	
	2022	2021
Earnings used in the computation of basic earnings per share	\$ 906,774	\$ 897,884
Effect of potentially dilutive ordinary shares		
Compensation of employees of the Corporation	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 906,774</u>	<u>\$ 897,884</u>

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	589,049	589,049
Effect of potentially dilutive ordinary shares		
Compensation of employees of the Corporation	<u>1,091</u>	<u>966</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>590,140</u>	<u>590,015</u>

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

30. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired	Consideration Transferred
HML	Fishery and electricity symbiosis	March 10, 2021	100%	<u>\$ 69,630</u>

In March 2021, HML was acquired in order to continue the expansion of the Group's activities in renewable energy.

b. Consideration transferred

	HML
Cash	<u>\$ 69,630</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	HML
Current assets	
Cash	\$ 27,379
Other current assets	2,017
Non-current assets	
Right-of-use assets	292,193
Deferred income tax assets	11,946
Current liabilities	
Other payables	(257)
Other current liabilities	(263)
Non-current liabilities	
Lease liabilities	(306,428)
Deferred income tax liabilities	<u>(1,601)</u>
	<u>\$ 24,986</u>

d. Goodwill recognized on acquisition

	HML
Consideration transferred	\$ 69,630
Less: Fair value of identifiable net assets acquired	<u>(24,986)</u>
Goodwill recognized on acquisition	<u>\$ 44,644</u>

e. Net cash outflow on the acquisition of subsidiary

	HML
Cash balances acquired	\$ 27,379
Less: Consideration paid in cash	<u>(69,630)</u>
	<u>\$ (42,251)</u>

f. Impact of acquisition on the results of the Group

Had the acquisition of HML been in effect at the beginning of the fiscal year, the Group's operating revenue would have been \$6,406,996 thousand, and the profit would have been \$895,340 thousand for the year ended December 31, 2021.

This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the acquisition year, nor is it intended to be a projection of future results.

31. PARTIAL CASH TRANSACTIONS

- a. For the years ended December 31, 2022 and 2021, the Group entered into the following partial cash investing activities:

	For the Year Ended December 31	
	2022	2021
Partial cash payments for acquisition of property, plant and equipment		
Acquisition of property, plant and equipment	\$ 475,845	\$ 471,067
Changes in payables for equipment	91,504	107,404
Increase in payables for levies	(12,955)	-
Depreciation of right-of-use assets	<u>(49)</u>	<u>(27)</u>
Cash payments	<u>\$ 554,345</u>	<u>\$ 578,444</u>

- b. Changes in liabilities arising from financing activities

For the year ended December 31, 2022

	January 1, 2022	Cash Flows	Non-cash Changes			December 31, 2022
			New Leases	Interest Expense	Others	
Short-term borrowings	\$ 40,000	\$ 27,000	\$ -	\$ -	\$ -	\$ 67,000
Short-term bills payable	499,614	499,078	-	6,340	(5,756)	999,276
Long-term loans	3,862,612	211,812	-	-	-	4,074,424
Guarantee deposits received	44,083	(2,786)	-	-	-	41,297
Bonds payable	2,497,255	-	-	20,879	(20,250)	2,497,884
Lease liabilities	<u>503,039</u>	<u>(47,276)</u>	<u>21,466</u>	<u>8,903</u>	<u>(8,435)</u>	<u>477,697</u>
	<u>\$ 7,446,603</u>	<u>\$ 687,828</u>	<u>\$ 21,466</u>	<u>\$ 36,122</u>	<u>\$ (34,441)</u>	<u>\$ 8,157,578</u>

For the year ended December 31, 2021

	January 1, 2021	Cash Flows	Non-cash Changes				December 31, 2021
			New Leases	Acquisition of Subsidiary	Interest Expense	Others	
Short-term borrowings	\$ 35,000	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Short-term bills payable	-	499,171	-	-	1,291	(848)	499,614
Long-term loans	3,046,091	816,521	-	-	-	-	3,862,612
Guarantee deposits received	38,419	5,664	-	-	-	-	44,083
Bonds payable	2,496,630	-	-	-	20,874	(20,249)	2,497,255
Lease liabilities	<u>230,810</u>	<u>(50,537)</u>	<u>15,919</u>	<u>306,538</u>	<u>7,906</u>	<u>(7,597)</u>	<u>503,039</u>
	<u>\$ 5,846,950</u>	<u>\$ 1,275,819</u>	<u>\$ 15,919</u>	<u>\$ 306,538</u>	<u>\$ 30,071</u>	<u>\$ (28,694)</u>	<u>\$ 7,446,603</u>

32. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged within recent 5 years.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising ordinary shares, capital surplus, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

33. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of the financial assets and financial liabilities not carried at fair value are approximately at their fair values.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

- 1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted securities	\$ _____ -	\$ _____ -	\$ 277,120	\$ 277,120

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted securities	\$ _____ -	\$ _____ -	\$ 275,310	\$ 275,310

- 2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

	Financial Assets at FVTOCI - Equity Investments
Beginning balance	\$ 275,310
Recognized in other comprehensive income	<u>1,810</u>
Ending balance	<u>\$ 277,120</u>

For the year ended December 31, 2021

	Financial Assets at FVTOCI - Equity Investments
Beginning balance	\$ 249,200
Purchases	19,110
Recognized in other comprehensive income	<u>7,000</u>
Ending balance	<u>\$ 275,310</u>

3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair value of domestic unlisted equity in KADC securities was determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee. The significant unobservable inputs used are listed on the table below. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in the weighted average cost of capital (WACC) or discount for lack of marketability used in isolation would result in increases in fair value.

