

Stock Code: 1504



TECO ELECTRIC & MACHINERY CO., LTD

GENERAL SHAREHOLDERS MEETING 2021

MAY 25, 2021

# AGENDA

Time: 09:00am, May 25<sup>th</sup>, 2021 (Tuesday)

Place: 7F., No.2 Jingmao 2nd Rd., Nangang Dist., Taipei City,  
Taiwan (Taipei Nangang Exhibition Center, Hall 2)

This English version is only a translation of the Chinese version. If there is any inconsistency or discrepancy between the Chinese and English versions, the Chinese version shall prevail for all intents and purposes.

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TECO Electric & Machinery Co., Ltd.

**General Shareholders Meeting 2021**

**Meeting Procedure**

1. Meeting called to order
2. Addresses by Chairman
3. Reports
4. Ratification
5. Election
6. Discussion
7. Extempore motions
8. Meeting adjourned

# TECO Electric & Machinery Co., Ltd.

## General Shareholders Meeting 2021

### Agenda

Time: 09:00am, May 25<sup>th</sup>, 2021(Tuesday)

Place: 7F., No. 2 Jingmao 2nd Rd., Nangang Dist., Taipei City, Taiwan  
(Taipei Nangang Exhibition Center, Hall 2)

1. Meeting called to order

2. Addresses by the Chairman.

3. Reports

3.1 Business Report for 2020

3.2 Inspection Report of Audit Committee for 2020

3.3 Remuneration Distribution to Employees and Directors for 2020

3.4 Distribution of Cash Dividends from Profits in 2020

3.5 Issuance of Common Corporate Bonds in 2020

4. Ratification

4.1 Business Report and Financial Statements for 2020

4.2 Distribution of 2020 Profits

5. Election

5.1 Election of the 26<sup>th</sup> term Board of Directors

※ After being discussed case by case, voting for the Ratification and Discussion will take place at the same time. Vote counting will be conducted separately.

6. Discussion

6.1 Plan to remove the restrictions on non-competition obligation of the 26<sup>th</sup> term of Board of Directors

6.2 Improvement on reinvestment of business (proposed by shareholder holding 1% or more of the company's shares)

7. Extempore motion(s)

8. Meeting adjourned

## **Reports**

1. Business report for 2020 (pages 11~17)
2. Inspection Report of Audit Committee for 2020 (page 18)
3. Remuneration distribution to employees and directors for 2020

Explanatory note:

In 2020, income before tax is NT\$ 3,658,165 thousands, and remuneration to employees is proposed to be NT\$ 284,575 thousands, whilst remuneration to directors is proposed to be NT\$ 109,939 thousands. The remuneration would be distributed in cash.

4. Distribution of cash dividends from profits in 2020

**Explanatory note:**

- a. The Board of Directors is authorized to decide the distribution of cash dividend and report the decision to the shareholders meeting in accordance with Article 27 of the Articles of Incorporation.
  - b. Cash dividend amounting to NT\$2,459,616 thousand were distributed to shareholders at NT\$1.15 per share. Cash dividends were rounded to the nearest whole number. The total amount of cash dividends less than NT\$1 will be recognized as the "Other income" of the Company.
  - c. Given the same payout ratio, in the event that proposed distribution of earnings is affected by a change in the Company's outstanding common shares, the chairperson is authorized by the Board of Directors to make adjustment to such distribution and other relevant issues at his/her discretion.
5. Issuance of Common Corporate Bonds in 2020 (page 45)

## **Ratification**

### **Proposal 1:**

Business Report and Financial Statements for 2020 (proposed by the board of directors)

#### **Explanatory note:**

1. The Board of Directors entrusted certified public accountants Wu, Yu-Lung and Chou, Chien-Hung with Pricewaterhouse Coopers to audit and certify the Business Report and Financial Statements (includes Consolidated Financial Statements) for 2020, both of which were subsequently inspected by Audit Committee and are hereby submitted for ratification.
2. Please see pages 11~17 for the business report and pages 19~43 for the Auditors' Report and the Financial Statements.

### **Proposal 2:**

Distribution of 2020 profits (proposed by the board of directors)

#### **Explanatory note:**

1. Distribution of 2020 profits was resolved by Subject to the Board of Directors and audited by Audit Committee.
2. Please see page 44 for the detailed profit distribution plan.

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## **Election**

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### **Proposal 1**

Election of the 26<sup>th</sup> term Board of Directors (proposed by the board of directors)

#### **Explanatory note:**

1. The 25<sup>th</sup> term of the company's board of directors will expire on June 14, 2021. The re-election of the 26<sup>th</sup> term is held at an earlier schedule and newly elected directors will take office immediately after the election of the General Shareholders' meeting, as well as the 25<sup>th</sup> term will be dismissed at the same time in accordance with Article 199-1 of the Company Law.
2. According to the Articles of Incorporation and the BoD's resolution dated on March 2<sup>nd</sup> 2021, there shall be 11 seats for the 26<sup>th</sup> term board of directors, including 4 seats for independent directors. With a three-year term, term of period is starting from May 25<sup>th</sup>, 2021 to May 24<sup>th</sup>, 2024
3. Election of directors shall adopt nomination system and is also carried out according to article 192-1 of the Company Law. Please see P.46~48 of for the List of Candidates of Directors(including Independent Directors), their shareholdings, educational background and working experience.
4. Please see P.67-68 for "Rules Governing Election of Directors".
5. Submit for election.

※ Results of voting for the agenda above and election:

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## **Discussion**

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### **Proposal 1:**

Plan to remove the restrictions on non-competition obligation of the 26<sup>th</sup> term of Board of Directors

#### **Explanatory note:**

1. According to article 209-1 of the Company Law, if a director acts for himself or another person within the business scope of the company, he shall explain the import contents of his act to the shareholder's meeting and obtain his permission.
2. Considering that the newly elected 26<sup>th</sup> directors (including independent directors) may invest in or operate other companies with the same or similar business scope as the company, or act as directors or supervisors, and without damaging the interests of the company, it is proposed to the Shareholders' meeting for permission to remove the restrictions on non-competition of new directors in accordance with article 209-1.
3. A detailed statement of removal of the restrictions on non-competition of candidates for the 26<sup>th</sup> term of directors (including independent directors). However, the object of dissolution shall be the actual elected directors (including independent directors). Please see P.49~50 of this agenda.
4. Submit for a referendum.

### **Proposal 2:**

Improvement on reinvestment of business (proposed by shareholder holding 1% or more of the company's shares)

#### **Explanatory note:**

1. To focus on the core business and create long-term value for the company and its shareholders, TECO should focus its resources on the development and innovation of its core business areas, such as the enhancement of various motor products, innovation and application of green electrical products, so as to follow the trend of global economic development and the value and philosophy of environmental protection and sustainable development.
2. To that end, we propose that the general meeting of shareholders resolve on a principle that the company shall only make a reinvestment if such reinvestment can bring synergies to the core business of the company. Otherwise, review and disposal shall be implemented. The same principle shall apply to future reinvestments, and a report shall be made to the general meeting of shareholders in 2022.
3. This proposal is to prompt TECO to promote the public interest of overall shareholders' value, and to fulfill its social responsibility for environmental protection and sustainable development.
4. Submit for a referendum



**The BoD's opinion on the second item of the discussion matters (Improvement on reinvestment of business)**

The BoD's opinion expressed on April 12<sup>th</sup>, 2021:

Regarding the proposal of "Improvement on reinvestment of business" submitted by shareholder Creative Sensor Inc., the Company's BoD believes that in accordance with opinions from the experts, the proposal should not be a matter subject to the shareholders' resolution, and may arrogate the authority of the BoD, and hence shall not be included in the agenda of the meeting of shareholders. Additionally, this proposal for improvement is inconsistent with "a recommendation to prompt the company to promote public interests or fulfill its social responsibilities" under Paragraph 5 of Article 172-1 of the Company Act and therefore shall not be included in the agenda of the meeting of shareholders pursuant to Paragraph 5 of Article 172-1 of the Company Act. However, considering the respect for shareholders' right of proposal and for avoidance of unnecessary disputes, the BoD still decided to include the foregoing proposal in the agenda of the meeting of shareholders for the shareholders' discussion and resolution on its legitimacy.

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※ Results of voting for the discussion matters above:

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**Extempore Motion(s)**

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**Meeting Adjourned**

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## **Attachments**

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1. Business Report for 2020 on pages 11~17
2. Inspection Report of Audit Committee for 2020 on page 18
3. Financial Statements and Auditors' Report for 2020 on page 19~43
4. Distribution of 2020 Profits on page 44
5. Issuance of Common Corporate Bonds on page 45
6. List of Candidates of Directors (Including Independent Directors) on page 46~48
7. List of non-competition obligation of candidates of the 26<sup>th</sup> directors (including independent directors) on page 49~50

## Business Report

Dear Shareholders,

Looking back at 2020, due to the Covid-19, the global lockdown of countries and cities has affected the real economic activities. However, the U.S. Federal Reserve will implement an unlimited monetary erasing policy due to the impact of the epidemic. Central banks in various countries have followed suit. This has led to a flood of global funds and a surge in capital markets, especially in semiconductor-related industries. This has caused the global economy to be cold and the stock market is hot. In fact, the export performance of major countries mostly showed a major recession.

Due to Taiwan's successful epidemic prevention, the domestic economic momentum supported by the government's strategic industries remained strong, which benefited Taiwan's semiconductors, notebook computers, and other remote office-related products, which benefited a significant increase in exports. According to statistics from the General Accounting Office, Taiwan's economic growth was 2.98 % in 2020 among the best in the world.

### A. Review of 2020 business performance

In 2020, the company continued to focus on "energy conservation, emissions reduction, intelligence, and automation" as the main axis of development, strengthened the goal of digital transformation, refined marketing and production automation, and actively improved the business intelligence management system (BI), and used the digital platform to effectively control Operational status of production and sales bases around the world. Therefore, individual revenue and current net profit can still grow by 5% and 9% respectively. In the consolidated financial report, although overseas subsidiaries in Europe, America and Southeast Asia are affected by the epidemic, shipments have decreased, which has reduced consolidated revenue by 4% compared with the same period last year. However, due to proper cost and expense control and lower income tax expenses, consolidated net profit still grew by 8%.

#### a. The implementation results of the strategic development plan in 2020

##### 1. Green Energy Development:

In 2020, it obtained the Offshore Wind Power Substation Project, and the 2MW Energy Storage (BESS) in New Mexico, USA, and launched the nine-ditch motor of the fishery special waterwheel to help the aquaculture industry save energy and reduce costs, and continue to promote the development of green energy.

##### 2. Intelligence/digitalization:

Import the BI platform to visualize the complex operating data of the group and improve management efficiency. In addition, a CRM system has also been established to obtain global business opportunities simultaneously with related enterprises, and the inquiries and quotation systems are connected in series to improve the efficiency of business quotation. As for the factory, the planning of unmanned robotic line and unmanned assembly line has been completed, as well as the layout of the external sales of major equipment power monitoring systems.

3. Manufacturing center layout and automation:  
Obtained an external order for monitoring systems for key equipment in 2020, and completed the establishment of three internal production centers (Taiwan, Mainland China, Vietnam), as well as Taiwan's in-plant electricity and air pollution control system, and the construction of production equipment AI health diagnosis and preventive maintenance system.
4. R&D achievements and forward-looking product development:  
In 2020, the company has achieved fruitful research and development results, and won 11 awards in 29th Taiwan Excellence Awards. Among them, the automotive motor and driver 50-130kW series (high-efficiency new-generation electric vehicle power system) won the Gold Award. In addition, 43 patents were obtained in 2020. In terms of energy saving, emission reduction, intelligence and automation, forward-looking products have been developed in 2020, including: PM&SRM high-efficiency motors, E-HOUSE, MHm diagnostic systems, fleet management systems, logistics-based AGVs, epidemic prevention robots, Smart retail, robot joint system, water-cooled permanent magnet synchronous frequency conversion ice water machine, smart energy-saving-networked commercial air-cooled frequency conversion box machine, intelligent monitoring ultra-high power density low-voltage motor, networked multifunctional vector frequency converter, intelligent monitoring frequency conversion permanent Magnetic motors and electric vehicle power systems, etc.

b. 2020 financial status, execution result of business plan, and profits

1. Result and profit analysis of 2020

1-1 Parent company alone

Unit: NT\$1,000

	2020	2019	Change
Net operating income	19,819,029	18,873,312	5%
Operating income	1,075,034	1,114,970	-4%
Current net profit	3,511,358	3,221,717	9%
Total comprehensive profit and loss for the current period	7,262,630	5,675,634	28%

In terms of operating income, the Energy and Engineering Division has obtained Internet Data Center (IDC), offshore wind power and many engineering contracts, and its operating income has grown significantly over the same period; the sales of air conditioners and other home appliances in the Home Appliances Division have been booming, and revenue has also grown over the same period. Although the heavy power and green energy business units are limited by the impact of the epidemic in overseas markets such as North America, Europe and Southeast Asia, sales have declined, and revenue has declined slightly. On the whole, the company's individual revenue has grown significantly due to engineering and home appliance revenue. An increase of 5% last year.

In terms of operating profit, the increase in the proportion of engineering revenue caused a slight decrease in the company's gross profit margin. In terms of operating expenses, due to the increase in the rate of recycling and disposal of household appliances levied by the government, operating

expenses increased slightly. Overall, operating profit decreased by about 4%

In terms of non-operating income and expenditure, in 2020, due to the receipt of more dividend income from cost-based investment companies and the increase in financial assets measured by fair value, the non-operating income and expenditure increased profits compared with the same period last year. In addition, the income tax expense was lower than that of the same period last year, mainly due to the decrease in the income tax imposed on undistributed surplus, which resulted in a 9% increase in the company's current net profit compared to the previous year.

In addition, the total comprehensive profit and loss for the current period increased by 28% compared with the same period last year, mainly due to the recognition of the unrealized value-added evaluation benefits of equity instrument investment measured at fair value through other comprehensive profit and loss, and the conversion of the financial statements of foreign operating institutions arising from the appreciation of the Taiwan dollar difference.

