

TECO Electric & Machinery Co., Ltd.
Minutes of the 2022 Annual General Shareholders' Meeting
(Summary Translation)

Time: 09:00am, May 20, 2022 (Friday)

Place: No. 11, An Dong Road, Industrial Zone, Chung-Li, Taoyuan City

Shares represented at the meeting:

The total issued shares of the Company is 2,138,796,616, net of shares without voting rights 22,365,800, the total number of valid issued shares of the Company is 2,116,430,816. A total of 1,637,076,975 valid issued shares of the Company were presented at the above meeting (including a total of 1,316,017,159 shares were presented by electronic voting), representing 77.35% of the above total valid issued shares of the Company.

Chairman: Chwen-Jy Chiu (Chairman)

Attendance: [in person] Wei-Chi Liu (Independent Director, member of Audit Committee), Li-Chong Huang (Director)

[visual] Li-Chen Lin (Independent Director, member of Audit Committee), Shiang-Chung Chen (Independent Director, member of Audit Committee), Hsieh-Hsing Huang (Independent Director, member of Audit Committee), Cheng-Tsung Huang (Director), Show-Shoun Chou (Director), Peng-Ching Cheng (Director)

Professional Consultant:

Attorney: Mr. Steven Chen & Ms. Lynn Lin

Certificated Public Accountant: Yu-Lung Wu & Chien-Hung Chou

Recorder: Hans Jian

1. Meeting called to order

As the share of shareholders and representatives exceeded quorum, chairman called the meeting to order.

2. Address by the Chairman: Omitted

3. Reports:

3.1 Business report for 2021 (please see Appendix 1)

3.2 Inspection Report of Audit Committee for 2021 (please see Appendix 2)

3.3 Remuneration distribution to employees and directors for 2021

Explanatory note:

In 2021, income before tax is NT\$ 5,356,694 thousands, and remuneration to employees is proposed to be NT\$ 303,727 thousands, whilst remuneration to directors is proposed to be NT\$ 85,273 thousands. The remuneration would be distributed in cash.

3.4 Distribution of cash dividends from profits in 2021 (please see Appendix 3)

3.5 Report on the Issuance of New Shares for Share Exchange

The underwriter's opinion please see Appendix 4.

The Issuance of New Shares for Share Exchange is as follows:

Decree of the Authority	December 16th, 2020 No. 1090377122
Share Exchange Counterpart	Walsin Lihwa Corporation
Capital Increase Shares	Teco Electric & Machinery Co., Ltd. (1504) common stock: 171,103,730 shares
Transferred Shares	Walsin Lihwa Corporation (1605) common stock: 205,332,690 shares
Share Exchange Base Date	January 6th, 2021
IPO date	February 1st, 2021
Purpose of Capital Increase	To increase the competitive advantage of both parties, a strategic alliance for the joint development of next-generation smart grid, smart manufacturing, and renewable energy industry applications.
Lead Securities Underwriter	Taishin Securities Co., Ltd.

The reports above were acknowledged

Summarized Discussion

1. Shareholder (00130645) made statement twice asking the company to explain the impact of the Russian-Ukrainian war on the company.

Explained by the chairman and her designated person.

4. Ratification:

Proposal 1:

Business Report and Financial Statements for 2021 (Proposed by the Board of Directors)

Explanatory note:

1. The Board of Directors entrusted certified public accountants Yu-Lung Wu and Chien-Hung Chou with Pricewaterhouse Coopers to audit and certify the Business Report and Financial Statements (includes Consolidated Financial Statements) for 2021, both of which were subsequently inspected by Audit Committee and are hereby submitted for ratification.

2. Please see Appendix 1 for "Business Report" and Appendix 2 for Auditors' Report and Financial

Statements of Year 2021.

Resolution:

After being voted by a total of 1,622,488,700 shares presented (net of shares without voting rights 14,588,275), a total of 1,562,108,562 shares voted “for” (including a total of 1,259,145,179 shares were presented by electronic voting), a total of 453,637 shares voted “against” (including a total of 453,637 shares were presented by electronic voting) and a total of 59,926,501 shares voted “abstain” (including a total of 56,418,343 shares were presented by electronic voting). The percentage of approval represented 96.27% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

Proposal 2:

Distribution of 2021 profits (Proposed by the Board of Directors)

Explanatory note:

1. Distribution of 2021 profits was resolved by the Board of Directors and audited by Audit Committee.
2. Please see Appendix 3 for the detailed profit distribution plan.

Resolution:

After being voted by a total of 1,622,488,700 shares presented (net of shares without voting rights 14,588,275), a total of 1,560,918,093 shares voted “for” (including a total of 1,257,954,710 shares were presented by electronic voting), a total of 5,172,165 shares voted “against” (including a total of 5,172,165 shares were presented by electronic voting) and a total of 56,398,442 shares voted “abstain” (including a total of 52,890,284 shares were presented by electronic voting). The percentage of approval represented 96.20% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

5. Discussion:

Proposal 1:

Amendment to “Articles of Incorporation” (proposed by the board of directors)

Explanatory note:

1. To make the method of convening the shareholders' meeting more flexible, the company proposes to revise the Articles of Incorporation in accordance with Article 172-2 of the Company Act that the shareholders' meeting can be held by means of video conference or other methods promulgated by the central competent authorities.
2. Please see Appendix 5 for the comparison between the revision and the original.

Resolution:

After being voted by a total of 1,622,488,700 shares presented (net of shares without voting rights 14,588,275), a total of 1,558,502,621 shares voted “for” (including a total of 1,255,539,238 shares were presented by electronic voting), a total of 538,146 shares voted “against” (including a total of 538,146 shares were presented by electronic voting) and a total of 63,447,933 shares voted “abstain” (including a total of 59,939,775 shares were presented by electronic voting). The percentage of approval represented 96.05% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed

Proposal 2:

Amendment to “Procedure for Acquisition or Disposal of Assets” (proposed by the board of directors)

Explanatory note:

1. In accordance with Financial Supervisory Commission’s revision on “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the company proposes to revise the partial measures of Procedure for Acquisition or Disposal of Assets.
2. Please see Appendix 6 for the comparison between the revision and the original.