	December 31	
	2022	2021
Long-term revenue growth rates	0%-2.65%	0%-2.51%
Long-term pre-tax operating margin	40.68%-41.53%	40.93%-41.90%
WACC	6.97%	6.93%
Discount for lack of marketability	15.20%	16.65%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the equity investments would have increased (decreased) as follows:

	December 31	
	2022	2021
Long-term revenue growth rate		
1% increase	<u>\$ 26,200</u>	<u>\$ 27,400</u>
1% decrease	<u>\$ (25,200)</u>	<u>\$ (26,400)</u>
WACC		
0.5% increase	<u>\$ (22,000)</u>	<u>\$ (23,200)</u>
0.5% decrease	<u>\$ 25,400</u>	<u>\$ 26,800</u>

The fair value of domestic unlisted equity in Synergy securities was determined using the market approach. The judgment is based on the evaluation of companies of the same type and the operating conditions of the invested companies.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 4,560,774	\$ 3,478,791
Financial assets at FVTOCI	277,120	275,310
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	11,201,341	10,608,804

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, accounts receivable from related parties, part of other receivables, other financial assets and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, accounts payable, accounts payable to related parties, construction costs payable, other payables, current portion of long-term borrowings, guarantee deposits received, bonds payable and long-term borrowings. However, short-term employee benefits payable and payables for business tax are not included.

d. Financial risk management objectives and policies

The Group's financial risk management objectives are to manage the market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk with respect to the Group's operations. To lower the financial risks, the Group seeks to identify, evaluate, and avoid market uncertainty, to minimize the potential unfavorable impact on the Group due to market volatility.

The Group's important financial activities are reviewed by the board of directors in accordance with related regulations and internal control systems. The Group shall follow the overall guidelines for financial risk management and segregation of duties with respect to financial operating procedures.

1) Market risk

a) Foreign currency risk

Refer to Note 38 for the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in non-functional foreign currencies (including those eliminated in the consolidated financial statements).

Sensitivity analysis

The Group is mainly exposed to the U.S. dollar and the Euro.

The following table details the Group's sensitivity to a 1% increase and decrease in its functional currency against the relevant foreign currencies. A positive number below indicates a decrease in profit before income tax associated with the New Taiwan dollar strengthening 1% against the relevant foreign currency. For a 1% weakening of the New Taiwan dollar, there would be an equal and opposite impact on profit before income tax, and the balances below would be negative.

	For the Year Ended December 31	
	2022	2021
Profit or loss		
USD	\$ 67	\$ 215
EUR	4,447	3,410

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 636,923	\$ 145,725
Financial liabilities	3,974,857	3,499,908
Cash flow interest rate risk		
Financial assets	3,169,167	2,690,386
Financial liabilities	4,141,424	3,902,612

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of liabilities outstanding at the end of the reporting period was outstanding for the reporting period. A 1% increase or decrease in interest rates was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As of December 31, 2022 and 2021, the borrowings with floating interest rates of the Group amounted to \$4,141,424 thousand and \$3,902,612 thousand, respectively. If interest rates had been 1% higher and all other variables were held constant, the Group's profit before income tax for the years ended December 31, 2022 and 2021 would have decreased by \$41,414 thousand and \$39,026 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes, the Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the period.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$2,771 thousand and \$2,753 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties or third parties breached the contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The Group only transacts with financial institutions and companies with good credit ratings; thus, no material credit risk is anticipated.

3) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash in banks and banking facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2022 and 2021, the available unutilized bank loan facilities were \$7,770,620 thousand and \$9,016,343 thousand, respectively. In addition, the Corporation plans to handle cash capital increase to repay bank loans, which has been declared effective on March 7, 2023. After the cash capital increase is completed, current liabilities will be reduced and the purpose of managing liquidity risk on December 31, 2022 will be achieved.