#### 1-2. Consolidated report of the company and subsidiaries

Unit: NT\$1,000

	2020	2019	Change
Net operating revenue	45,823,430	47,909,358	-4%
Operating income	3,534,057	3,536,445	-0%
Current net profit	3,811,648	3,518,780	8%
Current comprehensive net profit	7,603,587	6,039,690	26%

Consolidated operating income declined slightly, mainly because the shipments of electromechanical products in North America, Europe and Southeast Asia were affected by the Covid-19. Due to the impact of the epidemic, the oil & gas industry in North America has suspended capital expenditures. Under the dual influence, sales of mechanical and electrical products have declined; As for electronic control and appliance products, sales are not as good as the same period, which is due to the weak market demand for machine tools and machinery due to the U.S.-China trade war.

However, domestic energy, electrical and mechanical engineering has grown substantially, and domestic sales of home appliances have benefited from energy-saving subsidies. In addition, air-conditioning related industries have also benefited from growth.

In terms of consolidated operating profit and consolidated net profit for the current period, due to strict cost and expense control and employment-related subsidies provided by various countries to reduce costs, consolidated operating profit is comparable to the same period last year, while non-operating income and income tax have improved profitability. The company-wide consolidated net profit for the current period grew by 8%. In addition, the total comprehensive profit and loss for the current period increased significantly by 26%, mainly due to the recognition of the unrealized value-added evaluation benefits of equity instrument investment

measured at fair value through other comprehensive profit and loss, and the conversion difference in the conversion of the financial statements of foreign operating institutions caused by the appreciation of the Taiwan dollar.

c. Financial strategy and shareholders' equity

Engaged mainly in R&D, production, and sales of industrial products in a mature traditional industry, the company has adhered to the principle of stable operation in financial strategy and determined proper liability/equity structure every year, according to expected cash flow, taking business plan into account, need of capital and working capital, and return on equity (ROE), based on actuarial estimation.

Table 1

Year	Credit rating	Net profit (NT\$100 M.)	Cash flow ratio	Current ratio	Debt ratio
2018	twA+(stable )	34.76	23.86%	241.22	36.41
2019	twA+(stable )	35.18	29.21%	216.55	37.70
2020	twA+(stable)	38.11	28.35%	232.90	36.05

Given steady cash flow generated by business activities and adherence to stable and sustainable business strategy, Taiwan Ratings has been granting the company twA (stable) credit rating since 2012, enabling the company to float unsecured commercial papers or common corporate bonds on the primary market, in place of banking loans, cutting funding cost by near 40%, thanks interest spread of near 30 bps, plus prolonged funding period, which leads to long-term stable funding cost. Since 2015, Taiwan Ratings has further upgraded the company's credit rating to twA+, manifesting the company's solid credit standing, which boosts the company leverage and flexibility in fund raising and price negotiation, a solid cornerstone for the company to cope with various business challenges.

With the world being plagued by continuously trade frictions and Covid-19 in recent years, the company, in the face of economic and financial tumult, will continue to seek strategic growth, boost products' cost competitiveness, and uphold a flexible supply chain, which will entail funding need several times previous years for establishing distributed production mode, carrying out smart manufacturing, and implementing digitalization via acquisition or alliance. Amid an economic environment full of uncertainty, the company will, as usual, maintain sufficient cash position and solid capital structure, to cope with the changeful situation and pursue sustainable development.

Backed by stable operation and finance, TECO Group has been able to create reasonable investment value for shareholders invariably. Based on other consolidated comprehensive income in calculation, return on shareholders' equity hits 11%. Over the past year, the company has further improved return on shareholders' equipment via adjusting organizational and financial structure, such as consolidation of some invested businesses, implementation of share buyback, and liquidation of assets. In the future, the company will continue embrace necessary measures, to uphold its long-term value.

## B. Summary of 2021 business plan

Looking ahead at 2021, the vaccine has come out and started to be used. The economies of various countries are gradually recovering. The main forecasting agencies have forecasted substantial growth in the global economy. The Chief Accounting Office of the Executive Yuan predicts a domestic economic growth rate of 3.83%, and some agencies predict it can reach more than 4%, and the growth momentum is expected to be better than that of most economies. The main operating strategies and growth plans for 2021 are explained as follows:

### a. Existing career growth plan

Facing a year of mild recovery in the overall operating environment, the company will strive for energy-saving and intelligent business opportunities based on the existing foundation. The electromechanical business will make full use of the existing global production and sales layout, strengthen the sales of high-efficiency permanent magnet motors, synchronous reluctance motors, medium and high voltage inverters, and expand the application market. At the same time, deepen the cooperation relationship with customers through digital management to grasp potential business opportunities.

The home appliance business continued its growth momentum last year, continued to increase the profitability of frequency conversion energy-saving products, and combined with the comprehensive installation of air-conditioning in primary and secondary schools, and the business opportunities for large-scale revenue; at the same time, the development of high-efficiency and energy-saving products such as magnetic levitation centrifuges, combined with energy management systems and engineering management Ability to further expand the business opportunities of air-conditioning projects.

In addition to the continuous execution of orders that have already received more than tens of billions of dollars, the energy and engineering business will cooperate with the rapid growth of cloud application requirements to expand the computer room engineering business opportunities of IDC data centers at home and abroad; at the same time, it will continue to actively participate in the government's policy promotion of renewable energy development. Promote the development of smart green energy technology, including microgrid systems, energy storage systems, and energy management equipment.

### b. Strategic growth plan

#### 1. Electric vehicle powertrain:

Continuing the 50-130kW new-generation power system completed last year, more research and development resources will be invested in the development of power-integrated solutions, and the construction of a dedicated production line for electric motors and power system testing equipment will be completed. Actively strive for commercial vehicles and passenger vehicles. Business opportunities for cooperation with domestic and foreign automakers and system manufacturers.

#### 2. Renewable energy:

The company will use its own key equipment and system engineering advantages to develop renewable energy related businesses including solar power stations, offshore wind power land substations and energy storage systems, and will further extend to the operation of solar power stations and

the use of big data technology to develop solar wisdom Diagnose the monitoring system to strengthen the maintenance and operation business.

3. Digitization and Intelligent Automation System:

In addition to continuously strengthening the establishment of corporate headquarters decision management system (BI) and customer relationship management (CRM) platforms, it will also develop industry 4.0 intelligent system integration technologies and modules through the construction and investment of unmanned processing and assembly production lines.

In the logistics industry application, the introduction of AI advanced image visual driving warning system improves the intelligent and safe transportation of moving vehicles and integrates a global intelligent management platform.

In the smart transportation system, the development of contactless AR glasses recognition technology, with the intelligent multi-vehicle automated guided vehicle (AGV) system, provides a one-stop smart logistics solution.

In the future, system application technologies and business models that combine service-oriented robots are also the focus of development to strengthen the proportion of software value-added and system integration businesses.

4. Strategic development related to energy and intelligence

In addition to the above plans, in the future, the company and Walsin Lihwa will strengthen the close relationship of the strategic alliance through a share exchange. Under the complementary sharing and full cooperation of domestic and foreign resources, the company will accelerate and expand the company's solar energy, energy storage, and the development of production line intelligent automation, automation application modules and electric vehicle-related businesses.

c. Company Governance

In 2020, the company has outstanding performance in corporate governance, including:

- ✓ Selected for the first time in the Dow Jones Sustainability Index (DJSI), and is a new company in the world listed in the "Electrical and Mechanical Industry" category.
- ✓ Selected in the latest 110-year Sustainability Yearbook (The Sustainability Yearbook) published by the international sustainability assessment agency S&P Global, and won the annual best progress award in the global electromechanical industry, indicating that the company's sustainability performance is among the global peers of the top 15%.
- ✓ Won the Gold Award of Taiwan TOP50 Corporate Sustainability Report for seven consecutive years.
- ✓ Ranked in the top 5% of corporate governance evaluations for six consecutive years.

As a pioneer in the global electromechanical manufacturing industry, in addition to continuing to uphold the concept of sustainable operation and implementing corporate governance standards, the company has established a "CSR Working Group" to deeply embed CSR concepts in the corporate culture, including the launch of the "Employee Commonwealth Passbook" , Continue to promote and sponsor the TECO Cultural and Educational Foundation's commitment to activities such as "Science Teaching in the Countryside" and "Art Appreciation", and use strict standards to lead the group to realize the vision of energy saving, emissions reduction, intelligence, and automation, and create sustainability for employees Develop the working environment, provide customers with more value-added



services, and create the best return on investment for shareholders.

Chairman: Sophia Chiu

President: Chao-chi, Lien

Accounting chief: Tommy Wu

## Inspection Report of Audit Committee

(This English version is only a translation of the Chinese version.)

The Audit Committee has duly inspected and approved the financial statements for 2020 (including consolidated financial statements), the business report and proposed profit distribution plan prepared and proposed by the Board of Directors, with the financial statements having been audited and certified by Pricewaterhouse Coopers, hereby submit this report pursuant to Article 14 of Securities and Exchange Act and Article 219 of the Company Act.

To

General Shareholders Meeting 2021

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Ting-Wong, Cheng

Date: March 23<sup>rd</sup>, 2021

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of TECO Electric & Machinery Co., Ltd. as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the Other matter section), the parent company only financial statements present fairly, in all material respects, the financial position of TECO Electric & Machinery Co., Ltd. as of December 31, 2020 and 2019, and its financial performance and cash flows for the years then ended, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

### ***Basis for opinion***

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’, and generally accepted auditing standards in the Republic of China, and our audit of the financial statements for the year ended December 31, 2019 in accordance with ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’, ‘Jin-Guan-Zheng-Shen-Zi Order No. 1090360805 as approved by the Financial Supervisory Commission’, and generally accepted auditing standards in 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 Company in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2020 financial statements are stated as follows:

### ***Revenue recognition of export sales of heavy industrial products group***

#### Description

Refer to Note 4(30) of the parent company only financial statements for the accounting policies on revenue recognition. The heavy industrial products group handles the manufacturing and sales of various machinery, equipment and motors. Aside from domestic sales in Taiwan, the customers of heavy industrial products group are from China, America, Southeast Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue recognition of export sales of heavy industrial products group as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of and validated the internal controls over revenue recognition of export sales of heavy industrial products group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of heavy industrial products group to confirm the existence of export sales revenue transactions.

### ***Other matter – Reference to the audits of other auditors***

As described in Note 6(6) of the parent company only financial statements, we did not audit the financial statements of certain investee accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed

herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the reports of the other auditors. The investments accounted for under the equity method amounted to NT\$3,602,033 thousand and NT\$3,698,335 thousand, constituting 4% and 5% of the related total assets as of December 31, 2020 and 2019, respectively, and the comprehensive income amounting to NT\$22,376 thousand and NT\$82,978 thousand, constituting 0.3% and 1% of the total comprehensive income for the years then ended, respectively.

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

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Company’s financial reporting process.

***Auditors’ responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected

to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

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Wu, Yu-Lung

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Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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

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

TECO ELECTRIC & MACHINERY CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1) and 8	\$ 716,313	1	\$ 704,888	1
1140	Current contract assets		1,197,505	2	1,057,201	1
1150	Notes receivable, net	6(4)	130,742	-	298,848	-
1160	Notes receivable - related parties	7	260,782	-	349,293	1
1170	Accounts receivable, net	6(4)	2,086,078	3	1,372,244	2
1180	Accounts receivable - related parties	6(6) and 7	1,346,963	2	1,275,303	2
1200	Other receivables		90,380	-	92,237	-
1210	Other receivables - related parties	6(6) and 7	706,840	1	1,111,867	2
130X	Inventories, net	6(5)	2,752,379	3	2,512,802	3
1410	Prepayments		77,209	-	329,211	-
1470	Other current assets	6(1) and 8	1,103,197	1	183,611	-
11XX	<b>Total current assets</b>		10,468,388	13	9,287,505	12
<b>Non-current assets</b>						
1510	Non-current financial assets at fair value through profit or loss	6(2)	2,167,106	3	1,966,144	2
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	6,258,752	8	7,459,586	10
1550	Investments accounted for under equity method	6(6) and 7	56,247,996	69	50,342,442	67
1600	Property, plant and equipment	6(7) and 7	3,093,090	4	3,520,118	5
1755	Right-of-use assets	6(8) and 7	117,727	-	11,418	-
1760	Investment property - net	6(9)	2,129,289	2	2,039,208	3
1840	Deferred income tax assets	6(26)	820,010	1	788,769	1
1900	Other non-current assets	6(10) and 8	293,957	-	130,009	-
15XX	<b>Total non-current assets</b>		71,127,927	87	66,257,694	88
1XXX	<b>Total assets</b>		\$ 81,596,315	100	\$ 75,545,199	100

(Continued)



TECO ELECTRIC & MACHINERY CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(11)	\$ 1,207,660	2	\$ 55,200	-
2130	Current contract liabilities	6(20)	1,051,725	1	431,356	1
2150	Notes payable		5,223	-	12,085	-
2160	Notes payable - related parties	7	115,207	-	132,557	-
2170	Accounts payable		3,518,109	5	2,617,198	4
2180	Accounts payable - related parties	7	929,088	1	998,125	1
2200	Other payables		2,601,865	3	2,597,722	4
2220	Other payables - related parties	7	160,599	-	639,163	1
2230	Current income tax liabilities	6(26)	253,854	-	321,647	-
2250	Provisions for liabilities - current		98,588	-	103,006	-
2280	Current lease liabilities	6(8) and 7	87,355	-	6,645	-
2300	Other current liabilities	6(13)	109,858	-	3,087,868	4
21XX	<b>Total current liabilities</b>		10,139,131	12	11,002,572	15
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(13)	6,000,000	7	1,000,000	1
2540	Long-term borrowings	6(14)	1,180,000	2	4,299,967	6
2570	Deferred income tax liabilities	6(26)	1,022,068	1	958,820	1
2580	Non-current lease liabilities	6(8) and 7	5,340	-	3,859	-
2600	Other non-current liabilities	6(15)	1,421,481	2	1,573,477	2
25XX	<b>Total non-current liabilities</b>		9,628,889	12	7,836,123	10
2XXX	<b>Total liabilities</b>		19,768,020	24	18,838,695	25
<b>Equity</b>						
	Share capital	6(16)				
3110	Common stock		19,676,929	24	19,676,929	26
	Capital surplus	6(17)				
3200	Capital surplus		7,386,901	9	7,389,577	9
	Retained earnings	6(18)				
3310	Legal reserve		7,024,635	9	6,702,463	9
3320	Special reserve		3,640,779	5	3,640,779	5
3350	Unappropriated retained earnings		17,271,503	21	16,047,563	21
	Other equity interest	6(19)				
3400	Other equity interest		7,339,258	9	3,570,756	5
3500	Treasury stocks	6(6)(16)	( 511,710)	( 1)	( 321,563)	-
3XXX	<b>Total equity</b>		61,828,295	76	56,706,504	75
	Significant Contingent Liabilities and	9				
	Unrecognized Contract Commitments					
	Significant Events after the Balance	11				
	Sheet Date					
3X2X	<b>Total liabilities and equity</b>		\$ 81,596,315	100	\$ 75,545,199	100

The accompanying notes are an integral part of these parent company only financial statements.