Resolution:

After being voted by a total of 1,622,488,700 shares presented (net of shares without voting rights 14,588,275), a total of 1,455,333,742 shares voted “for” (including a total of 1,152,370,359 shares were presented by electronic voting), a total of 103,710,968 shares voted “against” (including a total of 103,710,968 shares were presented by electronic voting) and a total of 63,443,990 shares voted “abstain” (including a total of 59,935,832 shares were presented by electronic voting). The percentage of approval represented 89.69% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed

6. Extempore Motions:

None

7. Meeting Adjourned: 09:48 AM

Chairman: Chwen-Jy Chiu

Recorder: Hans Jian

Appendix 1: Business Report for 2021

Appendix 2: Inspection Report of Audit Committee for 2021 and Financial Statements and
Auditors' Report for 2021

Appendix 3: Distribution of 2021 Profits

Appendix 4: Report on the Issuance of New Shares for Share Exchange

Appendix 5: The comparison between the revision and the original of "Articles of Incorporation "

Appendix 6: The comparison between the revision and the original of "Procedure for Acquisition
or Disposal of Assets"

Business Report

Dear Shareholders,

Looking back on 2021, because of COVID-19 and its variant Omicron, the global lockdown affected real economic activities, resulting in severe inflation and supply chain disruptions. Major international ports are congested, and freight rates have soared. The prices of bulk materials such as copper and iron have increased significantly, and there is a global IC shortage. Therefore, the profitability of the overall industry are compressed. Although Taiwan has been affected by the pandemic since May 2021, domestic production capacity has continued to increase, and exports are thriving. Major constructions of domestic public and private sectors have also progressed forward. Taiwan's economic performance in 2021 was among the best in the world, with an annual economic growth rate of 6.28%.

1. Review of 2021 business performance

The company's business focuses on the three main areas of mechatronics, energy, and air conditioning, striving for the following business opportunities: 1. Regarding "smart manufacturing," the company has continued to exercise the two core competencies of advanced power control and electromechanical integration, promote the business opportunities of AMR(Autonomous Mobile Robots) applications, and fully develop EV powertrains. Orders have increased by 15% and 250%, respectively. 2. Regarding "smart energy," the company focuses on renewable energy-related constructions. We have received more than NT\$4.7 billion orders, and we have also obtained IDC engineering projects from different clients. 3. To develop more "smart city" solutions, the company uses digital tools to enhance operational efficiency and improve performance. We are also actively strengthening the energy efficiency and networking functions of air conditioning products to provide users with value of energy management.

(1) The implementation results of the strategic development plan in 2021

- A. Green energy projects were extremely fruitful in 2021. The company obtained the Hai Long onshore step-down substation turnkey project. TECO accounts for

35% of the market in the field of Onshore substations of offshore wind power. Regarding solar energy projects, we have achieved 7.1 MW of self-developed projects, and the total scale of orders has reached 11.4 MW. Regarding energy storage, in addition to completing the PCS localized production target and participating in the bidding of Taipower's energy storage demonstration project, we have achieved orders of up to 6 MW in private self-developed energy storage. Many companies are vying to work with us.

Regarding electric vehicle powertrains, in addition to completing independent production lines for electric motors in Taiwan and Wuxi and putting them into mass production, we also completed the development testing of 250 kW vehicle powertrains and participated in the "Electric Bus Demonstration Project" of the Ministry of Transportation and Communications. Many automakers in the commercial vehicle market are using TECO powertrains to complete prototype development and performance testing. A considerable order value is expected in 2022.

The company continues to promote digitalization to improve operation management efficiency, including revenue, gross profit margin, delivery time, quality, etc., and connects with the improvement plan tracking system. In addition to CRM, we built the TOS (TECO Order System) to obtain global business opportunities simultaneously with affiliated companies.

Regarding smart manufacturing, we invested in building an advanced smart rotor automatic production line for small motors and unmanned motor assembly line, gradually achieving a full process smart factory for motors. Regarding products, we also strengthened components and solutions for intelligent and automated manufacturing, including "join modules of collaborative robot," "networked DC servo drives," "smart following vehicles," "diverse smart logistics multiple-vehicle systems," etc.

B. R&D achievements and forward-looking product development

The company's R&D results were fruitful in 2021, winning 14 awards in the 30th

Taiwan Excellence Awards. Among them, the “TECO Smart Anti-Epidemic Robot” was nominated for the Silver Award, the highest honor in the competition. We also obtained 29 patents in 2021. Regarding energy conservation, emission reduction, intelligence and automation, we developed forward-looking products in 2021, including: “High-power and high-voltage electric vehicle powertrains” used in electric buses, industrial-use “smart monitoring very high power density forced ventilation low-voltage motors,” “IE3 premium efficiency pressure-resistant explosion-proof motors,” “variable speed energy-saving permanent magnet motors for air conditioning systems,” “smart monitoring low noise circulating water pump motors,” etc.

(2) 2021 financial status, execution result of business plan, and profits

A. Consolidated report of the company and subsidiaries

Unit: NT\$1,000

	2021	2020	Change
Sales Revenue	52,557,027	45,823,430	14.7%
Operating Profit	5,069,358	3,534,057	43.4%
Net Income	5,502,191	3,811,648	44.3%
Total comprehensive income for the current	26,976,650	7,603,587	254.8%

Regarding sales revenue, the annual growth was 14.7%. Mechatronic products grew by 14%, mainly because of the relatively low impact of the pandemic in China and Europe, so the demand has recovered. There are also energy efficiency transformation business opportunities in China, so the revenue of various affiliated companies increased significantly. Household air conditioning products grew by 13%. In addition to the revenue from “air conditioning in every class in primary and secondary schools,” the logistics business of Taiwan Pelican Express also increased. Engineering revenue and equipment revenue also increased by 16%. In addition, because of the rise in share prices of financial instruments held,

the revenue generated by the valuation gain on financial instruments recognized by subsidiaries also increased significantly.

Regarding operating profit, the annual increase was 43.4%, mainly because of the increase in gross profit and decrease in operating expense ratio. The overall gross profit margin in 2021 was comparable to the same period in 2020. But the gross profit increased because of revenue growth, boosting operating profit. Regarding operating expenses, the operating expense ratio decreased because of expense control during the pandemic.

Regarding the net income for the current period, the annual increase was 44.3%, mainly because of the dividend income and the increase in net investment income or loss accounted for under the equity method from non-operating income and government pandemic subsidies received by American subsidiaries.

Regarding the total comprehensive income for the current period, the annual increase was 254.8%, mainly because of the substantial increase in the unrealized valuation gain on financial instruments held by subsidiaries.

B. Parent company alone

Unit: NT\$1,000

	2021	2020	Change
Sales Revenue	22,940,571	19,819,029	15.8%
Operating Profit	1,376,984	1,075,033	28.1%
Net Income	5,013,134	3,511,358	42.8%

Regarding sales revenue, the annual growth was 15.8%. Regarding mechatronic products, the demand for motors and inverters has gradually recovered. Both prices and volumes have grown considerably, resulting in revenue growth of nearly 20%. Household air conditioning products have benefited from work-from-home business opportunities, coupled with large orders from “air conditioning in every class in primary and secondary schools,” we received the largest order of 42,000 air conditioning units among domestic brands, increasing

revenue by NT\$1 billion in 2021. There was also a 14% increase in engineering revenue.