The following tables detail the Group's remaining contractual maturities of its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

December 31, 2022

	Within One Year	2 to 3 Years	4 to 5 Years	5+ Years	Total
Short-term borrowings	\$ 67,000	\$ -	\$ -	\$ -	\$ 67,000
Short-term bills payable	1,000,000	-	-	-	1,000,000
Non-interest bearing liabilities	3,542,803	3,910	16,044	-	3,562,757
Lease liabilities	62,104	92,407	47,243	371,375	573,129
Long-term borrowings	947,393	1,993,484	398,179	735,368	4,074,424
Bonds payable	<u>20,250</u>	<u>1,935,086</u>	<u>12,000</u>	<u>615,721</u>	<u>2,583,057</u>
	<u>\$ 5,639,550</u>	<u>\$ 4,024,887</u>	<u>\$ 473,466</u>	<u>\$ 1,722,464</u>	<u>\$ 11,860,367</u>

December 31, 2021

	Within One Year	2 to 3 Years	4 to 5 Years	5+ Years	Total
Short-term borrowings	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Short-term bills payable	500,000	-	-	-	500,000
Non-interest bearing liabilities	3,703,882	4,842	599	-	3,709,323
Lease liabilities	63,465	120,411	51,336	357,789	593,001
Long-term borrowings	115,693	2,447,076	760,755	539,088	3,862,612
Bonds payable	<u>20,250</u>	<u>40,500</u>	<u>1,920,836</u>	<u>621,721</u>	<u>2,603,307</u>
	<u>\$ 4,443,290</u>	<u>\$ 2,612,829</u>	<u>\$ 2,733,526</u>	<u>\$ 1,518,598</u>	<u>\$ 11,308,243</u>

34. RELATED PARTY TRANSACTIONS

Besides as disclosed elsewhere in the other notes, details of significant transactions between the Group and its related parties were disclosed below:

a. Related parties and relationships

<u>Related Party</u>	<u>Relationship with the Group</u>
TPC	Investor with significant influence over the Group
TYC	Associate
Sun Ba	Associate
SEPC	Associate
KKPC	Associate
SBPC	Associate
Mega Green Energy Corporation	Associate (no longer a related party since March 2022)

b. Operating transactions

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Sales	Investors with significant influence over the Group		
	TPC	<u>\$ 797,471</u>	<u>\$ 444,101</u>
Construction service revenue	Investors with significant influence over the Group		
	TPC	<u>\$ 42,238</u>	<u>\$ 246,845</u>
	Associates		
	Sun Ba	532,605	56,081
	Others	<u>10,250</u>	<u>11,520</u>
		<u>542,855</u>	<u>67,601</u>
		<u>\$ 585,093</u>	<u>\$ 314,446</u>
Operations, maintenance and consulting services revenue	Investors with significant influence over the Group		
	TPC	<u>\$ 130,065</u>	<u>\$ 130,650</u>
	Associates		
	SEPC	9,478	9,565
	SBPC	6,975	7,503
	Sun Ba	6,018	9,145
	Others	<u>-</u>	<u>347</u>
		<u>22,471</u>	<u>26,560</u>
		<u>\$ 152,536</u>	<u>\$ 157,210</u>
Cost of sales	Investors with significant influence over the Group		
	TPC	<u>\$ 56,683</u>	<u>\$ 31,675</u>
	Associates		
	Others	<u>140</u>	<u>137</u>
		<u>\$ 56,823</u>	<u>\$ 31,812</u>

(Continued)

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Operations, maintenance and consulting services cost	Investors with significant influence over the Group TPC	\$ 16	\$ -
Operating expenses	Investors with significant influence over the Group TPC	\$ 401	\$ 405 (Concluded)

The above transactions with related parties were negotiated based on each contract.

c. Non-operating transactions

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Other income	Associates		
	TYC	\$ 4,714	\$ 3,666
	Sun Ba	2,232	2,419
	SEPC	2,064	1,890
	KKPC	2,042	2,192
	SBPC	1,771	1,767
		<u>\$ 12,823</u>	<u>\$ 11,934</u>

The above transactions with related parties were negotiated based on each contract.

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Accounts receivable from related parties	Investors with significant influence over the Group		
	TPC	\$ 143,220	\$ 86,499
	Associates		
	Others	7,992	9,566
		<u>\$ 151,212</u>	<u>\$ 96,065</u>
Other receivables	Associates		
	TYC	\$ 1,885	\$ 1,171
	Others	63	-
		<u>\$ 1,948</u>	<u>\$ 1,171</u>

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized on receivables from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Accounts payable to related parties	Investors with significant influence over the Group TPC	\$ 2,045	\$ 1,911
Other payables	Investors with significant influence over the Group TPC	\$ 1,196	\$ 1,098
	Associates		
	Others	31	-
		<u>\$ 1,227</u>	<u>\$ 1,098</u>

The outstanding payables to related parties were unsecured.

f. Contract assets

Related Party Category/Name	December 31	
	2022	2021
Investors with significant influence over the Group TPC	\$ 608,374	\$ 940,059
Associates		
Sun Ba	277,286	56,081
Others	<u>4,500</u>	<u>-</u>
	<u>\$ 890,160</u>	<u>\$ 996,140</u>

g. Contract liabilities

Related Party Category/Name	December 31	
	2022	2021
Investors with significant influence over the Group TPC	\$ 64	\$ 64

h. Lease agreement

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
<u>Acquisition of right-of-use assets</u>		
Investors with significant influence over the Group TPC	\$ -	\$ 8,857