**TECO ELECTRIC & MACHINERY CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
	Items	Notes	2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(20) and 7	\$ 19,819,029	100	\$ 18,873,312	100
5000	Operating costs	6(5)(15)(25) and 7	( 15,808,505)	( 80)	( 14,940,657)	( 79)
5900	Net operating margin		4,010,524	20	3,932,655	21
5910	Unrealized profit from sales	7	( 450,133)	( 2)	( 500,745)	( 3)
5920	Realized profit from sales		500,745	3	614,532	3
5950	Net operating margin		4,061,136	21	4,046,442	21
	Operating expenses	6(15)(25) and 7				
6100	Selling expenses		( 1,890,669)	( 9)	( 1,826,287)	( 9)
6200	General and administrative expenses		( 530,160)	( 3)	( 531,689)	( 3)
6300	Research and development expenses		( 555,889)	( 3)	( 574,548)	( 3)
6450	Expected credit impairment (losses) gains		( 9,385)	-	1,052	-
6000	Total operating expenses		( 2,986,103)	( 15)	( 2,931,472)	( 15)
6900	Operating profit		1,075,033	6	1,114,970	6
	Non-operating income and expenses					
7100	Interest income	6(21) and 7	11,599	-	11,588	-
7010	Other income	6(3)(9)(22) and 7	929,030	5	646,690	3
7020	Other gains and losses	6(2)(12)(23) and 7	( 124,450)	( 1)	( 382,300)	( 2)
7050	Finance costs	6(8)(24) and 7	( 95,875)	-	( 102,308)	-
7070	Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(6)	1,862,858	9	2,213,679	12
7000	Total non-operating income and expenses		2,583,162	13	2,387,349	13
7900	<b>Profit before income tax</b>		3,658,195	19	3,502,319	19
7950	Income tax expense	6(26)	( 146,837)	( 1)	( 280,602)	( 2)
8200	<b>Profit for the year</b>		<u>\$ 3,511,358</u>	<u>18</u>	<u>\$ 3,221,717</u>	<u>17</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive loss, before tax, actuarial losses on defined benefit plans	6(15)	( \$ 6,235)	-	( \$ 80,887)	( 1)
8316	Unrealised gains and losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(19)	( 1,200,833)	( 6)	1,461,127	8
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		5,299,291	27	1,848,678	10
8310	Components of other comprehensive income that will not be reclassified to profit or loss		4,092,223	21	3,228,918	17
	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>					
8361	Other comprehensive loss, before tax, exchange differences on translation	6(19)	( 406,873)	( 2)	( 794,735)	( 4)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(19)(26)	65,922	-	19,734	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		( 340,951)	( 2)	( 775,001)	( 4)
8300	<b>Other comprehensive income for the year</b>		<u>\$ 3,751,272</u>	<u>19</u>	<u>\$ 2,453,917</u>	<u>13</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 7,262,630</u>	<u>37</u>	<u>\$ 5,675,634</u>	<u>30</u>
	Earnings per share (in dollars)	6(27)				
9750	Basic earnings per share		\$ 1.81		\$ 1.65	
9850	Diluted earnings per share		\$ 1.81		\$ 1.65	

The accompanying notes are an integral part of these parent company only financial statements.

TECO ELECTRIC & MACHINERY CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus	Retained earnings			Other equity interest			Treasury stocks	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income			
2019											
Balance at January 1, 2019		\$ 20,026,929	\$ 7,647,215	\$ 6,387,454	\$ 3,640,779	\$ 15,192,788	(\$ 1,901,724)	\$ 3,006,782	(\$ 321,563)	\$ 53,678,660	
Effect of retrospective application and retrospective restatement		-	-	-	-	( 269,228 )	-	-	-	( 269,228 )	
Balance at 1 January after adjustments		20,026,929	7,647,215	6,387,454	3,640,779	14,923,560	( 1,901,724 )	3,006,782	( 321,563 )	53,409,432	
Profit for the year		-	-	-	-	3,221,717	-	-	-	3,221,717	
Other comprehensive income (loss) for the year	6(19)	-	-	-	-	( 77,599 )	( 775,001 )	3,306,517	-	2,453,917	
Total comprehensive income (loss)		-	-	-	-	3,144,118	( 775,001 )	3,306,517	-	5,675,634	
Appropriations of 2018 earnings	6(18)	-	-	-	-	-	-	-	-	-	
Legal reserve		-	-	315,009	-	( 315,009 )	-	-	-	-	
Cash dividends		-	-	-	-	( 1,770,924 )	-	-	-	( 1,770,924 )	
Reacquisition of treasury shares	6(16)	-	-	-	-	-	-	-	( 675,840 )	( 675,840 )	
Retirement of treasury shares	6(16)(17)	( 350,000 )	( 325,840 )	-	-	-	-	-	675,840	-	
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	68,202	-	-	-	-	-	-	68,202	
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(19)	-	-	-	-	65,818	-	( 65,818 )	-	-	
Balance at December 31, 2019		\$ 19,676,929	\$ 7,389,577	\$ 6,702,463	\$ 3,640,779	\$ 16,047,563	(\$ 2,676,725)	\$ 6,247,481	(\$ 321,563)	\$ 56,706,504	
2020											
Balance at January 1, 2020		\$ 19,676,929	\$ 7,389,577	\$ 6,702,463	\$ 3,640,779	\$ 16,047,563	(\$ 2,676,725)	\$ 6,247,481	(\$ 321,563)	\$ 56,706,504	
Profit for the year		-	-	-	-	3,511,358	-	-	-	3,511,358	
Other comprehensive (loss) income for the year	6(19)	-	-	-	-	( 17,920 )	( 340,951 )	4,110,143	-	3,751,272	
Total comprehensive income (loss)		-	-	-	-	3,493,438	( 340,951 )	4,110,143	-	7,262,630	
Appropriations of 2019 earnings	6(18)	-	-	-	-	-	-	-	-	-	
Legal reserve		-	-	322,172	-	( 322,172 )	-	-	-	-	
Cash dividends		-	-	-	-	( 1,948,016 )	-	-	-	( 1,948,016 )	
Acquisition of parent company's share by subsidiaries recognized as treasury shares		-	-	-	-	-	-	-	( 190,147 )	( 190,147 )	
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	( 2,676 )	-	-	-	-	-	-	( 2,676 )	
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(19)	-	-	-	-	690	-	( 690 )	-	-	
Balance at December 31, 2020		\$ 19,676,929	\$ 7,386,901	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710)	\$ 61,828,295	

The accompanying notes are an integral part of these parent company only financial statements.

TECO ELECTRIC & MACHINERY CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 3,658,195	\$ 3,502,319
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(23)	( 409,084 )	( 88,601 )
Net (gain) loss on financial liabilities at fair value through profit or loss	6(12)(23)	( 907 )	227
Expected credit impairment loss (gain)	12(2)	( 9,385 )	( 1,052 )
Interest income	6(21)	( 11,599 )	( 11,588 )
Interest expense	6(24)	91,110	100,317
Dividend income	6(22)	( 316,018 )	( 271,049 )
Loss on disposal of investments	6(23)	-	( 8,428 )
Changes in unrealized gain from downstream sales		( 50,612 )	( 113,787 )
Share of profit of associates and joint ventures accounted for under the equity method	6(6)	( 1,862,858 )	( 2,213,679 )
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(7)(8)(9)(23)(25)	576,233	514,299
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets - current		( 140,304 )	17,219
Notes receivable		168,159	107,059
Notes receivable - related parties		88,511	( 22,451 )
Accounts receivable		( 705,276 )	161,735
Accounts receivable - related parties		( 89,655 )	85,986
Other receivables		1,857	( 29,299 )
Other receivables - related parties		348,177	175,841
Inventories		( 239,577 )	245,839
Prepayments		252,002	( 160,826 )
Other current assets		( 919,586 )	13,059
Financial assets at fair value through profit or loss - non-current		208,122	( 41,753 )
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		907	-
Contract liabilities - current		620,369	74,899
Notes payable		( 6,862 )	5,224
Notes payable - related parties		( 17,350 )	( 29,783 )
Accounts payable		900,911	( 754,226 )
Accounts payable - related parties		( 69,037 )	121,420
Other payables		18,301	50,118
Other payables - related parties		21,236	11,034
Provisions for liabilities		( 4,418 )	11,327
Other current liabilities		21,990	29,017
Other non-current liabilities		( 154,306 )	( 100,353 )
Cash inflow generated from operations		1,988,016	1,380,064
Interest received	6(21)	11,599	11,588
Dividends received		751,465	605,396
Payment of interest		( 99,956 )	( 94,475 )
Payment of income tax		( 116,701 )	( 48,840 )
Net cash flows from operating activities		2,534,423	1,853,733

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in other receivables - related parties	7	\$ 56,850	\$ 5,651
Decrease in restricted bank deposit	8	-	10,142
Increase in financial assets at fair value through other comprehensive income - non-current		-	( 14,998 )
Increase in investments accounted for under equity method		( 47,879 )	( 94,723 )
Proceeds from disposal of property, plant and equipment		288	347
Acquisition of property, plant and equipment	6(7)(28)	( 139,954 )	( 217,778 )
Increase in deferred expenses		( 23,376 )	( 7,314 )
Decrease in refundable deposits		55,827	7,017
Increase in bank deposit under the regulation governing the management, utilization, and taxation of repatriated offshore funds	6(10)	( 169,411 )	-
Dividends received		316,018	271,049
Proceeds from disposal of investments accounted for under the equity method		-	141,865
(Increase) decrease in other non-current assets		( 81,451 )	3,042
Net cash flows (used in) from investing activities		( 33,088 )	104,300
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		1,152,460	6,090
Decrease in other payables - related parties financing	7	( 499,800 )	( 7,350 )
Proceeds from issuance of bonds	6(13)	5,000,000	-
Repayment of bonds	6(13)	( 3,000,000 )	-
(Increase) decrease in long-term loans		( 3,119,967 )	50,242
Cash dividends paid	6(18)	( 1,948,016 )	( 1,770,924 )
Lease liabilities paid		( 74,587 )	( 88,159 )
Treasury shares purchased	6(16)	-	( 675,840 )
Net cash flows used in financing activities		( 2,489,910 )	( 2,485,941 )
Net increase (decrease) in cash and cash equivalents		11,425	( 527,908 )
Cash and cash equivalents at beginning of year		704,888	1,232,796
Cash and cash equivalents at end of year		<u>\$ 716,313</u>	<u>\$ 704,888</u>

The accompanying notes are an integral part of these parent company only financial statements.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China, and our audit of the financial statements for the year ended December 31, 2019 in accordance with ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’, ‘Jin-Guan-Zheng-Shen-Zi Order No. 1090360805 as approved by the Financial Supervisory Commission’, and generally accepted auditing standards in 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 Accountants 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 Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

### ***Revenue recognition of export sales of heavy industrial products group***

#### Description

Refer to Note 4(33) of the consolidated financial statements for the accounting policies on revenue recognition and Note 14 for the segment financial information. The Group disclosed the financial information of heavy industrial products group and home electric appliance division in the segment financial information. The heavy industrial products group handles the manufacturing and sales of various machinery, equipment and motors. The sales revenue of the heavy industrial products group amounted to NT\$30,189,481 thousand, representing 66% of the consolidated total sales revenue for the year ended December 31, 2020. Aside from domestic sales in Taiwan, the customers of heavy industrial products group are from China, America, Southeast Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue recognition of export sales of heavy industrial products group as a key audit matter.



#### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of and validated the internal controls over revenue recognition of export sales of heavy industrial products group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of heavy industrial products group to confirm the existence of export sales revenue transactions.

#### ***Other matter – Reference to the audits of other auditors***

As described in Notes 4(3) and 6(7) of the consolidated financial statements, we did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$2,342,121 thousand and NT\$2,568,293 thousand, constituting 2% and 3% of the consolidated total assets as at December 31, 2020 and 2019, respectively, and total operating revenues amounted to NT\$2,844,491 thousand and NT\$2,949,066 thousand, both constituting 6% of consolidated total operating revenues for the years then ended, respectively. The investments accounted for under the equity method amounted to NT\$2,290,263 thousand and NT\$2,535,314 thousand, constituting 2% and 3% of consolidated total assets as of December 31, 2020 and 2019, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$72,708 thousand and NT\$97,139 thousand, both constituting less than 1% of consolidated total assets as of December 31, 2020 and 2019, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT(\$21,039) thousand and NT\$7,927 thousand, both constituting less than 1% of the consolidated total comprehensive income for the years then ended, respectively.



***Other matter –Parent company only financial reports***

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2020 and 2019.

