

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Type of Stock

March 31, 2022

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	2,138,796,616	891,753,384	3,030,550,000	-

4.1.2 Status of Shareholders

March 31, 2022

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	3	54	296	87,487	500	88,340
Shareholding (shares)	7,286,975	30,540,729	1,105,929,876	521,678,736	473,360,300	2,138,796,616
Percentage	0.34%	1.43 %	51.71 %	24.39 %	22.13 %	100%

4.1.3 Shareholding Distribution Status

The par value for each share is NT\$10

March 31, 2022

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	46,695	8,102,668	0.38%
1,000 ~ 5,000	29,538	64,777,435	3.03%
5,001 ~ 10,000	5,670	43,366,588	2.03%
10,001 ~ 15,000	1,934	23,983,192	1.12%
15,001 ~ 20,000	1,101	20,091,785	0.94%
20,001 ~ 30,000	1,149	28,811,533	1.35%
30,001 ~ 40,000	468	16,514,228	0.77%
40,001 ~ 50,000	360	16,487,570	0.77%
50,001 ~ 100,000	657	46,750,788	2.18%
100,001 ~ 200,000	299	42,316,792	1.98%
200,001 ~ 400,000	184	51,788,934	2.42%
400,001 ~ 600,000	68	34,003,589	1.59%
600,001 ~ 800,000	33	22,850,401	1.07%
800,001 ~ 1,000,000	26	23,504,081	1.10%
1,000,001 or over	158	1,695,447,032	79.27%
Total	88,340	2,138,796,616	100.00%

4.1.4 List of Major Shareholders

March 31, 2022

Shareholder's Name	Shares	Percentage
PJ Asset Management	373,237,991	17.45%
Walsin Lihwa Corporation	230,438,730	10.77%
Jaryuan Investment Co. Ltd	135,653,000	6.34%
Creative Sensor Co., Ltd.	77,519,000	3.62%
Ho Yuan International Investment Co., Ltd.	45,701,000	2.14%
Silchester International Investors International Value Equity Trust	45,069,000	2.11%
Tong Kuang Investment Co., Ltd.	31,991,364	1.50%
WGI Emerging Markets Smaller Companies Fund, LLC	30,859,000	1.44%
Norges Bank	28,878,193	1.35%
Kuan Yuan Industrial Co., Ltd.	26,833,919	1.25%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Item	2020	2021	March 31, 2022 (Note 5)
Market Price per Share (Note 1)			
Highest Market Price	31.10	36.6	33.5
Lowest Market Price	23.00	26.8	28.5
Average Market Price	27.83	31.12	30.47
Net Worth per Share			
Before Distribution	31.42	41.71	-
After Distribution	30.27	40.36	-
Earnings per Share			
Weighted Average Shares (thousand shares)	1,939,447	2,105,523	-
Earnings Per Share	1.81	2.38	-
Dividends per Share			
Cash Dividends	1.15	1.35	-
Stock Dividends			
• Dividends from Retained Earnings	0	0	-
• Dividends from Capital Surplus	0	0	-
Accumulated Undistributed Dividends	0	0	-
Return on Investment			
Price / Earnings Ratio (Note 2)	15.38	13.08	-
Price / Dividend Ratio (Note 3)	24.20	23.05	-
Cash Dividend Yield Rate (Note 4)	4.13%	4.34%	-

Note 1: List the highest and lowest market price in each year and calculate average market price by total trading volume/total trading shares

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 5: No audited numbers available till the print date of the annual report.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

If there is a surplus in the company's annual final accounts, tax shall be paid in accordance with the law to make up for accumulated losses then withdraw 10% as statutory surplus reserve. In addition, the special surplus reserve shall be listed or converted in accordance with the regulations; if there is a balance in the current year, the dividends of the special shares in the current year shall be given priority, and the balance shall be added to the undistributed surplus of the previous year. The board of directors shall draft a earnings distribution plan, and the stock dividend plan shall be submitted to the shareholders meeting for resolution and distribution. The cash dividend distribution proposal authorizes the board of directors to be distributed with more than two-thirds of the directors present and the resolution of more than half of the directors present, and report to the shareholders meeting.