Line Item	Related Party Category/Name	December 31	
		2022	2021
Lease liabilities - current	Investors with significant influence over the Group TPC	\$ 388	\$ 322
Lease liabilities - non-current	Investors with significant influence over the Group TPC	\$ 7,733	\$ 8,066

i. Sublease arrangements

Line Item	Related Party Category/Name	December 31	
		2022	2021
Finance lease receivables - current	Associates		
	Sun Ba	\$ 4,582	\$ 4,493
	SBPC	2,918	2,934
	SEPC	<u>2,528</u>	<u>2,503</u>
		<u>\$ 10,028</u>	<u>\$ 9,930</u>
Long-term finance lease receivables non-current	Associates		
	Sun Ba	\$ 5,026	\$ 9,510
	SBPC	3,201	6,217
	SEPC	<u>2,774</u>	<u>5,302</u>
		<u>\$ 11,001</u>	<u>\$ 21,029</u>

For the years ended December 31, 2022 and 2021, no impairment loss was recognized for finance lease receivables. Refer to Note 8 for information about sublease arrangements.

j. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 44,421	\$ 43,419
Post-employment benefits	<u>2,238</u>	<u>1,620</u>
	<u>\$ 46,659</u>	<u>\$ 45,039</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

35. ASSETS PLEDGED OR MORTGAGED AS COLLATERAL

The following assets have been pledged or mortgaged as collateral for borrowings, contract performance and establishment of a branch office:

	December 31	
	2022	2021
Machinery and equipment, net	\$ 1,552,920	\$ 894,315
Service concession arrangement - operating assets	280,000	-
Land	50,135	50,135
Demand deposits (recognized as other financial assets)	23,607	7,803
Time deposits (recognized as other financial assets)	10,497	36,049
Government bonds (recognized as other financial assets)	<u>341</u>	<u>343</u>
	<u>\$ 1,917,500</u>	<u>\$ 988,645</u>

The market rates of government bonds and cash in bank at the end of the reporting periods were as follows:

	December 31	
	2022	2021
Government bonds	1.900%	1.565%
Demand deposits	0.410%-0.455%	0.02%-0.04%
Time deposits	0.380%-0.765%	0.10%-0.765%

36. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of December 31, 2022 were as follows:

- a. The commitments for construction projects that have not been performed amounted to approximately \$14,204,578 thousand.
- b. Commitments for construction expenditure and purchase of equipment were approximately \$13,282,946 thousand.
- c. Under a Coal Purchase Agreement, the Group shall purchase 66 thousand tons of coal based on an agreed price.
- d. TPC concluded that IPPs violated the Fair Trade Act with concerted action and caused a loss to TPC. In September 2015, TPC filed administrative proceedings in the Taipei High Administrative Court and filed a civil action in the Taipei District Court to claim compensation for the loss. As of December 31, 2022, the closing administrative proceedings and civil action in progress were as follows:
 - 1) TPC filed administrative proceedings in the Taipei High Administrative Court to claim compensation in the amounts of \$4,400 million, \$2,500 million, \$200 million, and \$2,400 million against Sun Ba, SEPC, SBPC, and KKPC, respectively. Subsequently, TPC filed an expanded appeal to claim additional compensation against these companies. The total claim for compensation against Sun Ba, SEPC, SBPC and KKPC was \$8,660 million, \$4,990 million, \$623 million and \$4,890 million, respectively. Afterwards, TPC filed an amended appeal against SBPC on February 14, 2020, with the total claim for compensation against SBPC reduced to \$380 thousand. The Taipei High Administrative Court considered these cases as private disputes and transferred these cases to Taipei District Court. TPC appealed the ruling to the Supreme Administrative Court. However, the Supreme Administrative Court ruled to dismiss TPC's appeal. These cases have been transferred to

Taipei District Court accordingly. On August 9 and September 5, 2018, the case between SEPC and FTC, and the case between KKPC and FTC, respectively, were postponed by the Taipei District Court until the administrative proceedings in the Taiwan High Administrative Court with respect to the alleged concerted action are concluded. However, TPC subsequently withdrew its complaints in June and August 2020. Thus, the cases were deemed actions never initiated.