Regarding operating profit, the annual growth was 28.1%. The cost of the complete appliance because of the inflation of raw materials and freight rates have soared, which affected the gross profit and gross profit margin. However, through raising prices and improving production efficiency with production automation and intellectualization, the company reduced the impact of rising costs on gross profit margin. In addition, the control of operating expenses during the pandemic was significantly effective. Therefore, the operating income grew by 28.1%.

The net income of the current period increased significantly. The investment income accounted for under the equity method in non-operating income increased significantly compared to the same period in 2020. In particular, the revenue and profits of affiliated companies in China and Europe increased significantly. Furthermore, the gain on disposal and valuation gain on financial instruments recognized by subsidiaries also increased significantly. Therefore, the net income of the current period grew by 42.8%.

(3) Financial strategy and shareholders' equity

Engaged mainly in the R&D, production, and sales of industrial products in a mature industry, the company's financial strategy has always focused on stable operation. Every year, the company actuarially plans the cash flow and determines the proper financial structure based on the business plan, capital expenditures, working capital requirements, and shareholder returns.

Table 1

Year	Net profit (NT\$100 M.)	Cash flow adequacy ratio	Current ratio %	Debt ratio %
2019	35.18	126.69	216.55	37.73
2020	38.11	134.73	233.41	36.01
2021	55.02	126.64	213.81	29.98

Given the steady cash flow from operating activities and adherence to a stable and sustainable business strategy, Taiwan Ratings has granted TECO “twA” (stable) credit rating since 2012, enabling the company to use financing tools with lower interest rates to greatly reduce financing costs. 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.

2. Summary of 2022 business plan

Regarding 2022 prospects, the global economic outlook is still affected by Omicron and inflation. The Directorate-General of Budget, Accounting and Statistics of the Executive Yuan predicts a domestic economic growth rate of 4.42%. The growth momentum is expected to continue to be better than that of most economies.

The main operating strategies and growth plans for 2022 are explained as follows:

(1) Existing career growth plan

In Green Mechatronic Solution business group, the demand in North American market has grown strongly this year because of rising oil prices. Moreover, under the huge pressure of “carbon neutrality,” electrification program for U.S. Oil & Gas transmission and distribution pipelines, and waste heat recovery will help the growth of inverters and energy-saving solutions. In addition, the company provides carbon-neutral solutions, including high- efficiency motor drive systems, waste heat recovery power generation, and equipment inspection-free system, for energy intensive Industries such as electronics, petrochemicals, steel, and paper industries, expanding direct sales.

Regarding Intelligence Energy business group, given the spread of 5G/big data/cloud services and TECO’s exceptional technologies, IDC engineering business is expected to grow strongly in domestic and foreign markets. More than 3 billion orders in related projects were received in 2021. The target revenue of 2022 grew by 30%. As for renewable energy creation and energy storage business, benefiting from Taiwan’s renewable energy policy, renewable energy is expected to account for 20%

of power generation by 2025. The growth of TECO's orders and revenue is highly expected.

Regarding Air and Intelligent Life business group, the company continues to focus on providing full-field smart air conditioning and energy management as well as contributing to a new ESG carbon-neutral lifestyle. In addition, the company will create new business opportunities, including integrating the Group's resources and IoT technology to launch home-delivered smart refrigerators that meet the last mile of refrigeration and freezing demands. The new rent-to-own operating model accelerates the promotion of air conditioning energy-saving solutions.

(2) Strategic growth plan

Adhering to TECO's vision of "energy conservation, emission reduction, intelligence, and automation," in addition to existing business, the company's strategic growth plan will continue to focus on electric vehicle powertrains, renewable energy business opportunities, and enhancing digital/smart production to improve operating ability!

Among them, the company will continue to expand OEM business opportunities for EV powertrains, with a target growth of more than 60%. In addition, with the localization of electric buses and the 10-year subsidy policy of NT\$90 billion, TECO expects to obtain more than 80% of the market share of domestic electric bus powertrains. The completion of the EV motor production line in India this year will facilitate nearby order intake and production.

In response to grid stability problems caused by renewable energy, the global energy storage market is estimated to grow at a CAGR of 45% to about 70 GWh by 2025. Taiwan's market will see an annual storage demand of 1 GW after 2025. TECO has integrated its energy management system and electric power engineering experience using its own PCS technology to actively pursue the Taipower energy storage demonstration project, laying the best strategy for the upcoming solar-plus-storage business opportunity.

Regarding digital transformation, TECO has entered the "digital optimization" stage. The BI system, initiative and performance management platform, AI-based

process/quality inspection system, AI order prediction system, and smart supply chain management platform will be introduced one by one. The smart manufacturing production line will be expanded simultaneously to make TECO's global supply chain more resilient!

(3) Sustainable development

The company has been included in the Dow Jones Sustainability Index (DJSI) and S&P Global's The Sustainability Yearbook for two consecutive years. We have also won the Platinum Award of Taiwan's Top 50 Corporate Sustainability Reports for eight consecutive years, and we won the Climate Leadership Award for the first time. We have been ranked in the top 5% of corporate governance evaluation for seven consecutive years. The company has achieved outstanding sustainability operation and corporate governance performance. We have been recognized by domestic and international equitable evaluation agencies!

In 2021, TECO completed the first phase of the "20% emission reduction in ten years" mission ahead of schedule, including carbon footprint verification of iconic products, the construction of the rooftop solar power plant in the Chung-Li plant, and qualification to issue certificates for self-generated and self-consumed green power. This year, the company announced the target of "50% emission reduction in ten years" by 2030. The scope of implementation has expanded to overseas plants, further moving toward carbon neutrality. In addition, as mentioned in the strategic growth plan, the company will actively create and pursue various energy-saving business opportunities, establishing the cornerstone of sustainable development with sustainable products.

In conclusion, the company will continue to uphold the concept of sustainable operations and implement corporate governance standards to create a sustainable work environment for employees, provide services with more added values to customers, and bring the best interests to shareholders.