TECO deals in a line of business characterized by steady growth, but many of its investees have yet to take off. Therefore, its distribution of earnings must consider the need for further expansion and more reinvestments going forward. After legal and special reserves are set aside. In principle, 80% of the remainder and retained earnings from the previous year will be drawn upon as dividend payments to shareholders. Of all dividend payments, cash generally accounts for 50% but must not run below 5%

B. Proposed Distribution of Dividend

Cash dividend of NT\$1.35 per share.

4.1.7 Impact on Company's business performance, EPS and ROI from the stock grant proposed by Shareholders Meeting:

Not applicable.

4.1.8 Employee and Directors' Remuneration

A. The company should allocate 1%-10% of profit for employee remuneration based upon its profit in a given year; less than 5% for the directors.

B. Estimate of Employee Remuneration and Directors' Remuneration

a. Foundation of estimation

1. Amount of net income
2. Regulations in Article of Corporation
3. Historical record of distribution

b. Foundation of share calculation for stock dividend: Not Applicable

c. No difference between total amount paid and number of estimation

C. Profit Distribution of Year 2021 Approved in Board of Directors Meeting for Employee and Directors' Remuneration

a. Recommended Distribution of Employee and Directors' Remuneration:

	(NT\$ thousand)
Employee Bonus – in Cash	\$ 303,727
Employee Bonus – in Stock	0
Directors' Remuneration	<u>85,273</u>

Employee remuneration and directors' remuneration increased by NT\$367 thousand compared to the number of NT\$388,633 thousand recognized in the 2021 financial statement. The difference with the account number will be regarded as a change in accounting estimates and listed as the year profit and loss.

b. Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings:

Not applicable

c. Recounted EPS after Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration:

Not applicable

D. Information of previous year Earnings Set Aside to Employee Bonus and Directors' and Supervisors' Remuneration:

Unit : NT\$ thousand

	Amount recognized in the previous year
Employee Bonus - Cash	284,575
Directors' Remuneration – Cash	109,939
Total	394,514

The actual allotment amount decreased by 16,539 thousand compared with the amount recognized in the account, which was recorded as profit or loss for 2021.

4.1.9 Buyback of Treasury Stock

A. The situation of the company buying back the company's shares (Finished): None

B. The situation of the company buying back the company's shares (In execution): None

4.2 Corporate Bonds

4.2.1 Issuance of Corporate Bonds

Type of Corporate Bond	1 st Unsecured Ordinary Corporate Bonds in 2017	1 st Unsecured Ordinary Corporate Bonds in 2020	2 nd Unsecured Ordinary Corporate Bonds in 2020
Issue date	2017/09/15	2020/06/12	2020/09/15
Par value	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000
Issue and Trading Place	Domestic	Domestic	Domestic
Issue Price	According to face amount		According to face amount
Total Amount	NT\$ 10 billion	NT\$ 30 billion	NT\$ 20 billion
Interest Rate	1.02%	0.70%	0.60%
Duration	5 years, Expiration Date: 2022/09/15	5 years, Expiration Date: 2025/06/12	5 years, Expiration Date: 2025/09/15
Assurance Institution	None	None	None
Assignee	Taishin International Bank Ltd.	Taishin International Bank Ltd.	China Trust Bank Ltd.
Underwriting Institution	Yuanta Securities	Capital Securities	Masterlink Securities
Signed Lawyer	Handsome Attorneys-at-Law Ya-Wen Chiu	Handsome Attorneys-at-Law Ya-Wen Chiu	Handsome Attorneys-at-Law Ya-Wen Chiu
Signer Accountants	PricewaterhouseCoopers, Taiwan Wu, Yu-Lung & Chou, Chien-Hung	PricewaterhouseCoopers, Taiwan Wu, Yu-Lung	PricewaterhouseCoopers, Taiwan Wu, Yu-Lung
Repayment	Accrual Bond	Accrual Bond	Accrual Bond
Outstanding Amount	NTD\$ 10 billion	NTD\$ 10 billion	NTD\$ 10 billion
Redemption or Advanced Repayment	N/A	N/A	N/A
Restrictive Clauses	N/A	N/A	N/A
Credit Rating Institution, Credit Rating Date and the Outcome of the Rating	Taiwan Ratings Rating Date:2017/3/30 Issuer Ratng: twA+ IssueRating: None	Taiwan Ratings Rating Date:2020/2/18 Issuer Ratng: twA+ IssueRating: None	Taiwan Ratings Rating Date:2020/2/18 Issuer Ratng: twA+ IssueRating: None
Others	None	None	None
	None	None	None
Shares Dilution & Influence on Srockholders' Equity	None	None	None
Entrust Institution of Exchange Object	None	None	None