- 2) TPC filed a civil action in the Taipei District Court to claim \$4,257 million, \$2,489 million, \$307 million, and \$2,490 million against Sun Ba, SEPC, SBPC, and KKPC, respectively. On February 8, 2018, the Taipei District Court ruled to dismiss TPC's civil action against SBPC. On March 5, 2018, TPC appealed this case to the Taiwan High Court. Afterwards, on June 14, 2018, the Taiwan High Court ruled to postpone this case until the administrative proceedings between SBPC and FTC in the Supreme Administrative Court with respect to the alleged concerted action are concluded. Thereafter, on August 1, 2019, in order to avoid repeating trials of the same facts of the same case that will result in a waste of judicial resources, the Taiwan High Court, within its power and authority, revoked its previous ruling that suspended the proceedings. TPC appealed the ruling to the Taiwan High Court. However, the Supreme Administrative Court ruled to dismiss TPC's appeal on December 11, 2019. After the trial, the Taiwan High Court ruled to reject TPC's appeal and the additional lawsuit on December 28, 2022. Because TPC had already filed an appeal on January 30, 2023, this case will be transferred to the Supreme Court for trial. On June 19, 2018, the Taipei District Court ruled to dismiss TPC's civil action against Sun Ba, SEPC and KKPC. On July 13, 2018, TPC appealed this case to the Taiwan High Court. After about three years of trial procedures in the Taiwan High Court (THC), THC ruled to dismiss TPC's appeal and additional claim on November 9, 2021. On December 13, 2021, TPC appealed this case to the Supreme Court, and this case had been transferred to the Supreme Court.

These companies have engaged attorneys for the above claims. Whether these companies are liable for the damages depends on the judgment by the court.

- e. YYC entered into an investment agreement "Yilan Chingshuei Geothermal Power Generation Build, Reconstruction, Operation, and Transfer ("BOT+ROT")" with the Yilan County Government in July 2017, which is effective for a period of 20 years starting from the commencement date of commercial operations of the power generating unit of the operating company that YYC established, namely CGPC. However, two years prior to the expiry of the construction period, a request for a preferential contract may be made to the Yilan County Government, the duration of which is limited to 20 years and limited to one time. CGPC started the generation plant with TPC in February 2021, completed the construction of power generation plant and started trial operations in June 2021 and subsequently acquired the electricity enterprise license in October 2021, after which it started selling electricity to TPC. During the operation phase, CGPC shall pay for the annual operating rights before June 30 of each year. The payment for the operating rights is calculated based on the capacity of the power generating units and the agreed proportion of annual sales of electricity. At the expiry of the contract, except for those that do not need to be transferred with the written consent of the Yilan County Government, CGPC shall transfer all existing operating assets and all power plant technologies, operations and maintenance related to the continued operations of the plant to the Yilan County Government or its designated third party.

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On November 10, 2022, the board of directors of the Corporation resolved to issue 100,000 thousand new shares in cash capital. It has been approved by the Securities and Futures Bureau of the FSC on March 7, 2023.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the functional currencies of the Group, and the exchange rates between the foreign currencies and the respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 3,234	30.71	<u>\$ 99,306</u>
EUR	13,958	32.72	<u>\$ 456,702</u>
Non-monetary items			
Investments accounted for using the equity method			
PHP	246,245	0.5472	<u>\$ 134,751</u>
<u>Foreign currency liabilities</u>			
Monetary items			
USD	3,015	30.71	<u>\$ 92,621</u>
EUR	373	32.72	<u>\$ 12,027</u>

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 4,018	27.68	<u>\$ 111,240</u>
EUR	10,888	31.32	<u>\$ 341,024</u>
Non-monetary items			
Investments accounted for using the equity method			
PHP	294,181	0.5452	<u>\$ 160,376</u>
<u>Foreign currency liabilities</u>			
Monetary items			
USD	3,238	27.68	<u>\$ 89,752</u>

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	For the Year Ended December 31			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	29.805 (USD:NTD)	<u>\$ 22,870</u>	28.009 (USD:NTD)	<u>\$ (1,257)</u>
EUR	31.36 (EUR:NTD)	<u>\$ 1,067</u>	33.16 (EUR:NTD)	<u>\$ (45,709)</u>

39. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 7)

b. Information on investees (Table 6)

c. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (None)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Guantian cogeneration plant (GCP)
- Segment of construction and consulting services (CC)

a. Segment revenue and results

The analysis of the Group's revenue and results from continuing operations by reportable segment was as follows:

	For the Year Ended December 31, 2022		
	GCP	CC	Total
Revenue from customers	<u>\$ 953,001</u>	<u>\$ 3,715,880</u>	<u>\$ 4,668,881</u>
Segment (loss) profit	<u>\$ (57,556)</u>	<u>\$ 458,932</u>	\$ 401,376
Unallocated operating expenses			(177,630)
Interest income			4,552
Interest expense			(68,496)
Share of profit of associates accounted for using the equity method			791,123
Other non-operating income and expenses			<u>54,953</u>
Profit before income tax			<u>\$ 1,005,878</u>
Depreciation	<u>\$ 25,637</u>	<u>\$ 241,606</u>	
Amortization	<u>\$ 157</u>	<u>\$ 41,486</u>	

	For the Year Ended December 31, 2021		
	GCP	CC	Total
Revenue from customers	\$ <u>778,934</u>	\$ <u>5,628,062</u>	\$ <u>6,406,996</u>
Segment (loss) profit	\$ <u>(11,999)</u>	\$ <u>584,946</u>	\$ 572,947
Unallocated operating expenses			(106,593)
Interest income			664
Interest expense			(54,270)
Share of profit of associates accounted for using the equity method			631,227
Other non-operating income and expenses			<u>(17,574)</u>
Profit before income tax			\$ <u>1,026,401</u>
Depreciation	\$ <u>26,990</u>	\$ <u>222,714</u>	
Amortization	\$ <u>157</u>	\$ <u>4,145</u>	