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

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

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Wu, Yu-Lung

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Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 20,397,260	19	\$ 19,111,371	19
1110	Financial assets at fair value through profit or loss - current	6(2)	114,185	-	126,945	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	1,280,081	1	1,065,729	1
1140	Current contract assets		1,452,202	2	1,521,080	2
1150	Notes receivable, net	6(5) and 8	1,172,638	1	1,118,731	1
1160	Notes receivable - related parties	7	12,264	-	1,457	-
1170	Accounts receivable, net	6(5)	8,867,397	9	8,780,047	9
1180	Accounts receivable - related parties	7	235,939	-	232,293	-
1200	Other receivables		282,185	-	497,877	-
1210	Other receivables - related parties	7	72,460	-	81,369	-
130X	Inventories, net	6(6)	9,627,248	9	9,853,585	10
1410	Prepayments		370,475	-	662,456	1
1470	Other current assets	6(1) and 8	1,908,018	2	893,636	1
11XX	Total current assets		45,792,352	43	43,946,576	44
Total non-current assets						
1510	Financial assets at fair value through profit or loss - non - current	6(2)	3,460,272	3	2,291,217	2
1517	Non-current financial assets at fair value through other comprehensive income	6(3) and 8	18,567,933	18	14,473,017	15
1535	Non-current financial assets at amortised cost, net	6(4) and 8	481,530	1	377,256	1
1550	Investments accounted for under the equity method	6(7)	3,912,645	4	3,897,316	4
1600	Property, plant and equipment, net	6(8) and 8	15,912,788	15	16,742,830	17
1755	Right-of-use assets	6(9) and 8	6,752,232	6	7,119,164	7
1760	Investment property, net	6(10)	2,850,964	3	2,762,570	3
1780	Intangible assets	6(11)	5,269,715	5	5,200,634	5
1840	Deferred income tax assets	6(30)	1,365,301	1	1,346,817	1
1900	Other non-current assets	6(12) and 8	1,313,339	1	937,007	1
15XX	Non-current assets		59,886,719	57	55,147,828	56
1XXX	Total assets		\$ 105,679,071	100	\$ 99,094,404	100

(Continued)

**TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(14) and 8	\$ 2,816,832	3	\$ 1,857,637	2
2120	Financial liabilities at fair value through profit or loss - current	6(15)	-	-	50	-
2130	Current contract liabilities	6(24)	1,493,931	1	1,001,440	1
2150	Notes payable		340,672	-	284,661	-
2160	Notes payable - related parties	7	55,048	-	81,176	-
2170	Accounts payable		7,509,868	7	6,783,872	7
2180	Accounts payable - related parties	7	113,055	-	128,569	-
2200	Other payables	6(16)	4,902,975	5	4,676,588	5
2230	Current income tax liabilities	6(30)	490,113	1	584,071	1
2250	Provisions for liabilities - current		406,874	-	273,575	-
2280	Current lease liabilities		462,876	1	475,786	1
2320	Long-term liabilities, current portion	6(17)(18) and 8	302,331	-	3,410,798	3
2399	Other current liabilities, others		724,393	1	735,603	1
21XX	<b>Total current liabilities</b>		<u>19,618,968</u>	<u>19</u>	<u>20,293,826</u>	<u>21</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(17)	6,000,000	6	1,000,000	1
2540	Long-term borrowings	6(18) and 8	3,309,400	3	6,673,954	7
2550	Provisions for liabilities - non-current		132,414	-	125,014	-
2570	Deferred income tax liabilities	6(30)	2,539,962	2	2,400,752	2
2580	Non-current lease liabilities		4,423,897	4	4,743,306	5
2600	Other non-current liabilities	6(7)(19)	2,029,198	-	2,152,762	2
25XX	<b>Total non-current liabilities</b>		<u>18,434,871</u>	<u>15</u>	<u>17,095,788</u>	<u>17</u>
2XXX	<b>Total liabilities</b>		<u>38,053,839</u>	<u>34</u>	<u>37,389,614</u>	<u>38</u>
<b>Equity attributable to owners of parent</b>						
	Share capital	6(20)				
3110	Common stock		19,676,929	19	19,676,929	20
	Capital surplus	6(21)				
3200	Capital surplus		7,386,901	9	7,389,577	7
	Retained earnings	6(22)				
3310	Legal reserve		7,024,635	8	6,702,463	7
3320	Special reserve		3,640,779	3	3,640,779	4
3350	Unappropriated retained earnings		17,271,503	15	16,047,563	16
	Other equity interest	6(23)				
3400	Other equity interest		7,339,258	7	3,570,756	3
3500	Treasury stocks	6(20) and 8	( 511,710)	-	( 321,563)	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>61,828,295</u>	<u>61</u>	<u>56,706,504</u>	<u>57</u>
36XX	Non-controlling interest	6(34)	5,796,937	5	4,998,286	5
3XXX	<b>Total equity</b>		<u>67,625,232</u>	<u>66</u>	<u>61,704,790</u>	<u>62</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 105,679,071</u>	<u>100</u>	<u>\$ 99,094,404</u>	<u>100</u>

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(2)(9)(10)(24) and 7	\$ 45,823,430	100	\$ 47,909,358	100
5000	Operating costs	6(6)(8)(9)(19)(29) and 7	( 35,066,082)	( 76)	( 36,428,606)	( 76)
5900	Net operating margin		10,757,348	24	11,480,752	24
5910	Unrealized loss from sales		( 9,518)	-	( 8,263)	-
5920	Realized profit from sales		8,263	-	9,160	-
5950	Net operating margin		10,756,093	24	11,481,649	24
	Operating expenses	6(8)(9)(19)(29)				
6100	Selling expenses		( 3,895,315)	( 9)	( 4,226,261)	( 9)
6200	General and administrative expenses		( 2,258,377)	( 5)	( 2,521,713)	( 5)
6300	Research and development expenses		( 1,027,177)	( 2)	( 1,179,300)	( 2)
6450	Expected credit impairment losses	12(2)	( 41,167)	-	( 17,930)	-
6000	Total operating expenses		( 7,222,036)	( 16)	( 7,945,204)	( 16)
6900	Operating profit		3,534,057	8	3,536,445	8
	Non-operating income and expenses					
7100	Interest income	6(4)(25)	194,926	-	316,546	1
7010	Other income	6(3)(10)(26) and 7	1,057,043	2	1,081,471	2
7020	Other gains and losses	6(2)(9)(13)(15)(27) and 7	( 130,170)	-	( 261,570)	-
7050	Finance costs	6(9)(28)	( 241,495)	-	( 263,848)	( 1)
7060	Share of profit of associates and joint ventures accounted for under the equity method	6(7)	( 14,613)	-	30,410	-
7000	Total non-operating income and expenses		865,691	2	903,009	2
7900	Profit before income tax		4,399,748	10	4,439,454	10
7950	Income tax expense	6(30)	( 588,100)	( 1)	( 920,674)	( 2)
8200	Profit for the year		\$ 3,811,648	9	\$ 3,518,780	8

(Continued)



TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31			
		2020		2019	
Items	Notes	AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>					
<b>Other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive loss, before tax, actuarial losses on defined benefit plans	6(19)			
		(\$	12,954)	-	(\$ 82,287)
8316	Unrealized gains and losses on valuation of investments measured at fair value through other comprehensive income	6(3)			
			4,160,554	9	3,371,209
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss				7
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)			
		(	4,075)	-	17,170
			247	-	95
8310	Components of other comprehensive income that will not be reclassified to profit or loss				-
			4,143,772	9	3,306,187
<b>Other comprehensive income that will be reclassified to profit or loss</b>					
8361	Currency translation differences of foreign operations	6(23)			
		(	422,317)	( 1)	( 811,051)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(30)			
			70,484	-	25,774
8360	Components of other comprehensive loss that will be reclassified to profit or loss				-
		(	351,833)	( 1)	( 785,277)
8300	<b>Other comprehensive income for the year</b>				
		\$	3,791,939	8	\$ 2,520,910
8500	<b>Total comprehensive income for the year</b>				5
		\$	7,603,587	17	\$ 6,039,690
Profit attributable to:					
8610	Owners of the parent				
		\$	3,511,358	8	\$ 3,221,717
8620	Non-controlling interest				
			300,290	1	297,063
		\$	3,811,648	9	\$ 3,518,780
Comprehensive income attributable to:					
8710	Owners of the parent				
		\$	7,262,630	16	\$ 5,675,634
8720	Non-controlling interest				
			340,957	1	364,056
		\$	7,603,587	17	\$ 6,039,690
Earnings per share (in dollars)					
9750	Basic earnings per share	6(31)			
			\$ 1.81		\$ 1.65
9850	Diluted earnings per share				
			\$ 1.81		\$ 1.65

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



**TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent						Other equity interest		Total	Non-controlling interest	Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gain (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks			
<b>2019</b>												
Balance at January 1, 2019		\$ 20,026,929	\$ 7,647,215	\$ 6,387,454	\$ 3,640,779	\$ 15,192,788	(\$ 1,901,724)	\$ 3,006,782	(\$ 321,563)	\$ 53,678,660	\$ 4,812,255	\$ 58,490,915
Effect of retrospective application and retrospective restatement		-	-	-	-	( 269,228 )	-	-	-	( 269,228 )	( 208,421 )	( 477,649 )
Balance at 1 January after adjustments		20,026,929	7,647,215	6,387,454	3,640,779	14,923,560	( 1,901,724 )	3,006,782	( 321,563 )	53,409,432	4,603,834	58,013,266
Profit for the year		-	-	-	-	3,221,717	-	-	-	3,221,717	297,063	3,518,780
Other comprehensive (loss) income for the year	6(23)	-	-	-	-	( 77,599 )	( 775,001 )	3,306,517	-	2,453,917	66,993	2,520,910
Total comprehensive income (loss)		-	-	-	-	3,144,118	( 775,001 )	3,306,517	-	5,675,634	364,056	6,039,690
Appropriations of 2018 earnings	6(22)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	315,009	-	( 315,009 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 1,770,924 )	-	-	-	( 1,770,924 )	-	( 1,770,924 )
Reacquisition of treasury shares		-	-	-	-	-	-	-	( 675,840 )	( 675,840 )	-	( 675,840 )
Retirement of treasury shares	6(20)	( 350,000 )	( 325,840 )	-	-	-	-	-	675,840	-	-	-
Transactions with non-controlling interest	6(3)(23)	-	68,202	-	-	-	-	-	-	68,202	( 68,202 )	-
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(23)	-	-	-	-	65,818	-	( 65,818 )	-	-	226,786	226,786
Proceeds from capital increase of non-controlling interests	6(34)	-	-	-	-	-	-	-	-	-	( 128,188 )	( 128,188 )
Changes in other non-controlling equity		-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2019		\$ 19,676,929	\$ 7,389,577	\$ 6,702,463	\$ 3,640,779	\$ 16,047,563	(\$ 2,676,725)	\$ 6,247,481	(\$ 321,563)	\$ 56,706,504	\$ 4,998,286	\$ 61,704,790
<b>2020</b>												
Balance at January 1, 2020		\$ 19,676,929	\$ 7,389,577	\$ 6,702,463	\$ 3,640,779	\$ 16,047,563	(\$ 2,676,725)	\$ 6,247,481	(\$ 321,563)	\$ 56,706,504	\$ 4,998,286	\$ 61,704,790
Profit for the year		-	-	-	-	3,511,358	-	-	-	3,511,358	300,290	3,811,648
Other comprehensive (loss) income for the year	6(23)	-	-	-	-	( 17,920 )	( 340,951 )	4,110,143	-	3,751,272	40,667	3,791,939
Total comprehensive income (loss)		-	-	-	-	3,493,438	( 340,951 )	4,110,143	-	7,262,630	340,957	7,603,587
Appropriations of 2019 earnings	6(22)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	322,172	-	( 322,172 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 1,948,016 )	-	-	-	( 1,948,016 )	-	( 1,948,016 )
Acquisition of parent company's share by subsidiaries recognized as treasury shares	6(20)	-	-	-	-	-	-	-	( 190,147 )	( 190,147 )	-	( 190,147 )
Transactions with non-controlling interest	6(34)	-	( 26,468 )	-	-	-	-	-	-	( 26,468 )	26,468	-
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	-	-	-	-	-	-	-	-	-	-
Changes in other non-controlling equity		-	-	-	-	-	-	-	-	-	23,792	23,792
Proceeds from capital increase of non-controlling interests	6(34)	-	-	-	-	-	-	-	-	-	( 268,774 )	( 268,774 )
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(23)	-	-	-	-	690	-	( 690 )	-	-	700,000	700,000
Balance at December 31, 2020		\$ 19,676,929	\$ 7,386,901	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710)	\$ 61,828,295	\$ 5,796,937	\$ 67,625,232

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 4,399,748	\$ 4,439,454
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(24)(27)	( 893,503 )	( 216,570 )
Net (gain) loss on financial liabilities at fair value through profit or loss	6(15)(27)	( 50 )	279
Inventory valuation loss	6(6)	188,159	105,770
Expected credit impairment loss	12(2)	41,167	17,930
Interest income	6(25)	( 194,925 )	( 316,546 )
Dividend income	6(26)	( 615,445 )	( 616,897 )
Interest expense	6(28)	241,495	263,848
Depreciation and amortization	6(8)(9)(10)(29)	2,005,511	1,939,799
Gain on disposal of investments	6(27)	( 123 )	( 34,063 )
Loss on disposal of property, plant and equipment	6(27)	38,447	22,635
Impairment loss	6(13)	77,950	20,625
Share of profit (loss) of associates and joint ventures accounted for under the equity method	6(7)	14,613	( 30,410 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		33,706	66,721
Contract assets - current		68,878	( 170,842 )
Notes receivable	(	53,769 )	( 54,315 )
Notes receivable - related parties	(	10,807 )	1,184
Accounts receivable	(	100,191 )	483,658
Accounts receivable - related parties	(	3,646 )	8,979
Other receivables		215,967	( 137,271 )
Other receivables - related parties		8,909	( 10,390 )
Inventories		38,178	1,428,558
Prepayments		291,981	( 232,705 )
Other current assets	(	968,564 )	111,502
Financial assets at fair value through profit or loss - non - current	(	296,498 )	65,845
Changes in operating liabilities			
Contract liabilities - current		492,491	101,712
Notes payable		56,011	211,556
Notes payable - related parties	(	26,128 )	( 55,698 )
Accounts payable		725,996	( 705,821 )
Accounts payable - related parties	(	15,514 )	38,522
Other payables		104,671	109,307
Provisions for liabilities		140,699	15,388
Other current liabilities	(	11,210 )	( 108,809 )
Other non-current liabilities	(	147,855 )	( 105,252 )
Cash inflow generated from operations		5,846,349	6,657,683
Interest received	6(25)	194,925	316,546
Dividend received from investments accounted for under equity method		93,805	144,756
Interest paid	(	157,633 )	( 172,139 )
Income tax paid	(	490,601 )	( 952,459 )
Net cash flows from operating activities		5,486,845	5,994,387

(Continued)

**TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in current financial assets at fair value through other comprehensive income		( \$ 76,684 )	( \$ 183,766 )
Increase in financial assets at fair value through other comprehensive income - non - current		( 20,800 )	( 63,852 )
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income		14,400	451,556
Increase in non-current financial assets at amortized cost	6(4)	( 104,274 )	( 194,531 )
Increase in pledged and restricted bank and time deposits	6(1) and 8	( 45,818 )	( 30,117 )
Increase in investments accounted for under the equity method		( 26,449 )	( 35,054 )
Proceeds from disposal of investments accounted for under the equity method		558	93,349
Acquisition of property, plant and equipment	6(8)(32)	( 667,913 )	( 1,032,766 )
Proceeds from disposal of property, plant and equipment		40,348	72,550
Acquisition of intangible assets		( 74,978 )	( 70,840 )
Increase in bank deposit under the regulation governing the management, utilization, and taxation of repatriated offshore funds	6(12)	( 169,411 )	-
Increase in other non-current assets		( 206,921 )	( 88,908 )
Net cash outflow on acquisitions of subsidiaries	6(32)	-	9,940
Dividends received		615,170	616,897
Net cash flows used in investing activities		( 722,772 )	( 455,542 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in short-term loans	6(33)	959,195	( 136,723 )
Proceeds from issuance of bonds	6(33)	5,000,000	-
Repayment of bonds	6(33)	( 3,000,000 )	-
Decrease in long-term loans	6(33)	( 3,473,021 )	( 566,094 )
Lease liabilities paid	6(9)(33)	( 523,774 )	( 553,993 )
Treasury shares purchased	6(20)	-	( 675,840 )
Acquisition of the Company's share by subsidiaries recognized as treasury shares	6(20)	( 190,147 )	-
Cash dividends paid to non-controlling interests		( 200,997 )	( 155,871 )
Proceeds from capital increase of non-controlling interests	6(34)	700,000	226,786
Cash dividends paid	6(22)	( 1,918,798 )	( 1,770,924 )
Net cash flows used in financing activities		( 2,647,542 )	( 3,632,659 )
Exchange rate effect		( 830,642 )	( 330,381 )
Net increase in cash and cash equivalents		1,285,889	1,575,805
Cash and cash equivalents at beginning of year		19,111,371	17,535,566
Cash and cash equivalents at end of year		<u>\$ 20,397,260</u>	<u>\$ 19,111,371</u>

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

# TECO Electric & Machinery Co., Ltd.

## Distribution of 2020 Profits

(In NT \$)

Item	Amount
Accumulated undistributed profit as of the beginning of the period	13,777,375,702
Less: Retained earnings after adjustment in 2020 (Note 1)	(17,230,593)
Accumulated undistributed earnings after adjustment	13,760,145,109
Add: Net Profit after tax in 2020	3,511,357,512
Less : Legal Reserve	(349,412,692)
Total distributable earnings	16,922,089,929
Profit available for distribution for the period:	
Profit-sharing to shareholders	2,459,616,108
(Dividend per share)	1.15
<b>Undistributed profit as of the end of 2020</b>	<b>14,462,473,821</b>
Note 1: Including:	
a. Remeasurement of actuarial gains and losses of defined benefit plan, (NT\$17,920,423)	
b. Disposal of financial assets at fair value through other comprehensive income NT\$689,830	

### Notes:

1. Dividend per share this year is NT\$1.15 and all dividends distributed shall be cash dividend.
2. The profit distributed this period will be distributed from the distributable earnings received in 2020 first, and from the accumulated undistributed profits from previous years where there is a shortfall.
3. In the event of any change to the total number of outstanding shares as a result of Company's buyback of its own shares, or transfer, conversion and deregistration of treasury shares, or exercise of employees' stock option and other factors, it is proposed that the Shareholders' Meeting grants the Chairman full authority to handle all relevant matters subject to the fixed payout rate mentioned above.

### Issuance of (Unsecured) Common Corporate Bonds

Decree of the Authority	TPEX No. 10900058761	TPEX No. 10900108261
Bond Name	P09TECO1	P09TECO2
Status	Over-the-counter	Over-the-counter
Total Issue Amount	NTD\$ 3 Billion	NTD\$ 2 Billion
Raising Terms	5 years (2020/6/12~2025/6/12)	5 years (2020/9/15~2025/9/15)
Coupon Rate	Fixed annual percentage rate, 0.70%	Fixed annual percentage rate, 0.70%
Repayment	Repay the loan outright	Repay the loan outright
Underwriter	Capital Securities	Masterlink Securities
Transfer Agency	The Stock Transfer Agency Department of Taishin International Bank Co., Ltd	The Stock Transfer Agency Department of Taishin International Bank Co., Ltd
Selling Target	Exclusive for professional investors, as defined by the management rules for foreign currency-denominated international bonds, formulated by GreTai Securities Market (over-the-counter market).	Exclusive for professional investors, as defined by the management rules for foreign currency-denominated international bonds, formulated by GreTai Securities Market (over-the-counter market).

**List of Candidates of Directors  
(Nominated by Board of Directors)**

Name	Shares (Note)	Education/ Experience
1. Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy Chiu	31,991,364 shares	MBA, University of Michigan, Ann-Arbor President of TECO Electric & Machinery Co., Ltd Director of Chinese International Economic Cooperation Association (CIECA), TAIWAN Director of Taiwan Institute for Sustainable Energy
2. Cheng-Tsung Huang	15,279,849 shares	Bachelor of Economics, Fu Jen Catholic University Chairman of Tai Hong Machinery Electric (Kunshan) Co., Ltd President of Importers and Exporters Association of Taipei Chairman of Taiwan Business Council for Sustainable Development
3. Tong An Investment Co., Ltd Representative: Wen-Chyi Ong	19,540,052 shares	Master degree in Investment and Financial Risk Management, the City University of London Chairman of Sinopac Financial Holdings Company Limited Chairman of Chunghwa Post Co., Ltd Director of Taiwan's Financial Supervisory Commission, Office in New York Counsellor of Permanent Mission of Taiwan to the WTO (Geneva) Director of Taiwan Corporate Governance Association Representative (Ambassadorial ranking) of Taipei Economic and Cultural Center in India
4. Tong Ho Global Investment Co., Ltd. Representative: Mao-Hsiung, Huang	2,240,262 shares	Master of Economics, University of Pennsylvania Honours degree of Chang Jung Christian University Chairman of Century Development Corporation Chairman of Chinese East Asia Economic Association Chairman of Taiwan India Business Association Chairman of TECO Electric & Machinery Co., Ltd Chairman of Taiwan Business Council for Sustainable Development
5. Walsin Lihwa Corporation Representative: Wey-Chuan Gau	207,377,730 shares	Doctor of Accounting, Business Renmin University of China MBA, Baruch College, City University of New York Diploma Program in Information Systems Auditing, New York University Certified Public Accountant in Taiwan and New York State, USA CPA of KPMG in Taiwan Vice Chairman of KPMG Taiwan Inc. Director of KPMG in Taiwan KPMG Taiwan International Insurance Coordinator Lecturer, Department of Accounting, Soochow University Lecturer, Department of Law, Soochow University Certified Information System Auditor, Computer Audit Association Certificate of Financial Risk Management, Taiwan Academy of Banking and Finance

Name	Shares (Note)	Education/ Experience
6. Show-Shoun Chou	0 shares	Ph.D of Policy Analysis and Administration, Cornell University Legislator, Legislative Yuan Convener, Science and Technology Legislative Alliance, Legislative Yuan, ROC Secretary general of Monte Jode Science & Technology Association of Taiwan Chairman of ADATA Technology Co., Ltd. Consultant, Chairman & CEO Office, Hon Hai Precision Ind. Co., Ltd.
7. Ho Yuan International Investment Co., Ltd. Representative: Pen- Ching Cheng	23,467,000 shares	Master of Public Administration, National Chengchi University Commissioner, Department of Personnel, Taipei City Government Director of Taipei Rapid Transit Corporation Director of Shin Shin Natural Gas Co., Ltd. Director of RSEA Engineering Corporation
8. Wei-Chi, Liu (Independent Director)	0 shares	Ph. D. of Business Administration, Northwestern University Chairman of Taiwan High Speed Rail Corp. Chairman of IBF Financial Holdings
9. Shiang-Chung Chen (Independent Director)	0 shares	The School of Industrial Engineering at Purdue University Director of TPIDA Supervisor of Powtec ElectroChemical Corporation Director of the Institute for National Policy Research Vice President of Criminal Investigation and Prevention Association of the Republic of China
10. Hsieh-Hsing Huang (Independent Director)	0 shares	Master of Laws Program for Executive, National Chengchi University Master of Business Management, National Sun Yat sen University Department of Economics, National Chengchi University Chairman and Founder of Chungsun Prime Certified Public Accountants Member of The CPA Discipline Committee, Financial Supervisory Commission Director of Accounting Research and Development Foundation Supervisor of Taiwan Television Enterprise Co., Ltd. Supervisor of Taiyen Biotech Co., Ltd. China CPA Examination Passed Director of CPA Associations R.O.C(Taiwan) New Taipei City Tax Agent Association Chairman
11. Li -Chen Lin (Independent Director)	0 shares	Master of Business Administration, Tulane University Bachelor of Law, National Taipei University International Partner, Jones, Day, Reavis & Pogue Independent Director of Cheng Uei Precision Industry Co., Ltd. Independent Supervisor of Silicon Application Corp. Supervisor of China Metal Products Co., Ltd. Independent Director of Super Dragon Technology Co., Ltd.

Note: Shares held on the book closure starting date of AGM (March 27<sup>th</sup>, 2021)

**List of Candidates of Directors**  
**(Nominated by shareholder holding 1% or more of the company's shares)**

Name	Shares (Note)	Education/ Experience
1. Yingde Int. Inv. Co., Ltd Representative: Li-Chong Huang	14,454,698 shares	Master of Science from University of Warwick HP, China InfoSystems Architect IV, IBM, GBS, Taiwan: Business Consultant
2. Creative Sensor Inc. Representative: Yu-Ren Huang	77,519,000 shares	Master of Electric Engineering, Columbia University Managing Director of TECO Electric & Machinery Co., Ltd. CEO of IT& Optronics Product Sector in TECO Group
3. Song-Ren Fang	0 shares	PhD of Material Science and Engineering from Stanford University Vice President of at UMC Taiwan Chairman of Darwin Venture Management
4. Ming-Shiuan Lee (Independent Director)	0 shares	Master of Science from University of Illinois (Accountancy) Master of Accounting from National Taiwan University International Tax Director of PwC, Taiwan Certified Public Accountant of US and Taiwan / CSA L.A. office of PwC, US CFO, Vice President of Kingpak Co., Ltd.
5. Chi-Husan Liu (Independent Director)	0 shares	Master of Law from University of Pennsylvania and University of Chicago Attorney of California & Washington DC, US Independent Director of FamilyMart Convenience Store Co., Ltd Independent Director of Yangcheng Technology Co., Ltd. Independent Director of Lungyen Group
6. Yo-Wen Sun (Independent Director)	0 shares	PhD of Finance from University of Cincinnati MBA of Finance and Quantitative Analysis from University of Cincinnati BA of Philosophy from National Taiwan University Senior Director Corporate Communications & Deputy Spokesman of TSMC Partner and CFO of InveStar Capital GM-Taiwan, HSBC Securities GM-Taiwan, State Street, Department Manager of International Investment Trust Associate Professor of Finance of San Jose State University
7. Chih-Sheng Hou (Independent Director)	0 shares	PhD in Electrical Engineering from Massachusetts Institute of Technology Master & Bachelor with Distinction from Stanford in Electrical Engineering and Biomedical Information Vice President of Universal Cement Corporation Manager for Industrial Technology of Research Institute

Note: Shares held on the book closure starting date of AGM (March 27<sup>th</sup>, 2021)



**List of non-competition obligation of candidates of the 26th directors  
(including independent directors)**

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy Chiu	Chairman of Taiwan Pelican Express Co., Ltd. Chairman of TECO Sun Energy CO., LTD. Managing Director of Tung Pei Industrial Co., Ltd. Director of Lien Chang Electronic Enterprise Co., Ltd. Director of Royal Host Taiwan Co., Ltd. Director of Information Technology Total Services Co., Ltd. Director of TECOM Co., Ltd Director of TECO-MOTECH COMPANY LIMITED Director of TECO Electro Devices Co., Ltd. Director of Yatec Engineering Corporation Director of Century Biotech Development Corporation Director of Century Development Corporation Inc.	Chairman of TECO Australia Pty Limited Chairman of TAIAN (Malaysia) Electric Sdn. Bhd. Chairman of Pelecanus Express Pte. Ltd Chairman of GreyBack International Property Inc. (GIPI) Director of Wuxi TECO Precision Mechatronics Co., Ltd Director of JIANGXI TECO Electric & Machinery Co., Ltd. Director of TEMICO International Pte. Ltd. Director of TEMICO India Private Limited Director of TEMICO Motor India Private Limited Director of Tecom Global Tech Investment Pte. Ltd. Director of Tecom Global Tech Investment (B.V.I.) Ltd. Supervisor of Wuxi Teco Electric & Machinery Co., Ltd.
Cheng-Tsung Huang	Chairman of Sen Yeh Construction Co., Ltd. Chairman of Wan Yu Development Co., Ltd. Independent Director of Aurotek Corporation	None
Tong-An Investment Co., Ltd. Representative: Wen-Chyi Ong	None	None
Tong Ho Global Investment Co., Ltd. Representative: Mao-Hsiung Huang	Chairman of Royal Host Taiwan Co., Ltd. Chairman of Royal Park Co., Ltd. Chairman of MCOM TECHNOLOGY CO., LTD. Chairman of An-Sheng Travel Co., Ltd. Chairman of E-JOY ELECTRONICS INTERNATIONAL CO., LTD. Chairman of United Development Corporation Chairman of Century Biotech Development Corporation Chairman of Century Development Corporation Director of MOS Food Industry Corp. Director of Momo.com Inc. Director of Fujio Food System Taiwan Co., Ltd Director of Tecnos International Consultant Co., Ltd. Director of An-Hui Information Technology., Ltd. Director of An-Shin Food Service Co., Ltd. Director of Taiwan High Speed Rail Co. Ltd. Director of Shin-Etsu Chemical Co., Ltd. Director of Taiwan Pelican Express Co., Ltd. Director of Inotec Taiwan Co., Ltd. Supervisor of Tung Pei Industrial Co., Ltd. Supervisor of Jinglaoman Food & Beverage Co., Ltd.	Chairman of TAIAN Technology Sdn. Bhd. Chairman of MOS Burger Australia Pty. Ltd Director of MOS Burger Xiamen Director of TEMICO Motor India Private Limited Director of TEMICO International Pte. Ltd. Director of TEMICO India Private Limited Director of Tecom Global Tech Investment Pte. Ltd. Director of Tecom Global Tech Investment (B.V.I.) Ltd. Director of TECO Australia Pty Limited. (TAC) Director of TECMA Information Systems Sdn. Bhd. Director of TAIAN (Malaysia) Electric Sdn. Bhd. Director of Subic Bay Development & Management Corporation Director of An-Shin Food Services (Singapore) Pte. Ltd. Supervisor of Technical Information International Co., Ltd.
Walsin Lihwa Corporation Representative: Wey-Chuan Gau	Consultant of KPMG Taiwan CPA of Chuan Jhih CPA Firm Independent Director of Asia Pacific Medical Technology Development Company Limited (APMTD) Consultant of Taiwan Artificial Intelligence and Agriculture Company	Consultant of Maxpro Ventures Ltd. (Seychelles)