4.2.2 Information of the Convertible Bond

None

4.2.3 Information of Shelf Registration Corporate Bond

None

4.2.4 Equity warrant bonds

None

4.3 Equity Warrant Preferred Stock

None

4.4 Preferred Shares

None

4.5 Global Depositary Shares

None

4.6 Employee Stock Options and Restricted Stock Awards**4.6.1 Issuance of Employee Stock Options**

None

4.6.2 List of Executives Receiving Employee Stock Options and the Top 10 Employees with Options Valued in Excess of NT\$30 Million

None

4.6.3 Status on Restricted Share Award

None

4.6.4 List of Executives and Top 10 Employees Receiving Restrctied Share Award

None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions

4.7.1 In the most recent year and as of the date of publication of the annual report, those who have completed mergers and acquisitions or transferred shares of other companies to issue new shares shall disclose the following matters

1. Appraisal opinions issued by the lead securities underwriters who acquired or received shares of other companies to issue new shares in the most recent quarter.

TECO Electric & Machinery Co., Ltd. acquires shares of Walsin Lihwa Corporation
Opinions of the lead securities underwriter in the fourth quarter of 2021
(Translation)

TECO Electric & Machinery Co., Ltd. (hereinafter referred to as TECO) issued new shares in 2020 to exchange the shares of Walsin Lihwa Corporation (hereinafter referred to as Walsin Lihwa). The Financial Supervisory Commission issued the letter No. 1090377122 certifying the effective filing on December 16th, 2020, taking January 6th, 2021 as the base date for the stock exchange, and the change registration was completed on January 14th of the same year. According to Article 9, Paragraph 1, Subparagraph 8 of the “Guidelines for the Raising and Issuance of Securities”, TECO contacted the lead securities underwriter regarding the transfer of Walsin Lihwa shares. As of the fourth quarter of 2021, it provided TECO with opinions on the impact of finance, business, and shareholders’ equity.

1. The financial impact of acquiring the shares of other companies

TECO and Walsin Lihwa each specialize in different vertical application markets. Through this share swap and alliance, under the integration of two corporation’s resources, the complementary effects of customer marketing and product lines can be leveraged to enhance the market awareness and brand value of both companies, while effectively expand the scale of operations of both parties, thereby increasing the overall profitability of TECO. In addition to the gradual growth in revenue, TECO can use the long-term technical experience of both parties and understanding of the market, and the cooperation between the two parties can combine their respective expertise, provide existing R&D resources for integration, and avoid excessive investment in learning Costs, and through the joint use and allocation of development resources, is expected to enhance the competitiveness of TECO's products. On the whole, this share swap alliance is conducive to TECO's profit, so it should have positive financial benefits.

In addition, from the perspective of TECO’s financial structure and solvency ratio, TECO’s debt ratio in the third quarter of 2021 was 30.30%; the current ratio and quick ratio were 215.93% and 151.05%, respectively. TECO’s financial structure is stable and debt-paying ability is good. The acquisition of shares has no significant impact on TECO’s financial structure. The strategic alliance of both parties is expected to improve TECO’s overall operating performance and provide positive financial benefits.

2. The impact of acquiring the shares of other companies on the business

TECO is mainly engaged in various types of machinery and equipment, power generation, power distribution equipment, and electrical appliances, which are used in data centers, renewable energy (including offshore wind power) and energy storage, comprehensive development projects, public works and transportation engineering, medical biotechnology and plants, etc. The copper wire, power cable, communication cable, and stainless steel produced by Walsin Lihwa are widely used in infrastructures such as power transmission, telecommunication networks, transportation, and industrial production. Both companies have their own niches and market segments in product categories and sales channels. The strategic alliance will help both companies enhance their respective areas of expertise. In the future, customer marketing and production lines will complement each other through the integration of the Groups’ resources and cross-marketing, providing the