Segment revenue reported above represented the revenue generated from external customers. Segment profit (loss) represented the profit before income tax earned by each segment without allocation of part of operating expenses, share of profit or loss of associates accounted for using the equity method, part of interest income, part of interest expense, and part of other non-operating income and expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

	December 31	
	2022	2021
<u>Segment assets</u>		
GCP	\$ 498,469	\$ 490,476
CC	<u>7,111,008</u>	<u>7,150,129</u>
Total segment assets	7,609,477	7,640,605
Unallocated assets		
Investments accounted for using the equity method	13,004,719	12,750,996
Others	<u>4,362,204</u>	<u>3,662,240</u>
Consolidated total assets	\$ <u>24,976,400</u>	\$ <u>24,053,841</u>
<u>Segment liabilities</u>		
GCP	\$ 1,695	\$ 65,606
CC	<u>6,640,432</u>	<u>6,335,146</u>
Total segment liabilities	6,642,127	6,400,752
Unallocated liabilities	<u>6,484,033</u>	<u>5,675,026</u>
Consolidated total liabilities	\$ <u>13,126,160</u>	\$ <u>12,075,778</u>

c. Geographical information

The Group's revenues for the years ended December 31, 2022 and 2021 were all generated domestically; therefore, there is no geographical information for the Group.

d. Information about major customers

Single customers that contributed 10% or more to the Group's revenues were as follows:

	For the Year Ended December 31	
	2022	2021
Sales and research, consulting and construction service revenue from TPC	\$ 969,774	\$ 821,596
Consulting and construction service revenue from customer A	983,368	2,743,511
Consulting and construction service revenue from customer B	596,378	627,864

TABLE 1

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 3)	Actual Amount Borrowed (Note 3)	Interest Rate (%)	Nature of Financing (Note 4)	Business Transaction Amount (Note 5)	Reasons for Short-term Financing (Note 6)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 8)	Aggregate Financing Limit (Note 7)	Note
													Item	Value			
1	SEC	SWC	Other receivables from related parties	Y	\$ 68,000	\$ -	\$ -	-	The need for short-term financing	\$ -	Retirement of loans, operating capital	\$ -	-	\$ -	\$ 361,959	\$ 723,919	

- Note 1: The Corporation and its investees are numbered as follows:
- a. “0” for the Corporation.
 - b. Investees are numbered from “1”.
- Note 2: The receivables from associates, receivables from related parties, shareholders’ accounts, prepayments, temporary payments and others as stated shall be filled in if they are classified as financing.
- Note 3: Maximum balance for the current and ending balance represent the amount of facilities, not the actual amount borrowed.
- Note 4: It is necessary to specify if the nature of financing is for business transactions or short-term financing.
- Note 5: If the nature of financing is for business transactions, the amount of business transactions should be specified. The amount of business transactions shall be the total amount of business conducted between the lender and the borrower in the most recent year.
- Note 6: If the funds were necessary for short-term financing, the reasons and the beneficiary of financing and the use of the fund, such as retirement of loans, procurement of equipment, and operating capital should be specified.
- Note 7: Limit on total amount of financing provided by SEC and subsidiaries to entities was \$723,919 thousand, which was calculated at 40% of SEC’s net worth in the current financial statements (\$1,809,797 thousand (net worth as of December 31, 2022) × 40%).
- Note 8: The financing limit for each borrower was \$361,959 thousand, which was calculated at 20% of SEC’s net worth in the current financial statements (\$1,809,797 thousand (net worth as of December 31, 2022) × 20%).

TABLE 2**TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES****ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Provided to Each Guaranteed Party	Maximum Balance for the Period (Note 5)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Collateralized by Properties (Note 5)	Ratio of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Corporation	CGPC	b	\$ 2,923,352 (Note 3)	\$ 204,000	\$ 204,000	\$ 181,688	\$ -	1.74%	\$ 4,677,364 (Note 4)	Y	N	N

Note 1: The Corporation and its investees are numbered as follows:

- a. “0” for the Corporation.
- b. Investees are numbered from “1”.

Note 2: There are seven types of relationships between endorser/guarantor and endorsee/guarantee and should be disclosed as one of the following:

- a. Companies with business dealings with each other.
- b. A company in which the Corporation directly and indirectly holds more than 50% of the voting shares.
- c. A company that directly and indirectly holds more than 50% of the voting shares in the Corporation.
- d. Between companies in which the Corporation directly and indirectly holds more than 90% of the voting shares.
- e. The Corporation fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- f. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- g. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 3: Limit on endorsement/guarantee provided by the Corporation to each subsidiary was up to \$2,923,352 thousand, which was calculated at 25% of the Corporation’s net worth in the current financial statements. (\$11,693,409 thousand (net worth as of December 31, 2022) \times 25%)

Note 4: Limit on total amount of endorsement/guarantee provided by the Corporation and subsidiaries to entities was up to \$4,677,364 thousand, which was calculated at 40% of the Corporation’s net worth in the current financial statements. (\$11,693,409 thousand (net worth as of December 31, 2022) \times 40%)

Note 5: Maximum balance for the period, ending balance and amount of endorsement/guarantee collateralized by properties represent the amounts of facilities, and not the amounts actually drawn.