Chairman: Sophia Chiu
President: George 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 2021 (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 2022

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Wei-Chi Liu

Date: March 16th, 2022

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, 2021 and 2020, 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, 2021 and 2020, 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 audits 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. 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 2021 financial statements are stated as follows:

Revenue recognition of export sales of Green Mechatronic solution business Group

Description

Refer to Note 4(30) of the parent company only financial statements for the accounting policies on revenue recognition. The Green Mechatronic solution business Group handles the manufacturing and sales of various machinery, equipment and motors. Aside from domestic sales in Taiwan, the customers of Green Mechatronic solution business 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 Green Mechatronic solution business 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 Green Mechatronic solution business Group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of Green Mechatronic solution business 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\$3,875,845 thousand and NT\$3,602,033 thousand, both constituting 4% of the related total assets as of December 31, 2021 and 2020, and the comprehensive income amounting to NT\$256,818 thousand and NT\$22,376 thousand, constituting 1% and 0.3% 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 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 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 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 Company'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 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 auditors' 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 auditors' 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 parent company only financial statements, including the disclosures, and whether the parent company only 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.

Wu, Yu-Lung

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2022

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 report of independent accountants 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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 211,793	-	\$ 716,313	1
1140	Current contract assets		2,295,829	2	1,197,505	2
1150	Notes receivable, net	6(4)	234,765	-	130,742	-
1160	Notes receivable - related parties	7	380,157	-	260,782	-
1170	Accounts receivable, net	6(4)	2,464,544	2	2,086,078	3
1180	Accounts receivable - related parties	7	1,560,149	2	1,346,963	2
1200	Other receivables		103,827	-	90,380	-
1210	Other receivables - related parties	6(6) and 7	610,925	1	706,840	1
130X	Inventories, net	6(5)	3,388,294	3	2,752,379	3
1410	Prepayments		40,909	-	77,209	-
1470	Other current assets	6(1) and 8	986,639	1	1,103,197	1
11XX	Total current assets		<u>12,277,831</u>	<u>11</u>	<u>10,468,388</u>	<u>13</u>
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	2,322,450	2	2,167,106	3
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	11,759,402	11	6,258,752	8
1550	Investments accounted for under equity method	6(6)	77,181,869	70	56,247,996	69
1600	Property, plant and equipment, net	6(7) and 7	3,056,759	3	3,093,090	4
1755	Right-of-use assets	6(8) and 7	38,021	-	117,727	-
1760	Investment property, net	6(9)	2,103,867	2	2,129,289	2
1840	Deferred income tax assets	6(26)	891,001	1	820,010	1
1900	Other non-current assets	6(1)(10) and 8	471,213	-	293,957	-
15XX	Total non-current assets		<u>97,824,582</u>	<u>89</u>	<u>71,127,927</u>	<u>87</u>
1XXX	Total assets		<u>\$ 110,102,413</u>	<u>100</u>	<u>\$ 81,596,315</u>	<u>100</u>

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 445,807	-	\$ 1,207,660	2
2130	Current contract liabilities	6(20)	962,458	1	1,051,725	1
2150	Notes payable		56,062	-	5,223	-
2160	Notes payable - related parties	7	76,417	-	115,207	-
2170	Accounts payable		3,885,993	4	3,518,109	5
2180	Accounts payable - related parties	7	1,445,845	1	929,088	1
2200	Other payables		2,868,515	3	2,601,865	3
2220	Other payables - related parties	7	171,304	-	160,599	-
2230	Current income tax liabilities	6(26)	266,443	-	253,854	-
2250	Provisions for liabilities - current		105,205	-	98,588	-
2280	Current lease liabilities	6(8) and 7	11,532	-	87,355	-
2320	Long-term liabilities, current portion	6(13)	1,000,000	1	-	-
2399	Other current liabilities, others		154,580	-	109,858	-
21XX	Total current liabilities		<u>11,450,161</u>	<u>10</u>	<u>10,139,131</u>	<u>12</u>
Non-current liabilities						
2530	Corporate bonds payable	6(13)	5,000,000	5	6,000,000	7
2540	Long-term borrowings	6(14)	2,000,000	2	1,180,000	2
2570	Deferred income tax liabilities	6(26)	1,086,808	1	1,022,068	1
2580	Non-current lease liabilities	6(8) and 7	1,238	-	5,340	-
2600	Other non-current liabilities	6(15)	1,350,443	1	1,421,481	2
25XX	Total non-current liabilities		<u>9,438,489</u>	<u>9</u>	<u>9,628,889</u>	<u>12</u>
2XXX	Total liabilities		<u>20,888,650</u>	<u>19</u>	<u>19,768,020</u>	<u>24</u>
Equity						
Share capital		6(16)				
3110	Common stock		21,387,966	20	19,676,929	24
Capital surplus		6(17)				
3200	Capital surplus		9,529,520	8	7,386,901	9
Retained earnings		6(18)				
3310	Legal reserve		7,374,048	7	7,024,635	9
3320	Special reserve		3,640,779	3	3,640,779	5
3350	Unappropriated retained earnings		19,712,565	18	17,271,503	21
Other equity interest		6(19)				
3400	Other equity interest		28,080,595	25	7,339,258	9
3500	Treasury stocks	6(6)(16)	(511,710)	-	(511,710)	(1)
3XXX	Total equity		<u>89,213,763</u>	<u>81</u>	<u>61,828,295</u>	<u>76</u>
Significant contingent liabilities and unrecognized contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		<u>\$ 110,102,413</u>	<u>100</u>	<u>\$ 81,596,315</u>	<u>100</u>