Show-Shoun Chou	Consultant of Legislative Yuan Chairman of Yu Shan Entertainment Cooperation CO., Ltd. President of National Policy Foundation	None
Ho Yuan International Investment Co., Ltd. Representative: Pen-Ching Cheng	None	None
Wei-Chi Liu	Independent Director of Fusheng Precision Co., Ltd. Director of Airiti Inc. Independent Director of An-shin Food Services Co., Ltd.	None
Shiang-Chung Chen	Chairman of Mercuries Data Systems Ltd. Director of Mercuries Holdings Corporation Independent Director of Walsin Lihwa Corporation Independent Director of Teco Image Systems Co., Ltd.	None
Hsieh-Hsing Huang	Chairman of Chungsun Prime Certified Public Accountants Supervisor of Kaohsiung Rapid Transit Corporation Consultant of the Board of New Taipei City Real Estate Association	None
Li-Chen Lin	Director of PCL TransAsia Law Offices Chair of LeadSun Investment & Asset Management Limited Director of CPC Corporation, Taiwan Director of Luo Lih-Fen Holding Co., Ltd. Chair of Zhi-Tai Investment Ltd. Chair of Changyuan Wind Power Ltd. Director of Phalanx Biotech Group Director of Central Pictures Corporation Director of Central Pictures Management Consultancy Co., Ltd. Behalf of LeadSun WINION Limited Partnership Chair of LeadsunFox Wind and Solar Energy Co., Ltd. Chair of Beiyuan Wind Power Ltd. Chair of Xinwei Power Co., Ltd. Chair of Huijie Consultancy Co., Ltd. Chair of Leadpower Energy Co., Ltd. Chair of LeadsunFox Greenergy Investment Co., Ltd. Chair of LS Green Holding Ltd.	Executive Director of LeadSun New Star Corp. Executive Director of LeadSun WINION Limited Executive Director of LeadSun KCIS Limited Executive Director of LeadSun Holding Corp

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## **Appendices**

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1. Articles of Incorporation on page 52~62
2. Rules Governing Shareholders' Meeting on page 63-66
3. Rules Governing Election of Directors on pages 67-68
4. Shareholding of All Directors on page 69
5. Notes on page 70

# TECO Electric & Machinery Co., Ltd.

## Articles of Incorporation

(Summary Translation)

This English version is a translation of the Chinese version. If there is any inconsistency or discrepancy between the Chinese and English versions, the Chinese version shall prevail for all intents and purposes.

### Chapter 1 General Provisions

#### Article 1

The Company is incorporated in accordance with the Company Act and is named TECO Electric & Machinery Co., Ltd. The company is named as TECO Electric and Machinery Co., Ltd. in English.

#### Article 2

The scope of business of this Company is as follows:

1. C805050 Manufacture of industrial plastic products;
2. C805070 Manufacture of reinforced plastic products;
3. CA01030 Steel casting;
4. CA01050 Secondary processing of steel materials;
5. CA02010 Manufacture of metal structure and building parts;
6. CB01010 Manufacture of machinery equipment;
7. CB01020 Manufacture of office machines;
8. CB01030 Manufacture of pollution-control equipment;
9. CB01071 Manufacture of refrigerating, air-conditioning equipment;
10. CC01010 Manufacture of generators, power dispatching, power distributing machinery;
11. CC01030 Manufacture of electrical appliance and audio-visual electronic products;
12. CC01060 Manufacture of cable telecommunication machinery and equipment;
13. CC01070 Manufacture of wireless telecommunication machinery and equipment;
14. CC01080 Manufacture of electrical parts and components;
15. CC01101 Manufacturing of controlled telecom radio-frequency products
16. CC01110 Manufacture of computers and the peripheral thereof;
17. CD01010 Manufacture of boats and the parts thereof;
18. CD01020 Manufacture of rail cars and the parts thereof;
19. CD01030 Manufacture of automobiles and the parts thereof;
20. CD01040 Manufacture of motorbikes and the parts thereof;
21. CD01060 Manufacture of aircrafts and the parts thereof;
22. CE01010 Manufacture of general instruments;
23. CE01030 Manufacture of optical instruments;
24. E501011 Services regarding water utilities as contractor;
25. E502010 Installation of fuel pipes;
26. E599010 Engineering of pipe lines;
27. E601010 Service regarding electrical appliance as contractor;
28. E601020 Installation of electrical appliance;
29. E602011 Engineering of refrigerating, air-conditioning equipment;
30. E603010 Installation of cables;
31. E603040 Installation of firefighting safety equipment;
32. E603050 Engineering of automatic control equipment;
33. E603080 Installation of traffic signs;
34. E603090 Installation of illuminating equipment;
35. E604010 Installation of machines;
36. E605010 Installation of computer equipment;
37. F106010 Wholesale of hardware;

38. F106030 Wholesale of tooling;
39. F108031 Wholesale of medical devices
40. F113070 Wholesale of telecom-products
41. F114080 Wholesale of rail cars and the parts thereof;
42. F117010 Wholesale of fire-fighting safety equipment;
43. F119010 Wholesale of electrical materials;
44. F206010 Retail sale of hardware;
45. F206030 Retail sale of tooling;
46. F206040 Retail sale of water equipment and relevant materials;
47. F208031 Retail sale of medical devices;
48. F213040 Retail sale of precision instruments;
49. F213060 Retail of telecom products
50. F218010 Retail of information software
51. F401010 International Trade;
52. F401021 Import of controlled telecommunication radio-frequency devices;
53. F501060 Restaurant services;
54. G801010 Warehousing services;
55. H701010 Development and leasing of residential and business buildings;
56. I103060 Management consulting services;
57. I301010 Information application services;
58. I301020 Data-processing services;
59. I301030 Supply of electronic information services;
60. IF01010 Inspection and repair of firefighting safety equipment services;
61. E606010 Testing and inspection of electrical equipment services;
62. JE01010 Leasing services;
63. ZZ99999 Other businesses not prohibited or restricted legally except those with special permit.

### **Article 3**

The Company may, for the purpose of meeting business needs, provide guarantees to others.

### **Article 4**

The Company may, for the purpose of meeting business needs, authorize the Board of Directors to make investment in relevant businesses without regard to Article 13 of the Company Act.

### **Article 5**

The Company will have its head office located in Taipei and the Board of Directors may set up branch offices and production facilities from time to time in consideration of the business needs of the Company.

## **Chapter 2 Capital stocks**

### **Article 6**

The total capital of the Company is NT\$30,305,500,000 divided into 3,030,550,000 shares with a par value of NT\$10 each. The Board of Directors is authorized to issue the shares in installment in consideration of the business needs of the Company.

A total of NT\$1,000,000,000 of the above total capital will be reserved for issuance of employee stock options for a total of 100,000,000 shares of stocks with a par value of NT\$10 each, which may be issued in installments according to the resolution adopted by the relevant meeting of the Board of Directors.

With the approval of two thirds of voting right owned by attending shareholders representing over half of the total issued shares at a shareholders' meeting, subscription price for the issuance of employee warrants can be exempt from the restriction included in article 53 of the "guidelines for the raising and issuance of securities" and the issuance can be carried out in several batches within one year after the resolution is made by shareholders' meeting.

The company's share-subscription warrants for employees can also be issued to employees of subordinate companies meeting a certain conditions.

#### **Article 6-1**

The rights and obligations and other important issuance terms of Class A preferred shares of the Company are as follows:

1. The dividend for preferred shares is limited to an annual rate of 5%, calculated by the issuance price per share, and the dividend may be one-time distributed in cash every year. The board or the chairman empowered by the board will determine the base date to pay the distributable dividends of the previous year. The distribution amount of dividends in the year of issuance and recovery is calculated by the actual issuance days of the current year
2. The Company has discretion over the dividend distribution of preferred shares. The Company may decide not to distribute dividends of preferred shares if there are no earnings in the annual accounts, or the earnings are insufficient to distribute dividends of preferred shares, or the distribution of dividends of preferred shares will cause the capital adequacy ratio to be lower than the minimum requirement by laws or competent authority or other necessary consideration. The shareholders of preferred shares may not object to the board's decision to not distribute dividends. The preferred shares issued are of the non-accumulative type, the undistributed dividends or the deficit of dividends will not be accumulated for deferred payment in the years with earnings in the future.
3. The dividends prescribed in Subparagraph 1 of this Paragraph, shareholders of preferred shares may not be a part of the cash and equity capital of earnings and additional paid-in capital of ordinary shares.
4. Preferred shares may not be converted to ordinary shares.
5. The distribution priority for shareholders of preferred shares on the residual property of the Company is ahead of shareholders of ordinary shares and equal to the preferential order of shareholders of all preferred shares issued by the Company, and the preferential order is only lower than general creditors. The repayment shall be capped at respective issue amount of Preferred Shares A upon liquidation.
6. Shareholders of Preferred Shares A have voting rights or suffrage equal to that of the common stock shareholder.
7. The Preferred Shares A is perpetual but may be redeemed in whole or in part at issue price no earlier than the day following the fifth anniversary of the issuance date. Shareholders do not have the right to request the company to redeem preferred shares. Holders of the outstanding Class A Preferred Shares are entitled to receive declared dividends based on the actual days in the redemption year up to the date of redemption should the Company decide to declare dividend for the redemption year.
8. If any Class A preferred shares remains outstanding, except to make up for losses, share premium of Class A Preferred Shares should not be capitalized into share capital.

The Board is authorized to determine the name, issuance date and specific issuance terms upon actual issuance, after considering the situation of capital market and investors' willingness for subscription, in accordance with Articles of Incorporation and related laws and regulations.

#### **Article 6-2**

The rights, obligations and other important issuance terms of Class B Preferred Shares are as follows:

1. The dividend rate of Class B Preferred Shares is capped at 5% per annum on the issue price. Dividends are paid annually in cash in one lump sum. The Chairman is authorized by the Board of Directors or a Board Resolution to set the ex-dividend date and the amount of dividends to be paid for the previous fiscal year. In the year of issuance and redemption, the distribution of the payable dividends shall be calculated proportionally based on the actual number of days the Class B Preferred Shares remained outstanding in that year.
2. The Company has sole discretion on the distribution of Class B Preferred Share dividends. If there is no earning or insufficient earning for distributing dividends of Class A Preferred Shares in the fiscal year, or the Company has other necessary considerations, the Board may decide not to distribute Class B Preferred Share dividends by Board Resolution, and it will not be deemed as an event of default. Class B Preferred Shares are noncumulative shares. If the Company decide not to distribute preferred share dividends or to distribute insufficient dividend, the undistributed dividends or shortfalls in dividends distributed shall not be cumulative and shall cease to accrue and be payable, therefore no deferred payment will be paid in subsequent years where there are earnings.
3. Except for the dividend prescribed in Subparagraph 1 of this Paragraph, Class B Preferred Shareholders are not entitled to participate in the distribution of cash or share dividends with regard of the common shares derived from earnings or capital reserves.
4. Class B Preferred Shares may not be converted within 3 year after the date of issuance. The Board is authorized to set the convertible period in the actual issuance terms. Holders of convertible Preferred Shares may, pursuant to the issuance terms, apply for conversion of its shareholding (in whole or in part) to common shares pursuant to the conversion ratio set out in the issuance terms (ratio is 1:1). Upon conversion, the converted shares shall have the same rights and obligations as common shares. Class B Preferred shares that are converted into common shares before the ex-dividend date shall participate in the distribution of profit and capital reserve to holders of common shares, and may not participate in the distribution of Class B Preferred Share dividends that year. Class B Preferred Shares that are converted into common shares after the ex-dividend date shall participate in the distribution of Class B Preferred Share dividends that year, and may not participate in the distribution of profit and capital reserve to holders of common shares. In principle, holders of the converted shares should not participate in both the distribution of preferred share dividends and common share dividends during the same year for the same converted shares.
5. Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company, holders of outstanding Class B preferred shares are entitled to receive residual assets of the Company available for distribution to stockholders, before any distribution of assets is made to holders of the common shares. Class B preferred shares and other classes of preferred shares of the Company shall rank pari passu without any preference among themselves and their repayment shall be capped at their respective issue amount.
6. Class B Preferred Share Shareholders are entitled to the same voting rights and the right to be elected as common share shareholders during general shareholders' meeting.
7. Class B Preferred Shares are perpetual preferred shares. Holders of Class B Preferred Shares have no right to request redemption of such shares by the Company. However, the Company may redeem Class B Preferred Shares in whole or in part at the actual issue price after the day following the fifth anniversary of issuing. The rights and obligations of the remaining and outstanding Class B Preferred Shares as described in the preceding paragraphs will remain unchanged. Holders of the outstanding Class B Preferred Shares are entitled to receive declared dividends based on the actual days in the redemption year up to the date of redemption should the Company decide to declare dividend for the redemption year.
8. If any Class B preferred shares remains outstanding, except to make up for losses, share premium of Class B Preferred Shares should not be capitalized into share capital.

The Board is authorized to determine the name, issuance date and specific issuance terms upon actual issuance, after considering the situation of capital market and investors' willingness for subscription, in accordance with Articles of Incorporation and related laws and regulations.