Note 6: Should be entered amount actually drawn that the endorsed guarantor company use within the maximum balance of the guarantee.

TABLE 3

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2022				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	Stock	N/A	Financial assets at fair value through other comprehensive income	20,000	\$ 254,800	8.00	\$ 254,800	
	KADC Synergy	N/A		1,911	22,320	19.11	22,320	

TABLE 4

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total (Note 4)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 4)	
The Corporation	TPC	Investor with significant influence over the Group	Sales (Note 1)	\$ 505,322	19.30	Receivables are collected within 30 days after billing dates under agreements	-	-	\$ 68,568	31.04	
SEC	TPC	Investor with significant influence over parent company	Sales (Note 2)	254,344	9.55	Receivables are collected within 30 days after billing dates under agreements	-	-	6,031	1.61	
	The Corporation	Parent company	Sales (Note 3)	1,013,224	38.04	Receivables are collected within 30 days after billing dates under agreements	-	-	772 (Note 5)	0.21	
	Sun Ba	Investee of the Corporation accounted for using the equity method	Sales (Note 3)	532,730	20.00	Receivables are collected within 30 days after billing dates under agreements	-	-	-	-	
	SSC	Subsidiary	Sales (Note 3)	257,593	9.67	Receivables are collected within 30 days after billing dates under agreements	-	-	425 (Note 5)	0.11	
MWC	TGE	Fellow subsidiary	Sales (Note 1)	355,082	100.00	Receivables are collected within 30 days after billing dates under agreements	-	-	146,585 (Note 5)	100.00	

Note 1: Sales of electricity.

Note 2: Sales of electricity and revenues from construction and operating, maintenance and consulting services.

Note 3: Revenues from construction and operating, maintenance and consulting services.

Note 4: The amount is shown as a ratio of financial statement of each entity.

Note 5: The amount was eliminated upon consolidation.

TABLE 5

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
MWC	TGE	Fellow subsidiary	Accounts receivable \$ 146,585 (Note)	2.99	\$ -	-	\$ 146,585	\$ -

Note: The amount was eliminated upon consolidation.

TABLE 6

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Profit (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares (In Thousands)	Shareholding Percentage	Carrying Amount			
The Corporation	SEC	Taipei City	Undertaking and installing of power engineering projects	\$ 1,550,020	\$ 1,550,020	142,709 (Note 6)	100.00	\$ 1,809,695	\$ 190,342	\$ 169,865 (Note 2)	Subsidiary (Note 10)
	TCIC	British Virgin Islands	Investment in foreign countries and international trading	685,374	685,374	22,260	100.00	232,655	(15,360)	(15,360)	Subsidiary (Note 10)
	YYC	Yilan County	Investment in geothermal power plant	153,000	153,000	15,300	51.00	162,110	20,900	10,659	Subsidiary (Note 10)
	TGE	Taipei City	Investment in green power plant	175,000	175,000	18,500	100.00	209,972	21,718	21,718	Subsidiary (Note 10)
	TYC	Taoyuan City	Cogeneration plants, management of operations, maintenance of equipment	214,240	214,240	35,834	29.31	631,873	368,069	107,884	Investee of the Corporation accounted for using the equity method
	Sun Ba	Tainan City	Power generation	3,073,500	3,073,500	430,000 (Note 5)	43.00	5,901,135	1,036,723	445,791	Investee of the Corporation accounted for using the equity method
	KKPC	Taoyuan City	Power generation	1,775,426	1,775,426	114,730	35.00	1,737,173	11,622	(16,587) (Note 1)	Investee of the Corporation accounted for using the equity method
	SEPC	Changhua County	Power generation	1,272,500	1,272,500	121,500	40.50	2,264,035	193,281	78,279	Investee of the Corporation accounted for using the equity method
	SBPC	Taipei City	Power generation	1,409,130	1,409,130	136,200	41.27	2,335,752	485,947	200,564	Investee of the Corporation accounted for using the equity method
	MWC	Taipei City	Power generation	673,608	873,608	51,400 (Note 8)	100.00	913,608	120,351	108,886 (Note 3)	Subsidiary (Note 10)
	HML	Changhua County	Power generation	103,130	69,630	10,000 (Note 9)	100.00	68,071	(16,957)	(17,250) (Note 4)	Subsidiary (Note 10)
SEC	SWC	Changhua County	Power generation	177,870	177,870	17,787	100.00	196,218	35,993	35,993	Sub-subsidiary (Note 10)
	SSC	Taipei City	Power generation	240,000	240,000	24,000	100.00	203,600	15,139	15,139	Sub-subsidiary (Note 10)
TCIC	Redondo Peninsula Energy, Inc.	Philippines	Power generation	573,165	573,165	8,446	25.00	134,751	(99,236)	(24,808)	Investee of the Corporation's subsidiary accounted for using the equity method
YYC	CGPC	Yilan County	Power generation	250,000	250,000	25,680 (Note 7)	100.00	279,394	21,763	21,763	Sub-subsidiary (Note 10)
TGE	SKE	Taipei City	Power generation	170,000	170,000	-	100.00	176,659	4,397	4,397	Sub-subsidiary (Note 10)