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31					
Items		Notes	2021		2020		
			AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(20) and 7	\$ 22,940,571	100	\$ 19,819,029	100	
5000	Operating costs	6(5)(15)(25) and 7	(18,666,184)	(81)	(15,808,505)	(80)	
5900	Net operating margin		4,274,387	19	4,010,524	20	
5910	Unrealized profit from sales	7	(375,720)	(2)	(450,133)	(2)	
5920	Realized profit from sales		450,133	2	500,745	3	
5950	Net operating margin		<u>4,348,800</u>	<u>19</u>	<u>4,061,136</u>	<u>21</u>	
	Operating expenses	6(15)(25) and 7					
6100	Selling expenses		(1,869,845)	(8)	(1,890,669)	(9)	
6200	General and administrative expenses		(541,455)	(2)	(530,160)	(3)	
6300	Research and development expenses		(567,739)	(3)	(555,889)	(3)	
6450	Expected credit impairment gains (losses)		7,223	-	(9,385)	-	
6000	Total operating expenses		<u>(2,971,816)</u>	<u>(13)</u>	<u>(2,986,103)</u>	<u>(15)</u>	
6900	Operating profit		<u>1,376,984</u>	<u>6</u>	<u>1,075,033</u>	<u>6</u>	
	Non-operating income and expenses						
7100	Interest income	6(21) and 7	2,840	-	11,599	-	
7010	Other income	6(3)(9)(22) and 7	919,906	4	929,030	5	
7020	Other gains and losses	6(2)(12)(23) and 7	(239,191)	(1)	(124,450)	(1)	
7050	Finance costs	6(8)(24) and 7	(70,028)	-	(95,875)	-	
7070	Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(6)	<u>3,366,183</u>	<u>14</u>	<u>1,862,858</u>	<u>9</u>	
7000	Total non-operating income and expenses		<u>3,979,710</u>	<u>17</u>	<u>2,583,162</u>	<u>13</u>	
7900	Profit before income tax		<u>5,356,694</u>	<u>23</u>	<u>3,658,195</u>	<u>19</u>	
7950	Income tax expense	6(26)	(343,560)	(1)	(146,837)	(1)	
8200	Profit for the year		<u>\$ 5,013,134</u>	<u>22</u>	<u>\$ 3,511,358</u>	<u>18</u>	
	Other comprehensive income						
	Other comprehensive income that will not be reclassified to profit or loss						
8311	Other comprehensive loss, before tax, actuarial losses on defined benefit plans	6(15)	(\$ 20,206)	-	(\$ 6,235)	-	
8316	Unrealised gains and losses on valuation of investments measured at fair value through other comprehensive income	6(3)(19)	1,304,003	6	(1,200,833)	(6)	
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		<u>20,709,937</u>	<u>90</u>	<u>5,299,291</u>	<u>27</u>	
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>21,993,734</u>	<u>96</u>	<u>4,092,223</u>	<u>21</u>	
	Other comprehensive loss that will be reclassified to profit or loss						
8361	Currency translation differences of foreign operations	6(19)	(1,159,046)	(5)	(406,873)	(2)	
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(19)(26)	<u>133,697</u>	<u>-</u>	<u>65,922</u>	<u>-</u>	
8360	Components of other comprehensive loss that will be reclassified to profit or loss		<u>(1,025,349)</u>	<u>(5)</u>	<u>(340,951)</u>	<u>(2)</u>	
8300	Other comprehensive income for the year		<u>\$ 20,968,385</u>	<u>91</u>	<u>\$ 3,751,272</u>	<u>19</u>	
8500	Total comprehensive income for the year		<u>\$ 25,981,519</u>	<u>113</u>	<u>\$ 7,262,630</u>	<u>37</u>	
	Earnings per share (in dollars)	6(27)					
9750	Basic earnings per share		<u>\$ 2.38</u>		<u>\$ 1.81</u>		
9850	Diluted earnings per share		<u>\$ 2.38</u>		<u>\$ 1.81</u>		

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
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other equity interest			Treasury stocks	Total equity
		Share capital - common stock	Capital surplus	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		
<u>2020</u>										
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
<u>2021</u>										
Balance at January 1, 2021		\$ 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
Profit for the year		-	-	-	-	5,013,134	-	-	-	5,013,134
Other comprehensive (loss) income for the year	6(19)	-	-	-	-	(33,085)	(1,025,349)	22,026,819	-	20,968,385
Total comprehensive income (loss)		-	-	-	-	4,980,049	(1,025,349)	22,026,819	-	25,981,519
Appropriations of 2020 earnings	6(18)									
Legal reserve		-	-	349,413	-	(349,413)	-	-	-	-
Cash dividends		-	-	-	-	(2,459,616)	-	-	-	(2,459,616)
Common shares issued for share conversion	6(16)	1,711,037	2,097,884	-	-	-	-	-	-	3,808,921
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	44,735	-	-	-	-	-	-	44,735
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(19)	-	-	-	-	284,557	-	(284,557)	-	-
Effect of changes in decrease in entities of associates		-	-	-	-	(14,515)	9,909	14,515	-	9,909
Balance at December 31, 2021		\$ 21,387,966	\$ 9,529,520	\$ 7,374,048	\$ 3,640,779	\$ 19,712,565	(\$ 4,033,116)	\$ 32,113,711	(\$ 511,710)	\$ 89,213,763

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 5,356,694	\$ 3,658,195
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(23)	(340,478)	(409,084)
Net loss (gain) on financial liabilities at fair value through profit or loss	6(12)(23)	852	(907)
Expected credit impairment (gain) loss	12(2)	(7,223)	9,385
Interest income	6(21)	(2,840)	(11,599)
Interest expense	6(24)	68,091	91,110
Dividend income	6(22)	(499,979)	(316,018)
Loss on disposal of investments	6(23)	3,481	-
Changes in unrealized gain from downstream sales		(74,413)	(50,612)
Share of profit of associates and joint ventures accounted for under the equity method	6(6)	(3,366,183)	(1,862,858)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(7)(8)(9)(23)(25)	418,529	576,233
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(1,098,324)	(140,304)
Notes receivable		(104,151)	168,159
Notes receivable - related parties		(119,375)	88,511
Accounts receivable		(379,925)	(705,276)
Accounts receivable - related parties		(204,109)	(89,655)
Other receivables		(13,447)	1,857
Other receivables - related parties		4,584	348,177
Inventories		(635,915)	(239,577)
Prepayments		36,300	252,002
Other current assets		116,558	(919,586)
Financial assets at fair value through profit or loss - non-current		185,134	208,122
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss-current		(852)	907
Current contract liabilities		(89,267)	620,369
Notes payable		50,839	(6,862)
Notes payable - related parties		(38,790)	(17,350)
Accounts payable		367,884	900,911
Accounts payable - related parties		516,757	(69,037)
Other payables		240,273	18,301
Other payables - related parties		10,705	21,236
Provisions for liabilities		6,617	(4,418)
Other current liabilities		44,722	21,990
Other non-current liabilities		(92,995)	(154,306)
Cash inflow generated from operations		359,754	1,988,016
Interest received	6(21)	2,840	11,599
Dividends received		1,939,580	751,465
Payment of interest		(68,275)	(99,956)
Payment of income tax		(203,525)	(116,701)
Net cash flows from operating activities		<u>2,030,374</u>	<u>2,534,423</u>