#### **Article 6-3**

The rights, obligations and other important issuance terms of Class C Preferred Shares are as follows:

1. The dividend rate of Class C Preferred Shares is 5% per annum on the issue price. Dividends are paid annually in cash in one lump sum. The Chairman is authorized by the Board of Directors or a Board Resolution to set the ex-dividend date and the amount of dividends to be paid for the previous fiscal year. In the year of issuance and redemption, the distribution of the payable dividends shall be calculated proportionally based on the actual number of days the Class C Preferred Shares remained outstanding in that year.
2. The Company has sole discretion on the distribution of Class C Preferred Share dividends. If there is no earning or insufficient earning for distributing dividends of Class C Preferred Shares in the fiscal year, or the Company has other necessary considerations, the Board may decide not to distribute Class C Preferred Share dividends by Board Resolution, and it will not be deemed as an event of default. If the Company decide not to distribute preferred share dividends or to distribute insufficient dividend, the dividends shall be accumulated for priority retroactive issuance in subsequent year where earnings are reported.
3. Except for the dividend prescribed in Subparagraph 1 of this Paragraph, Class C Preferred Shareholders are not entitled to participate in the distribution of cash or share dividends with regard of the common shares derived from earnings or capital reserves.
4. Class C Preferred Shares may not be converted within 3 year after the date of issuance. The Board is authorized to set the convertible period in the actual issuance terms. Holders of convertible Preferred Shares may, pursuant to the issuance terms, apply for conversion of its shareholding (in whole or in part) to common shares pursuant to the conversion ratio set out in the issuance terms (ratio is 1:1). Upon conversion, the converted shares shall have the same rights and obligations as common shares. Class C Preferred shares that are converted into common shares before the ex-dividend date shall participate in the distribution of profit and capital reserve to holders of common shares, and may not participate in the distribution of Class C Preferred Share dividends that year. Class C Preferred Shares that are converted into common shares after the ex-dividend date shall participate in the distribution of Class C Preferred Share dividends that year, and may not participate in the distribution of profit and capital reserve to holders of common shares. In principle, holders of the converted shares should not participate in both the distribution of preferred share dividends and common share dividends during the same year for the same converted shares.
5. Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company, holders of outstanding Class C preferred shares are entitled to receive residual assets of the Company available for distribution to stockholders, before any distribution of assets is made to holders of the common shares. Class C preferred shares and other classes of preferred shares of the Company shall rank *pari passu* without any preference among themselves and their repayment shall be capped at their respective issue amount.
6. Class C Preferred Share Shareholders are entitled to the same voting rights and the right to be elected as common share shareholders during general shareholders' meeting.
7. Class C Preferred Shares are perpetual preferred shares. Holders of Class C Preferred Shares have no right to request redemption of such shares by the Company. However, the Company may redeem Class C Preferred Shares in whole or in part at the actual issue price after the day following the fifth anniversary of issuing. The rights and obligations of the remaining and outstanding Class C Preferred Shares as described in the preceding paragraphs will remain unchanged. Holders of the outstanding Class C Preferred Shares are entitled to receive declared dividends based on the actual days in



the redemption year up to the date of redemption should the Company decide to declare dividend for the redemption year.

8. If any Class C preferred shares remains outstanding, except to make up for losses, share premium of Class C Preferred Shares should not be capitalized into share capital.

The Board is authorized to determine the name, issuance date and specific issuance terms upon actual issuance, after considering the situation of capital market and investors' willingness for subscription, in accordance with Articles of Incorporation and related laws and regulations.

#### **Article 7**

The company can buy back issued shares from the centralized securities market, according to article 10-1 of "measures for buying back shares by listed firms." With approval of two thirds of voting right owned by attending shareholders representing over half of issued shares, the company can transfer the bought-back shares to employees at price lower the average purchase price.

Targets for transfer of shares purchased by the company legally can include employees of the subordinate companies meeting a certain conditions.

#### **Article 8**

The Company may issue shares without printing share certificates. All of the stocks of the Company will be duly issued as name-bearing stocks and duly registered.

#### **Article 9**

All transfer of stocks shall be suspended 60 days prior to the annual general shareholders meeting date, 30 days prior the extraordinary shareholders meeting date, and five days prior to the date of distribution of dividend, profit-sharing or other interests.

### **Chapter 3 Shareholders' Meeting**

#### **Article 10**

The Company will have two types of shareholders meetings:

1. General shareholder meeting to be convened within six months after the end of each fiscal year;
2. Extraordinary shareholders meeting to be convened where necessary; and

The convention of the above shareholders meetings will be notified to the shareholders 30 days prior to the meeting date of the general shareholders meeting and 15 days prior to the meeting date of the extraordinary shareholders meeting.

The shareholders' meeting of preferred shares may be convened in accordance with relevant laws whenever necessary.

#### **Article 11**

Each shareholder of this Company will have one vote on each share held except those without voting right according to company law and related regulations.

#### **Article 12**

Where the shareholder is unable to attend the shareholders meeting in person, he/she may appoint a proxy to act on his/her behalf at the meeting by signing the proxy form prepared by the Company. The number of votes by a proxy acting on behalf of two or more shareholders at the shareholders meeting shall not exceed the total number of votes representing 3% of the total issued shares of the Company with all excess votes disregarded, except where such

proxy is a trust business or stock affairs agency institution approved by the competent securities authority.

#### **Article 13**

Except as otherwise provided by the Company Act, the Shareholders' Meeting may be called to order on and only on the attendance by shareholders representing the majority of the total issued shares. Resolutions of the shareholders meeting shall be adopted by the majority votes at the meeting.

The resolutions of the shareholders meeting shall be recorded in the meeting minutes signed or sealed with the chop of the chairperson and distributed to the shareholders each within 20 days after the meeting, provided that the service of the meeting minutes may be made by public notice with respect to shareholders.

#### **Article 14**

The shareholders shall be presided by the person who is legally authorized to convene the meeting. Where there are two or more conveners, they shall elect one from among themselves to preside the meeting.

### **Chapter 4 Board of Directors**

#### **Article 15**

The Board of Directors of the Company will be formed by 7 to 11 Directors to be elected from among the shareholders with disposing capacity. The Board of Directors is authorized to determine the number of Directors. The Director each will serve a term of office of three years and is eligible for re-election.

At least 3 of the aforementioned directors are independent directors.

Candidates for directors are nominated, according article 192-1 of the Company Law. Method for acceptance of the nomination for directors, its publication, and other related affairs will be conducted according to the Company Law, the Securities and Exchange Act, and other related law/regulation.

#### **Article 16**

The Directors shall elect among themselves the Chairman and Vice Chairman of the Company, and the election should be attended by over two-thirds of the directors and adopted by a majority of the directors present. The 3 managing directors shall be elected from among the directors in accordance with the same manner. The Chairman will externally represent the Company and act as the chairperson of the Shareholders' Meetings, meetings of the Board of Directors and meetings of the Managing Directors. At least one of the nominated Managing Directors shall be an independent director, and no less than one fifth of the total number of Managing Directors.

#### **Article 17**

The Chairman will convene and preside the meetings of the Board of Directors except the first meeting of every new term of office which shall be convened by the Director who was elected with the highest number of votes at the relevant election or pertaining to relevant laws. Where the Chairman is for whatever reason unable to perform his/her functions at the meeting, the Vice Chairman shall act in his/her stead. If the Vice Chairman is for whatever reason unable to perform the function at the meeting, the Chairman shall appoint one from among the Managing Directors to act in his/her stead, in the case where there are no Managing Directors, a Director shall be appointed. Absent such appointment, the Managing Directors shall elect

one from among themselves to act instead of the Chairman at the meeting, where there are no Managing Directors, Directors shall elect one from among themselves.

#### **Article 18**

Except as otherwise provided by the Company Act, the meeting of the Board of Directors may be called to order on and only on attendance by the majority of the Directors. The resolution of the meeting of the Board of Directors shall be adopted by the majority votes at the meeting.

If the Director is for whatever reason unable to attend the meeting of the Board of Director in person, he/she may appoint another Director to act in his/her stead by issuing a signed proxy. The Managing Director may also appoint another Managing Director to act in his/her stead at the meeting of the Managing Directors.

The board of directors should be convened every quarter. Notice, along with the description of the meeting, will be given to every director seven days in advance. The notice can be given in written form, fax, or e-mail.

The meeting of the Board of Directors may be conducted via audio- or video-teleconference. All Directors present at the meeting via teleconference will be deemed present at the meeting in person.

#### **Article 19**

The function of the Board of Directors is to

1. examine and determine important bylaws and contracts;
2. determine business operation policy;
3. examine and determine budgets and final accounting;
4. propose capital increase (reduction);
5. propose profit distribution plan;
6. determine the organization of the business departments of the Company, appoint and discharge managerial officers;
7. examine and approve purchase or disposal of important property and real estate;
8. examine and approve provision of guaranty and loan to external investments;
9. examine and approve investment in relevant business at home or abroad; and
10. perform other functions conferred upon bylaw or the shareholders meeting.

#### **Article 20**

In case the vacancies on the Board of Directors exceed one third of the total number of Directors, the Board of Directors shall convene an extraordinary shareholders meeting within 60 days to elect new Directors to fill the vacancies.

The new Directors shall serve the remaining term of office of the predecessors.

#### **Article 21**

Compensations for the chairpersons, vice chairpersons, and directors should be proposed by "Compensation Committee", according to their involvement in the company's operation, the value of their contribution, and reference of domestic and overseas level. The proposal will be submitted to the board of directors for approval.

## **Chapter 5 Audit Committee**

### **Article 22**

The company institutes audit committee, consisting of all the independent directors, according to the law. Audit committee will take over the responsibilities and power of supervisors, stipulated in the Company Law, Securities Trading Law, and other laws. Organizational charter for the audit committee should be formulated to cover the number, term, meeting rules, and provision of resources by the company for the exercise of its duties.

## **Chapter 6 Managerial officers**

### **Article 23**

The Company will have presidents, vice presidents and assistant vice presidents to be appointed and discharged in accordance with Article 29 of the Company Act. The president will take general charge of the operation of the Company according to the instruction from the Chairman.

### **Article 24**

The presidents, vice presidents and assistant vice presidents shall be the responsible person of the business they each take charge of with the powers and duties to operate and manage such business.

## **Chapter 7 Accounting**

### **Article 25**

The Board of Directors shall after the end of each fiscal year produce the following reports and statements and submit the same to the Shareholders Meeting for ratification:

1. Business report.
2. Financial statement.
3. Proposed stock dividend of profit distribution or loss make-up plan

### **Article 26**

The company appropriates part of its annual profits, ranging from 1% to 10%, for distribution of remuneration to employee. Remuneration to directors are capped at 5% of profits. Employees of affiliated companies are also entitled to remuneration to employee. Profits should be used, in priority, for making up accumulated loss, should it exist.

The shares of the aforementioned distribution of remuneration to employee and the directors, as well as the choice of stock or cash should be resolved by the board of directors, with approval of over half of attendees in a meeting attended by over two thirds of directors, before being reported to shareholders' meeting.

The annual profit mentioned in item 1 refers to pre-tax profits of the year before deduction of distribution of remuneration to employee and directors.

### **Article 27**

Profit, should it appear in final account, should be used, in descending order, in paying tax, making up for accumulated loss, and then appropriating 10% of the remainder for legal reserve, on top of appropriation or reversal of special reserve, according to the regulation of regulator. The balance for the current year, should it exist, shall first be distributed as dividends to holders of Preferred Shares, and any remaining amount may be should be combined with retained

earnings of previous year for the board of directions to formulate proposal of profit distribution for approval by the shareholders' meeting.

The Company is in a stably growing industry with investment made in developing business. In consideration of possible expansion of operation and investment, the earnings distributed to the shareholders each year will basically be in an amount equal to 80% of the earnings received in the period combined with the retained earnings from the previous year, net of the legal reserve and special earning reserve. Basically 50% but not less than 5% of the earnings distributed to the shareholders shall be distributed in cash.

## **Chapter 8 Supplemental Provisions**

### **Article 28**

The rules governing the organization of the Company shall be prescribed by the Board of Directors.

### **Article 29**

Matters not provided herein shall be in accordance with the Company Act and the relevant laws and regulations.

### **Article 30**

These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows:

The first amendment on 25 January 1957;  
The second amendment on 1 September 1958;  
The third amendment on 27 March 1960;  
The fourth amendment on 31 March 1962;  
The fifth amendment on 14 July 1962;  
The sixth amendment on 25 April 1964;  
The seventh amendment on 26 March 1966;  
The eighth amendment on 27 May 1966;  
The ninth amendment on 15 April 1967;  
The tenth amendment on 23 March 1968;  
The eleventh amendment on 30 May 1969;  
The twelfth amendment on 24 October 1969;  
The thirteenth amendment on 20 February 1971;  
The fourteenth amendment on 10 May 1971;  
The fifteenth amendment on 12 May 1972;  
The sixteenth amendment on 16 April 1973;  
The seventeenth amendment on 2 June 1973;  
The eighteenth amendment on 14 April 1974;  
The nineteenth amendment on 18 April 1975;  
The twentieth amendment on 26 March 1976;  
The twenty-first amendment on 16 April 1977;  
The twenty-second amendment on 21 April 1978;  
The twenty-third amendment on 20 October 1978;  
The twenty-fourth amendment on 19 April 1979;  
The twenty-fifth amendment on 28 March 1980;  
The twenty-sixth amendment on 18 April 1981;  
The twenty-seventh amendment on 27 March 1982;  
The twenty-eighth amendment on 28 March 1983;  
The twenty-ninth amendment on 28 March 1984;  
The thirtieth amendment on 28 March 1985;

The thirty-first amendment on 28 March 1986;  
The thirty-second amendment on 28 March 1987;  
The thirty-third amendment on 28 March 1988;  
The thirty-fourth amendment on 28 March 1989;  
The thirty-fifth amendment on 28 March 1999;  
The thirty-sixth amendment on 7 May 1991;  
The thirty-seventh amendment on 8 May 1992;  
The thirty-eighth amendment on 7 May 1993;  
The thirty-ninth amendment on 28 April 1994;  
The fortieth amendment on 6 May 1995;  
The forty-first amendment on 11 May 1996;  
The forth-second amendment on 24 May 1997;  
The forty-third amendment on 15 May 1998;  
The forty-fourth amendment on 21 April 2000;  
The forty-fifth amendment on 15 May 2001;  
The forty-sixth amendment on 31 May 2002;  
The forty-seventh amendment on 6 June 2003;  
The forty-eighth amendment on 11 June 2004;  
The forty-ninth amendment on 27 May 2005;  
The fiftieth amendment on 15 June 2006;  
The fifty-first amendment on 13 June 2008;  
The fifty-second amendment on June 19, 2009;  
The fifty-third amendment on June 10, 2011;  
The fifty-fourth amendment was on June 15, 2012;  
The fifty-fifth amendment was on June 23, 2014;  
The fifty-sixth amendment was on June 16, 2016;  
The fifty-seventh amendment was on June 14, 2019;  
The fifty-eighth amendment was on May 11, 2020.  
It took effect after the approval of shareholders' meeting.

# TECO Electric & Machinery Co., Ltd.

## Rules Governing Shareholders' Meetings

(Summary Translation)

This English version is a translation of the Chinese version. If there is any inconsistency or discrepancy between the Chinese and English versions, the Chinese version shall prevail for all intents and purposes.

### Article 1

Except as otherwise provided by law or the Articles of Incorporation of the Company, the Shareholders' Meetings of the Company shall be governed by these Rules.