Note 1: It recognized share of profit of \$4,067 thousand and amortization of investment premium of \$20,654 thousand.

Note 2: It recognized share of profit of \$190,342 thousand and unrealized gain on construction and operating, maintenance and consulting services of \$20,477 thousand.

Note 3: It recognized share of profit of \$120,351 thousand and amortization of investment premium of \$11,465 thousand.

Note 4: It recognized share of loss of \$(16,957) thousand and amortization of investment premium of \$293 thousand.

Note 5: Including capital increased by retained earnings of 172,000 thousand shares.

Note 6: Including capital increased by retained earnings of 23,785 thousand shares.

Note 7: Including capital increased by retained earnings of 680 thousand shares.

Note 8: Including reduction of capital by cash of 20,000 thousand shares.

Note 9: Including increase of capital by cash of 3,350 thousand shares, and the change registration was completed on February 21, 2023.

Note 10: The amount was eliminated upon consolidation.

TABLE 7

TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 4)	Payment Terms (Note 5)	% of Consolidated Operating Revenues or Total Assets (Note 3)
0	The Corporation	SEC	a	Operating, maintenance and consulting service revenue	\$ 11,125	According to general terms and conditions	-
		SEC	a	Accounts receivable from related parties	3,278	According to general terms and conditions	-
		SEC	a	Prepaid construction costs	284,186	According to general terms and conditions	1
		TGE	a	Sales revenue	54,954	According to general terms and conditions	1
		TGE	a	Operating, maintenance and consulting service revenue	3,732	According to general terms and conditions	-
		CGPC	a	Operating, maintenance and consulting service revenue	2,329	According to general terms and conditions	-
		MWC	a	Operating, maintenance and consulting service revenue	2,407	According to general terms and conditions	-
1	SEC	The Corporation	b	Construction revenue	1,009,529	According to general terms and conditions	22
		The Corporation	b	Operating, maintenance and consulting service revenue	3,695	According to general terms and conditions	-
		The Corporation	b	Contract assets	566,064	According to general terms and conditions	2
		SWC	c	Operating, maintenance and consulting service revenue	3,542	According to general terms and conditions	-
		SWC	c	Other receivables from related parties	8,288	According to general terms and conditions	-
		SSC	c	Construction revenue	255,597	According to general terms and conditions	5
		SSC	c	Operating, maintenance and consulting service revenue	1,997	According to general terms and conditions	-
		SSC	c	Other receivables from related parties	3,501	According to general terms and conditions	-
		CGPC	c	Construction revenue	53,541	According to general terms and conditions	1
		CGPC	c	Accounts receivable from related parties	87,728	According to general terms and conditions	-
		CGPC	c	Contract assets	8,100	According to general terms and conditions	-
		MWC	c	Operating, maintenance and consulting service revenue	8,829	According to general terms and conditions	-
2	MWC	TGE	c	Sales revenue	355,082	According to general terms and conditions	8
		TGE	c	Accounts receivable from related parties	146,585	According to general terms and conditions	1
3	SWC	TGE	c	Sales revenue	90,592	According to general terms and conditions	2
		TGE	c	Account receivables from related parties	43,689	According to general terms and conditions	-
4	SKE	TGE	c	Sales revenue	26,949	According to general terms and conditions	1
		TGE	c	Account receivables from related parties	3,529	According to general terms and conditions	-

Note 1: Significant transactions between the Corporation and its subsidiaries or among subsidiaries are numbered as follows:

- “0” for the Corporation.
- The subsidiaries are numbered consecutively beginning from “1” in the order presented in the table above.

Note 2: Related party transactions are divided into three categories as follows:

- The Corporation to subsidiary.
- Subsidiary to the Corporation.
- Subsidiary to subsidiary.

Note 3: The percentage of consolidated operating revenues or consolidated total assets: For a balance sheet account, the percentage is calculated by dividing the ending balance of the account by consolidated total assets; for an income statement account, the percentage is calculated by dividing the accumulated amount in the current period of the account by the consolidated operating revenues.

Note 4: The amount was eliminated upon consolidation.

Note 5: The payment terms were negotiated based on each contract.

TABLE 8**TAIWAN COGENERATION CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Taiwan Power Company	162,954,279	27.66