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in other receivables - related parties - financing	7	\$ 98,722	\$ 56,850
Increase in investments accounted for under equity method		(230,304)	(47,879)
Proceeds from disposal of property, plant and equipment		7,214	288
Acquisition of property, plant and equipment	6(7)(28)	(237,017)	(139,954)
Increase in deferred expenses		(11,869)	(23,376)
Decrease in refundable deposits		8,510	55,827
Increase in bank deposit under the regulation governing the management, utilization, and taxation of repatriated offshore funds	6(10)	(191,813)	(169,411)
Dividends received		499,979	316,018
Proceeds from disposal of investments accounted for under the equity method		5,869	-
Decrease (increase) in other non-current assets		1,745	(81,451)
Net cash flows used in investing activities		(48,964)	(33,088)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans		(761,853)	1,152,460
Decrease in other payables - related parties financing	7	-	(499,800)
Proceeds from issuance of bonds	6(13)	-	5,000,000
Repayment of bonds	6(13)	-	(3,000,000)
Increase (decrease) in long-term loans		820,000	(3,119,967)
Cash dividends paid	6(18)	(2,459,616)	(1,948,016)
Lease liabilities paid		(84,461)	(74,587)
Net cash flows used in financing activities		(2,485,930)	(2,489,910)
Net (decrease) increase in cash and cash equivalents		(504,520)	11,425
Cash and cash equivalents at beginning of year		716,313	704,888
Cash and cash equivalents at end of year		\$ 211,793	\$ 716,313

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, 2021 and 2020, 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, 2021 and 2020, 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 audits 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. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 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 2021 consolidated financial statements are stated as follows:

Revenue recognition of export sales of green mechatronic solution business 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 green mechatronic solution business group, intelligence energy business group and air and intelligent life business group in the segment financial information. Green mechatronic solution business group handles the manufacturing and sales of various machinery, equipment and motors. The sales revenue of the the green mechatronic solution business group amounted to NT\$26,864,667 thousand, representing 51% of the consolidated total sales revenue for the year ended December 31, 2021. Aside from domestic sales in Taiwan, the customers of green mechatronic solution business 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 green mechatronic solution business 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 green mechatronic solution business group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of green mechatronic solution business group to confirm their existence.

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\$2,597,098 thousand and NT\$2,342,121 thousand, both constituting 2% of the consolidated total assets as at December 31, 2021 and 2020, respectively, and total operating revenues amounted to NT\$2,940,496 thousand and NT\$2,844,491 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\$2,377,144 thousand and NT\$2,290,263 thousand, both constituting 2% of consolidated total assets as of December 31, 2021 and 2020, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$132,837 thousand and NT\$72,708 thousand, both constituting less than 1% of consolidated total assets as of December 31, 2021 and 2020, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT\$202,511 thousand and NT(\$21,039) 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, 2021 and 2020.

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.

Wu, Yu-Lung

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2022

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 17,274,143	13	\$ 20,397,260	19
1110	Current financial assets at fair value through profit or loss	6(2)	2,312,233	2	114,185	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	1,064,454	1	1,280,081	1
1140	Current contract assets		2,319,092	2	1,452,202	2
1150	Notes receivable, net	6(5) and 8	996,956	1	1,172,638	1
1160	Notes receivable - related parties	7	4,201	-	12,264	-
1170	Accounts receivable, net	6(5)	9,926,625	7	8,867,397	9
1180	Accounts receivable - related parties	7	274,873	-	235,939	-
1200	Other receivables		420,113	-	282,185	-
1210	Other receivables - related parties	7	118,561	-	72,460	-
130X	Inventories, net	6(6)	12,252,098	9	9,627,248	9
1410	Prepayments		515,811	-	370,475	-
1470	Other current assets	6(1) and 8	1,854,511	1	1,908,018	2
11XX	Total current assets		<u>49,333,671</u>	<u>36</u>	<u>45,792,352</u>	<u>43</u>
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	4,538,374	4	3,460,272	3
1517	Non-current financial assets at fair value through other comprehensive income	6(3) and 8	45,160,394	33	18,567,933	18
1535	Non-current financial assets at amortised cost, net	6(4) and 8	392,232	-	481,530	1
1550	Investments accounted for under the equity method	6(7) and 7	3,478,685	3	3,912,645	4
1600	Property, plant and equipment, net	6(8) and 8	15,196,458	11	15,912,788	15
1755	Right-of-use assets	6(9) and 8	6,776,467	5	6,752,232	6
1760	Investment property, net	6(10)	2,828,899	2	2,850,964	3
1780	Intangible assets	6(11)	4,439,567	3	5,269,715	5
1840	Deferred income tax assets	6(30)	1,417,175	1	1,365,301	1
1900	Other non-current assets	6(1)(12) and 8	3,050,528	2	1,313,339	1
15XX	Total non-current assets		<u>87,278,779</u>	<u>64</u>	<u>59,886,719</u>	<u>57</u>
1XXX	Total assets		<u>\$ 136,612,450</u>	<u>100</u>	<u>\$ 105,679,071</u>	<u>100</u>

