

May 21st 2021

Dear Shareholders,

In continuing the growth momentum starting from the second half of 2020, the company's revenue scored a double-digit growth in the first quarter this year, up 12.4% over a year earlier to NT\$12 billion, thanks to robust sales of emerging businesses, including smart manufacturing, smart city, and new energy & engineering, on top of steady cash inflow from electrification products:

Electrification products: Q1 sales reached NT\$4.1 billion, slightly higher than a year earlier, as sales growth in mainland China offset decline in the U.S., the latter due to the effect of COVID-19 pandemic, which, though, has started to show sign of recovery, following extensive vaccination.

Smart manufacturing: Q1 sales jumped 13.5% year-on-year to NT\$2.7 billion, thanks to strong performance of automation and equipment procurement from China(TECO Shanghai), Europe(Motovrio), and ITTS (Information Technology Total Services, Taiwan).

Smart city: Smart city-related sales advanced 9.4% YoY to NT\$2.4 billion in Q1, thanks to robust business of TECO' home appliances and Taiwan Pelican Express amid the pandemic, induced by popularity of work-from-home and e-commerce.

New energy & engineering: Q1 revenue leapt 22% over a year earlier to NT\$1.3 billion, thanks to engineering contracts for wind power and IDC equipment room projects landed in 2020.

Q1 recurring gross margin stood at 23.7%, 0.5 of a percentage point lower than a year earlier but 3.2% higher than Q4 2020, due to three factors: rise of materials cost, change in product mix (increased share of lower-margin new energy & engineering works), and change in the exchange rate of New Taiwan dollar. The management team will continue to monitor changes in the three factors closely. However, thanks to increased management efficiency and improved expense control, operating profit margin hit 8.2% in Q1, a 10-year high, up 1.3 % over both a year earlier and Q4 last year. Q1 net profit soared 147% YoY, or 41% QoQ, to NT\$1.1 billion, with EPS amounting to NT\$0.53.

In financial strategy, adhering to the principle of steady management, the company has kept sufficient cash position and solid capital structure amid the uncertainty during the raging pandemic, with debt ratio reaching only 35%. Of the company's total assets of NT\$117 billion in Q1, operating assets accounted for 60.1%, followed by 19.4% for strategic investment (stakes in Momo and Taiwan High Speed Rail), 18.5% for cash and cash equivalent, and 2% for non-operating assets (Songjiang office building, Xinzhuang plant, Danshui plant). In addition, because the company's strategic investment in Fubon Media (Momo) and Taiwan High Speed Rail have greatly appreciated, but the company's ROE has declined due to accounting principles, we will provide the adjusted ROE for shareholders' reference in the future. If the influence of Fubon Media (Momo) and Taiwan High Speed Rail are excluded, the ROE will increase from the original 5.9% to 6.3% after 2020 adjustments. If calculated on the basis of the other comprehensive income in 2020, the adjusted ROE will reach 12.3%.

The company's 2021 business has gotten off to a good start after Q1, including:

1. April 12th : Acquisition of 25% stake in ZEPT Inc., along with a seat on its board of directors, representing a major step forward in the electric vehicle field, as it will strengthen the company's technology in powertrain and shorten the schedule for customer certification and mass production;
2. April 17th : Signing of cooperation framework agreement with major international permanent-magnet wind turbine manufacturers, and domestic and foreign offshore wind farm developers, according to which TECO will produce prototype of wind-turbine stator and rotor, in addition to joint development of wind-turbine prototype for the need rising from 2025 in Taiwanese market;
3. April 27th : Sales partnership with Schneider Electric of France: Schneider has a complete industrial IOT, its low-voltage products have the largest market share in the world, and TECO has the resources and experience of Taiwanese industrial customers, and join forces to strive for business opportunities in Taiwan's building power distribution and automation control.
4. May 3rd : Teco's subsidiary, TECO Electro Devices Co., Ltd., which produces servo motor, permanent-magnet stepping motor, and brushless DC motor, applied for a public offering and is expected to be listed in Emerging stock in August. This is an important layout of TECO Group in the development of precision motors, smart manufacturing applications, and the electric vehicle market
5. Inclusion in top 5% for corporate governance evaluation among public companies for seventh consecutive year, one of the only 10 companies with the honor.

Lastly, I would like express my sincere gratitude for the long-term support and attention from shareholders. In the future, the management team will be bent on seeking the company's long-term development, focusing on the three core themes of electrification products, energy, and air conditioning for the three major application markets of smart manufacturing, smart energy, and smart city with rigorous standards and execution, so as to boost revenue and profits, thereby materializing the corporate vision of "energy conservation, emission reduction, intelligence, and automation" one step at a time. I would also like to wish each and every one of you peace and good health.

Sophia Chiu
Chairman