### Article 2

The shareholder shall register his/her attendance by handing in his/her signed attendance card.

The number of shares present at the meeting will be counted according to the signed attendance cards received, plus the shares for the exercise of voting right via written or electronic method.

### Article 3

The quorum and ballots at the Shareholders' Meeting will be counted according to the number of shares represented at the meeting.

### Article 4

The shareholders meeting shall be convened at the place where the Company is located or any other appropriate place convenient for the shareholders to attend and shall be called to order no earlier than 9:00AM and no later than 3:00PM on the meeting date.

### Article 5

Where the shareholders meeting is convened by the Board of Directors, the meeting shall be presided by the Chairman of the Board of Directors. If the Chairman is for any reason unable to perform his/her functions at the meeting, the Vice-Chairman shall act on his/her behalf. If the Vice-Chairman is for any reason unable to perform the function at the meeting as well, the Chairman shall appoint a Managing Director to act on his/her behalf at the meeting. In the absence of such appointment, the Managing Directors shall elect one from among themselves to preside the meeting. Where the Shareholders' Meeting is convened by any person legally authorized to do so other than the Board of Directors, the meeting shall be presided by such person. Where there are two or more conveners, they shall elect one from among themselves to preside the meeting.

### Article 6

The Company may appoint legal counsel, certified public accountant or relevant personnel to attend the Shareholders' Meeting without the right to vote.

Personnel administering affairs at the Shareholders' Meeting shall each wear a tag or badge bearing their designation.

### Article 7

The whole proceeding of the Shareholders' Meeting shall be video- or tape-recorded and such recording shall be kept for at least one year.

**Article 8**

The chairperson shall call the meeting to order as scheduled, provided that where the number of shares represented at the meeting is less than the majority of the total issued shares, the chairperson may announce to postpone calling the meeting to order twice and only twice for not more than one hour in total. If the quorum is still not met after the postponement duration has expired with the number of shares represented at the meeting exceeding one third of the total issued shares, temporary resolutions may be adopted in accordance with the first paragraph of Article 175 of the Company Act.

If the number of shares represented at the meeting represents the majority of the total issued shares before the meeting is adjourned, the chairperson shall present the temporary resolutions made for voting pursuant to Article 174 of the Company Act.

**Article 9**

Where the Shareholders' Meeting is convened by the Board of Directors, the agenda shall be determined by the Board of Directors and the meeting shall proceed according to the agenda except otherwise changed by the resolution adopted by the Shareholders' Meeting.

Where the Shareholders' Meeting is convened by any person legally authorized to do so other than the Board of Director, the preceding paragraph shall operate with appropriate and necessary alteration.

The chairperson shall not forthwith announce to adjourn the meeting before the agenda provided in the two preceding paragraphs (including extempore motions) is duly completed, except on the resolution adopted by the Shareholders' Meeting for him/her to do so.

No shareholders shall elect a chairperson to continue the meeting at the same place or elsewhere after the meeting is duly pronounced adjourned.

**Article 10**

The shareholder shall fill out the request for taking the floor before making statement at the meeting and he/she will indicate the gist of his/her statement to make, shareholder account number (or attendance card number) and shareholder name. The chairperson will decide the order for the shareholders to make their statement. The statement made by any shareholder acting in breach of the above shall be disregarded. The shareholder who has only filled out the request for taking the floor without actually doing so shall be deemed not having made any statement. In case of any discrepancy between the gist of statement indicated in the shareholder's request for taking the floor and the record of his/her statement made, the record shall govern.

No shareholder may interrupt the statement being made by the shareholder taking the floor without the consent of both the chairperson and the shareholder taking the floor. The chairperson shall restrain any shareholder acting in breach of the above and the statement made by such shareholder shall be disregarded.

**Article 11**

Each shareholder may make statement on the same issue not more than twice and not more than five minutes unless the chairperson consents otherwise.

The statements made by any shareholder acting in breach of the preceding paragraph or irrelevant to the issues will be disregarded and the chairperson may prevent him or her from making statement.



**Article 12**

An institutional entity who is to attend the Shareholders' Meeting in proxy may appoint one and only one representative to attend the meeting

Institutional shareholder who has appointed two more or representatives to attend the Shareholders' Meeting will have its statement (if any) on the same issue by only one of its appointed representatives.

**Article 13**

The chairperson may personally respond to the statement made by the shareholder or appoint the relevant personnel to do so.

**Article 14**

The chairperson may announce to conclude the discussion on a proposal as he/she sees fit and submit the proposal to voting for resolution.

**Article 15**

The personnel supervising the voting and counting the ballots of voting shall be appointed by the chairperson, provided that the personnel supervising the voting must be appointed from among the shareholders. The outcome of the voting shall be announced on the spot and taken down in the minutes.

**Article 16**

The chairperson may call the meeting to a break as he/she sees fit.

**Article 17**

Except as otherwise provided by the Company Law or the Articles of Incorporation of the Company, a resolution shall be adopted by more than half of the votes represented by the shareholders present at the Meeting. If shareholders exercising voting right in written or electronic method don't express objection and the chairperson doesn't receive objection from attending shareholders, the proposal will be regarded as receiving approval in entirety. On the day after the holding of shareholders' meeting, post the result of agreement, objection, or no opinion on the Market Observation Post System.

**Article 18**

The chairperson shall combine the revision or substitute proposal (if any) on a proposal with that proposal for the purpose of determining their order of voting. If one of the proposals is adopted, the other proposals shall be deemed vetoed and no voting on them will be necessary.

**Article 19**

The chairperson may direct the order-maintaining personnel (or security guard) to maintain the order of the meeting. Each order-maintaining personnel (or security guard) shall wear a badge bearing their designation when performing their function at the meeting.

**Article 20**

These Rules are amended pursuant to the Company Law and related law/regulation with implemented after being approved by the Shareholders' Meeting. Procedure for revision is the same.

**Article 21**

These Rules were adopted by the extraordinary Shareholders' Meeting on June 2, 1973. The first amendment to these Rules was adopted by the General Shareholders' Meeting on May 11, 1996.

The second amendment to these Rules was adopted by the General Shareholders' Meeting on May 15, 1998.

The third amendment to these Rules was adopted by the General Shareholders' Meeting on May 31, 2002.

The fourth amendment to these Rules was adopted by the General Shareholders' Meeting on June 15, 2012.

# TECO Electric & Machinery Co., Ltd.

## Rules Governing Election of Directors

(Summary Translation)

This English version is a translation of the Chinese version. If there is any inconsistency or discrepancy between the Chinese and English versions, the Chinese version shall prevail for all intents and purposes.

### Article 1

The election of the directors of the Company shall be in accordance with these Rules.

### Article 2

Candidate's nomination system is adopted for election of the directors of the Company. Except as otherwise provided by the Article of Incorporation of the Company, each share of the Company held shall have the same number of votes as the number of the directors to be elected, which may be for one and the same candidate or distributed for a plural number of candidates.

### Article 3

The chairperson of the election shall appoint a number of voting supervisors and ballots counters before the election begins.

### Article 4

The directors of the Company will be elected by the relevant shareholders meeting from among those who have disposing capacity. The number of directors elected shall be in accordance with the Articles of Incorporation of the Company according to the number of votes represented by the ballots won. The independent directors and non-independent directors shall be elected at the same election with the number of independent directors elect and that of the general directors elect counted separately. The election of the independent directors shall be in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and the relevant rules, laws and regulations. Where there are two or more candidates who have each won equal number of votes and the number of vacancies to fill is less than such candidates, the elect shall be determined by drawing lot. Those who are not present at the meeting shall be represented by the chairperson to draw the lot.

### Article 5

Except as otherwise approved by the competent authority, the number of the directors of the Company who run into either of the following relationships among themselves must be less than one half of the total number of directors:

1. Spouse; or
2. Relatives of the second degree.

For elected directors who run counter to the aforementioned regulation, those gaining the support of fewer voting rights should be disqualified.

### Article 6

The ballots shall be produced and prepared by the Board of Directors; each ballot shall bear the number of the attendance card and the number of votes it represents.

**Article 7**

The voting shareholder shall indicate in the ballot the account name and shareholder account number of the candidate voted if he or she is a shareholder, and the name and the national identification card number or passport number of the candidate voted if he or she is not a shareholder. However, where the candidate voted is a government agency or institutional shareholder, the voting shareholder shall fill in the ballot the title of such government agency or institutional shareholder and the names of all of its representatives (if any).

**Article 8**

A ballot cast will be void if

1. It is not in the form and substance prepared by the Board;
2. It bears the names of various candidates, which outnumbers the limit fixed;
3. It bears any words other than the personal (account) name, shareholder account number (or identification paper number) of the candidate voted, and the number of the votes cast;
4. It is blank;
5. It is illegible or altered;
6. Where the candidate written therein is a shareholder, the account name or the shareholder account number is different from that indicated in the shareholders roster; where the candidate written therein is a non-shareholder, the personal name written therein is different from his or her identification paper;
7. Where the candidate written therein is a shareholder, the account name written therein is identical with another shareholder's with no shareholder account number given for identification purposes; or where the candidate written therein is not a shareholder, the personal name indicated therein is identical with that of another non-shareholder with no identification number given for identification purposes.

**Article 9**

The ballots shall be open at the end of the voting and the result of the election shall be announced by the chairperson.

**Article 10**

The directors elected shall each cause their signed acceptance letters served to the Company within 12 days from the election date.

**Article 11**

These Rules and all subsequent amendments each shall come into force after being adopted by the relevant shareholders meeting.

**Article 12**

These Rules were adopted by the shareholders meeting of 14 April 1974.

The first amendment to these Rules was adopted by the shareholders meeting of 31 May 2002.

The second amendment to these Rules was adopted by the shareholders meeting of 13 June 2008.

The third amendment to these Rules was adopted by the shareholders meeting of 10 June 2011.

The fourth amendment to these Rules was adopted by the shareholders meeting of 23 June 2014.

## TECO Electric & Machinery Co., Ltd. Shareholding of All Directors

1. Types and number of issued shares: common stocks, 2,138,796,616 shares in total.
2. Minimum required shareholding by all Directors: 51,331,119 shares (Note 1)
3. Minimum required shareholding by all Supervisors: Not Applicable (Already set up Audit Committee)
4. The total shareholding of all Directors meets the minimum shareholding requirement.

Period of suspension of share transfer: March 27<sup>th</sup> 2021 ~ May 25<sup>th</sup> 2021

Title	Name	Date elected (yy.mm.dd)	Term of office	Shareholding when elected		Number of shares held recorded in the shareholders roster as of the date of suspension of share transfer	
				Number of shares held	%	Number of shares held	%
Chairman	Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy, Chiu	20180615	3yrs	30,341,364	1.52%	31,991,364	1.50%
Managing Director	Tong Ho Gloabl Investment Co., Ltd Representative: Chao-Kai, Liu	20180615	3yrs	2,240,262	0.11%	2,240,262	0.10%
Managing Director	Cheng-Tsung, Huang	20180615	3yrs	15,279,849	0.76%	15,279,849	0.71%
Managing & Independent Director	Wei-Chi, Liu	20180615	3yrs	0	0	0	0
Independent Director	Jin-Fu, Chang	20180615	3yrs	0	0	0	0
Independent Director	Ting-Wong, Cheng	20180615	3yrs	0	0	0	0
Director	Mao-Hsiung, Huang	20180615	3yrs	18,486,633	0.92%	18,486,633	0.86%
Director	Yinge Int. Inv. Co., Ltd Representative: Li-Chong, Huang (Note 2)	20180615	3yrs	10,079,600	0.50%	14,454,698	0.68%
Director	Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo	20180615	3yrs	304,000	0.02%	1,104,000	0.05%
Director	Tong-An Investment Co., Ltd Representative: Shang-Wei, Kao	20180615	3yrs	19,540,052	0.98%	19,540,052	0.91%
Director	Kuang Yuan Industrial Co., Ltd. Representative: Shih-Chien, Yang	20180615	3yrs	22,033,919	1.10%	26,833,919	1.26%
Director	Tong Kuang Investment Co., Ltd. Representative: Hong-Hsiang, Lin	20180615	3yrs	30,341,364	1.52%	31,991,364	1.50%
Director	Yubantec Co., Ltd. Representative: Tung-Hai, Kao	20180615	3yrs	13,200,000	0.66%	20,889,000	0.98%
Total number of shares held by all Directors (Repeaters are counted as a single account)				131,505,679	6.57%	150,819,777	7.05%

Note 1: According to Article 2 of "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", if there are two or more independent directors elected, the minimum shareholding of all directors and supervisors, excluding independent directors, could drop to 80% of original requirement.

Note 2: The representative of Yinge Int. Inv. Co., Ltd. changed from Po-chih, Huang to Li-Chong Huang on January 1<sup>st</sup> 2021

# TECO Electric & Machinery Co., Ltd.

## Notes

1. Impact on Company's business performance, EPS and ROI from the stock grant proposed by Shareholders Meeting: Not applicable.
2. Information on proposals submitted to the shareholders' meeting
  - a. According to article 172-1 of the Company Law, shareholders with over 1% holding of total shares issued can submit only one written proposal, containing up to 300 words, to shareholders' meeting.
  - b. Shareholders can put forth proposals to the shareholders' meeting during March 19<sup>th</sup> -29<sup>th</sup> (till 5pm), 2021, which had been posted on the Market Observation Post System of the Taiwan Stock Exchange, according to law.
  - c. The company received a proposal from the shareholder, Creative Sensor Inc., during the period. The proposal is listed in agenda of Annual Shareholders' meeting 2021 after reviewed and passed by the Board of Directors
3. Information on nomination submitted to the shareholders' meeting:
  - a. According to article 192-1 of the Company Law, shareholders could nominate the candidates of board of directors, containing up to the numbers to be elected. Board of directors follows the same rules as well. According to the explanation, Jing Shang Zi No. 10702429010, issued to explain issued by Ministry of Economic Affairs dated on December 21st, 2018, if the list of director candidates is proposed by the board of directors, it is not subject to restrictions on the submission within the period of acceptance.
  - b. Shareholders can put forth nomination to the shareholders' meeting during March 19<sup>th</sup> -29<sup>th</sup> (till 5pm), 2021, which had been posted on the Market Observation Post System of the Taiwan Stock Exchange, according to law.
  - c. The nomination received by the Company during the period, which had been posted on the Market Observation Post System of the Taiwan Stock Exchange, according to the related regulations.