customers of both companies with more diverse and complete products and services. This will increase market recognition and brand value, and the companies will gain more opportunities to work with major international companies, thereby improving overall competitive advantage. Since 2021, through the existing mature technology and products of TECO's Automation and Intelligent System Business, it will be able to assist Walsin Lihwa's production business process transformation and intelligent production technology upgrade, TECO's energy engineering and electromechanical products division plan to cooperate with Walsin Lihwa's solar energy/energy storage business unit for energy and power storage engineering businesses, and maintain steady growth with closer cooperation. On the whole, this share swap alliance will help TECO and the business of both parties to improve, and many benefits are expected to promote good business performance after the share swap cooperation.

3. The impact of acquiring the shares of other companies on the equity of shareholders

The strategic alliance between TECO and Walsin Lihwa has established a close cooperative relationship through share exchange instead of mergers and acquisitions, but still maintains their respective areas of expertise, continues to deepen the vertical market, and integrates with complementary sharing of marketing resources and full cooperation. With each other's corporate resources, the complementary effects of customer marketing and product lines will be brought into play, and economies of scale will be increased. This will expand the scale of operations of both parties and improve overall operational performance, strengthen the industry competitiveness of the two companies, and create positive value for their respective shareholders. In addition, after TECO issues new shares and acquires Walsin Lihwa's shares, TECO's shareholding in Walsin Lihwa will account for 5.9841% of the total issued shares of Walsin Lihwa. Furthermore, considering that Walsin Lihwa's net income for the third quarter of 2021 was NT\$10,161,952 thousand, TECO will share its profit in the future and receive cash dividends based on the investment ratio, which will generate stable cash inflow every year. On the whole, through this share swap alliance, it is expected that it will help enhance the operations and profits of both parties, create maximum corporate value for shareholders, and will have a positive effect on creating future industry competitive advantages for both parties and enhancing shareholders' equity.

In summary, this strategic alliance between TECO and Walsin Lihwa is of substantial significance to the future development of TECO. With the close cooperation between the two parties, the marketing channels, product lines and R&D resources are complementary and fully shared. Under the cooperation, the integration of each other's corporate resources will increase the benefits of economic scale, enhance the company's competitiveness, and then expand market opportunities, improve operational performance, and create a win-win situation for shareholders of both parties. Therefore, after TECO issues new shares and acquires Walsin Lihwa shares, it should have a positive benefit to its finances, business and shareholders' equity, and the expected benefits are reasonable.

4.7.2 In the most recent year and as of the date of publication of the annual report, the board of directors has approved the merger or transfer of shares of another company to issue new shares, the execution status and basic information of the merger and transferee company shall be disclosed

1. In the most recent year, as of the date of publication of the annual report, the board of directors has passed the resolution of mergers and acquisitions or the transfer of shares of other companies to issue new shares

The company passed the resolution of the board of directors on November 20, 2020, to exchange shares with Walsin Lihwa Corporation (hereinafter referred to as Walsin Lihwa): the company increased its capital and issued 171,103,730 ordinary shares, and exchanged 205,332,690 shares of Walsin Lihwa, The share exchange ratio is 0.8333 ordinary shares of the company in exchange for 1 ordinary share of Walsin Lihwa, and the base date of the share exchange is January 6, 2021. The ratio of its share exchange has been issued by a reasonable opinion issued by Crowe (TW) CPAs, and it should be reasonable. The application for new shares to be issued by another company's shares was approved by the Financial Regulatory Commission, and the change registration was completed in January 2020.

4.7.3 Basic information sheet of the transferee company

Unit: NT\$ thousand

Company Name		Walsin Lihwa Corporation
Company Address		25th Floor, No. 1, Songzhi Road, Xinyi District, Taipei City
principal		Yu-Lon Chiao
Paid in Capital		34,313,329
Major Business Items		Electrical cable industry
Major Products		Wire and cable and stainless steel, etc
Financial information for the most recent year	Total Asset	183,034,898
	Total Liability	75,088,630
	Total Shareholders' Equity	107,946,268
	Operating Revenue	156,664,766
	Gross Profit	19,809,465
	Operating Profit	13,345,552
	Net Income	15,257,314
EPS		4.27

4.8 Financing Plans and Implementation

Not applicable