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(14) and 8	\$ 2,042,697	2	\$ 2,816,832	3
2130	Current contract liabilities	6(24)	1,490,821	1	1,493,931	1
2150	Notes payable		1,021,039	1	340,672	-
2160	Notes payable - related parties	7	6,154	-	55,048	-
2170	Accounts payable		9,268,228	7	7,509,868	7
2180	Accounts payable - related parties	7	78,999	-	113,055	-
2200	Other payables	6(16)	5,544,765	4	4,902,975	5
2230	Current income tax liabilities	6(30)	646,719	-	490,113	1
2250	Provisions for liabilities - current		320,207	-	406,874	-
2280	Current lease liabilities		503,953	-	462,876	1
2320	Long-term liabilities, current portion	6(17)(18) and 8	1,491,683	1	302,331	-
2399	Other current liabilities, others		658,746	1	724,393	1
21XX	Total current liabilities		<u>23,074,011</u>	<u>17</u>	<u>19,618,968</u>	<u>19</u>
	Non-current liabilities					
2530	Corporate bonds payable	6(17)	5,000,000	4	6,000,000	6
2540	Long-term borrowings	6(18) and 8	3,603,574	2	3,309,400	3
2550	Provisions for liabilities - non-current		115,391	-	132,414	-
2570	Deferred income tax liabilities	6(30)	2,350,403	2	2,539,962	2
2580	Non-current lease liabilities		4,558,141	3	4,423,897	4
2600	Other non-current liabilities	6(7)(19)	2,248,999	2	2,029,198	-
25XX	Total non-current liabilities		<u>17,876,508</u>	<u>13</u>	<u>18,434,871</u>	<u>15</u>
2XXX	Total liabilities		<u>40,950,519</u>	<u>30</u>	<u>38,053,839</u>	<u>34</u>
	Equity attributable to owners of parent					
	Share capital	6(20)				
3110	Common stock		21,387,966	16	19,676,929	19
	Capital surplus	6(21)				
3200	Capital surplus		9,529,520	7	7,386,901	9
	Retained earnings	6(22)				
3310	Legal reserve		7,374,048	5	7,024,635	8
3320	Special reserve		3,640,779	3	3,640,779	3
3350	Unappropriated retained earnings		19,712,565	14	17,271,503	15
	Other equity interest	6(23)				
3400	Other equity interest		28,080,595	20	7,339,258	7
3500	Treasury stocks	6(20)	(511,710)	-	(511,710)	-
31XX	Equity attributable to owners of the parent		<u>89,213,763</u>	<u>65</u>	<u>61,828,295</u>	<u>61</u>
36XX	Non-controlling interest	6(34)	6,448,168	5	5,796,937	5
3XXX	Total equity		<u>95,661,931</u>	<u>70</u>	<u>67,625,232</u>	<u>66</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 136,612,450</u>	<u>100</u>	<u>\$ 105,679,071</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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(2)(9)(10)(24) and 7	\$ 52,557,027	100	\$ 45,823,430	100
5000 Operating costs	6(6)(8)(9)(19)(29) and 7	(39,812,612)	(76)	(35,066,082)	(76)
5900 Net operating margin		12,744,415	24	10,757,348	24
5910 Unrealized profit from sales		(8,354)	-	(9,518)	-
5920 Realized profit from sales		9,518	-	8,263	-
5950 Net operating margin		12,745,579	24	10,756,093	24
Operating expenses	6(8)(9)(19)(29)				
6100 Selling expenses		(4,028,985)	(8)	(3,895,315)	(9)
6200 General and administrative expenses		(2,529,546)	(5)	(2,258,377)	(5)
6300 Research and development expenses		(1,112,911)	(2)	(1,027,177)	(2)
6450 Expected credit impairment losses	12(2)	(4,779)	-	(41,167)	-
6000 Total operating expenses		(7,676,221)	(15)	(7,222,036)	(16)
6900 Operating profit		5,069,358	9	3,534,057	8
Non-operating income and expenses					
7100 Interest income	6(4)(25)	127,351	-	194,926	-
7010 Other income	6(3)(10)(26) and 7	1,421,682	3	1,057,043	2
7020 Other gains and losses	6(2)(9)(13)(15)(27)	(458,742)	(1)	(130,170)	-
7050 Finance costs	6(9)(28)	(203,602)	-	(241,495)	-
7060 Share of profit of associates and joint ventures accounted for under the equity method	6(7)	195,831	-	(14,613)	-
7000 Total non-operating income and expenses		1,082,520	2	865,691	2
7900 Profit before income tax		6,151,878	11	4,399,748	10
7950 Income tax expense	6(30)	(649,687)	(1)	(588,100)	(1)
8200 Profit for the period		\$ 5,502,191	10	\$ 3,811,648	9

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive loss, before tax, actuarial losses on defined benefit plans	6(19)			
			(\$ 27,172)	-	(\$ 12,954)
8316	Unrealized gains on valuation of investments measured at fair value through other comprehensive income	6(3)	22,629,456	43	4,160,554
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				
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	(6,876)	-	(4,075)
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(84,107)	-	247
			<u>22,511,301</u>	<u>43</u>	<u>4,143,772</u>
Other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	6(23)	(1,159,131)	(2)	(422,317)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(30)	122,289	-	70,484
8360	Components of other comprehensive income that will be reclassified to profit or loss		(1,036,842)	(2)	(351,833)
8300	Other comprehensive income for the year		<u>\$ 21,474,459</u>	<u>41</u>	<u>\$ 3,791,939</u>
8500	Total comprehensive income for the year		<u>\$ 26,976,650</u>	<u>51</u>	<u>\$ 7,603,587</u>
Profit attributable to:					
8610	Owners of the parent		\$ 5,013,134	9	\$ 3,511,358
8620	Non-controlling interest		489,057	1	300,290
			<u>\$ 5,502,191</u>	<u>10</u>	<u>\$ 3,811,648</u>
Comprehensive income attributable to:					
8710	Owners of the parent		\$ 25,981,519	49	\$ 7,262,630
8720	Non-controlling interest		995,131	2	340,957
			<u>\$ 26,976,650</u>	<u>51</u>	<u>\$ 7,603,587</u>
Earnings per share (in dollars)					
9750	Basic earnings per share	6(31)	<u>\$ 2.38</u>		<u>\$ 1.81</u>
9850	Diluted earnings per share		<u>\$ 2.38</u>		<u>\$ 1.81</u>

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
	Notes	Retained Earnings					Other equity interest		Treasury stocks	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	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income				
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	\$ 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		-	-	-	-	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		-	(26,468)	-	-	-	-	-	-	(26,468)	26,468	-
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	23,792	-	-	-	-	-	-	23,792	-	23,792
Changes in other non-controlling equity		-	-	-	-	-	-	-	-	-	(268,774)	(268,774)
Proceeds from capital increase of non-controlling interests	6(34)	-	-	-	-	-	-	-	-	-	700,000	700,000
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(23)	-	-	-	-	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	\$ 5,796,937	\$ 67,625,232
2021												
Balance at January 1, 2021		\$ 19,676,929	\$ 7,386,902	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710)	\$ 61,828,296	\$ 5,796,937	\$ 67,625,233
Profit for the year		-	-	-	-	5,013,134	-	-	-	5,013,134	489,057	5,502,191
Other comprehensive (loss) income for the year	6(23)	-	-	-	-	(33,085)	(1,025,349)	22,026,819	-	20,968,385	506,074	21,474,459
Total comprehensive income		-	-	-	-	4,980,049	(1,025,349)	22,026,819	-	25,981,519	995,131	26,976,650
Appropriations of 2020 earnings	6(22)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	349,413	-	(349,413)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,459,616)	-	-	-	(2,459,616)	-	(2,459,616)
Common shares issued for share conversion	6(20)	1,711,037	2,097,884	-	-	-	-	-	-	3,808,921	-	3,808,921
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	36,127	-	-	12,482	-	(12,482)	-	36,127	-	36,127
Transactions with non-controlling interest	4(3)	-	8,607	-	-	-	-	-	-	8,607	(8,607)	-
Changes in other non-controlling equity		-	-	-	-	-	-	-	-	-	(335,293)	(335,293)
Disposal of investment in equity instrument at fair value through other comprehensive income	6(3)(23)	-	-	-	-	272,075	-	(272,075)	-	-	-	-
Effect of changes in decrease in entities of associates	6(23)	-	-	-	-	(14,515)	9,909	14,515	-	9,909	-	9,909
Balance at December 31, 2021		\$ 21,387,966	\$ 9,529,520	\$ 7,374,048	\$ 3,640,779	\$ 19,712,565	(\$ 4,033,116)	\$ 32,113,711	(\$ 511,710)	\$ 89,213,763	\$ 6,448,168	\$ 95,661,931

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 6,151,878	\$ 4,399,748
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(24)(27)	(1,643,837)	(893,503)
Net loss (gain) on financial liabilities at fair value through profit or loss	6(15)(27)	2,638	(50)
Provision for decline in value of inventories	6(6)	177,816	188,159
Expected credit impairment gains	12(2)	4,779	41,167
Interest income	6(25)	(127,351)	(194,925)
Dividend income	6(26)	(884,153)	(615,445)
Interest expense	6(28)	203,602	241,495
Depreciation and amortization	6(8)(9)(10)(29)	1,802,195	2,005,511
Loss (gain) on disposal of investments	6(27)	3,097	(123)
Loss on disposal of property, plant and equipment	6(27)	2,387	38,447
Impairment loss	6(8)(13)(27)	367,190	77,950
Share of (profit) loss of associates and joint ventures accounted for under the equity method	6(7)	(195,831)	14,613
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		37,945	33,706
Current contract assets		(866,890)	68,878
Notes receivable		175,504	(53,769)
Notes receivable - related parties		8,063	(10,807)
Accounts receivable		(1,048,247)	(100,191)
Accounts receivable - related parties		(49,738)	(3,646)
Other receivables		(137,928)	215,967
Other receivables - related parties		(46,101)	8,909
Inventories		(2,802,666)	38,178
Prepayments		(145,336)	291,981
Other current assets		73,340	(968,564)
Non-current financial assets at fair value through profit or loss		557,742	(296,498)
Changes in operating liabilities			
Current contract liabilities		(3,110)	492,491
Notes payable		680,367	56,011
Notes payable - related parties		(48,894)	(26,128)
Accounts payable		1,758,360	725,996
Accounts payable - related parties		(34,056)	(15,514)
Other payables		707,037	104,671
Provisions for liabilities		(103,690)	140,699
Other current liabilities		(65,646)	(11,210)
Other non-current liabilities		219,223	(147,855)
Cash inflow generated from operations		4,729,689	5,846,349
Interest received	6(25)	127,351	194,925
Dividend received		87,747	93,805
Interest paid		(133,202)	(157,633)
Income tax paid		(696,332)	(490,601)
Net cash flows from operating activities		4,115,253	5,486,845

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in current financial assets at fair value through profit or loss		(\$ 2,228,000)	\$ -
Increase in current financial assets at fair value through other comprehensive income		(2,446)	(76,684)
Increase in non-current financial assets at fair value through other comprehensive income	6(32)	(143,856)	(20,800)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(3)	757,346	14,400
Decrease (Increase) in non-current financial assets at amortized cost	6(4)	89,298	(104,274)
Increase in pledged and restricted bank and time deposits	6(1) and 8	(211,646)	(45,818)
Increase in investments accounted for under the equity method and capital reduction to recover investment cost		(208,146)	(26,449)
Proceeds from disposal of investments accounted for under the equity method		-	558
Acquisition of property, plant and equipment	6(8)(32)	(795,821)	(667,913)
Proceeds from disposal of property, plant and equipment		62,585	40,348
Acquisition of intangible assets		(70,416)	(74,978)
Increase in restricted by the legislation on repatriating offshore funds	6(12)	(191,813)	(169,411)
Increase in other non-current assets		(1,545,376)	(206,921)
Dividends received from investments of financial instruments		884,153	615,170
Net cash flows used in investing activities		(3,604,138)	(722,772)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans	6(33)	(774,135)	959,195
Proceeds from issuance of bonds payable	6(33)	-	5,000,000
Repayment of bonds	6(33)	-	(3,000,000)
Increase (decrease) in long-term loans	6(33)	483,525	(3,473,021)
Lease liabilities paid	6(9)(33)	(538,703)	(523,774)
Acquisition of the Company's share by subsidiaries recognized as treasury shares	6(20)	-	(190,147)
Cash dividends paid to non-controlling interests		(226,923)	(200,997)
Proceeds from capital increase of non-controlling interests		-	700,000
Cash dividends paid	6(22)	(2,459,616)	(1,918,798)
Net cash flows used in financing activities		(3,515,852)	(2,647,542)
Exchange rate effect		(118,380)	(830,642)
Net (decrease) increase in cash and cash equivalents		(3,123,117)	1,285,889
Cash and cash equivalents at beginning of year		20,397,260	19,111,371
Cash and cash equivalents at end of year		\$ 17,274,143	\$ 20,397,260

TECO Electric & Machinery Co., Ltd.

Distribution of 2021 Profits

(In NT \$)

Item	Amount
Accumulated undistributed profit as of the beginning of the period	14,462,473,821
Add: Net Profit after tax in 2021	5,013,133,757
Add: Disposal of financial assets at fair value through other comprehensive income.	284,557,157
Less: Actuarial Losses	(33,085,000)
Less: Others	(14,515,302)
Less : Legal Reserve	(525,009,061)
Total distributable earnings	19,187,555,372
Profit available for distribution for the period:	
Profit-sharing to shareholders	2,887,375,431
(Dividend per share)	1.35
Undistributed profit as of the end of 2021	16,300,179,941
Note :	

Notes:

1. Dividend per share this year is NT\$1.35 and all dividends distributed shall be cash dividend.
2. The profit distributed this period will be distributed from the distributable earnings received in 2021 first, and from the accumulated undistributed profits from previous years where there is a shortfall.

In the event of any change to the total number of outstanding shares, 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.

TECO Electric & Machinery Co., Ltd. acquires shares of Walsin Lihwa Corporation

Opinions of the lead securities underwriter in the fourth quarter of 2021

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.

TECO Electric & Machinery Co., Ltd.
Comparison between the Revision and the Original of
“Articles of Incorporation”

Proposed Revision	Current Clauses	Note
<p>Chapter 3 Shareholders’ Meeting Article 10 The Company will have two types of shareholders meetings:</p> <ol style="list-style-type: none"> 1. General shareholder meeting to be convened within six months after the end of each fiscal year; and 2. Extraordinary shareholders meeting to be convened where necessary. <p>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.</p> <p>The shareholders’ meeting of preferred shares may be convened in accordance with relevant laws whenever necessary.</p> <p>The shareholders’ meeting can be convened by means of video conference or other methods promulgated by the central competent authority.</p>	<p>Chapter 3 Shareholders’ Meeting Article 10 The Company will have two types of shareholders meetings:</p> <ol style="list-style-type: none"> 3. General shareholder meeting to be convened within six months after the end of each fiscal year; and 4. Extraordinary shareholders meeting to be convened where necessary. <p>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.</p> <p>The shareholders’ meeting of preferred shares may be convened in accordance with relevant laws whenever necessary.</p>	<p>In accordance with the Article 172-2 of the Company Act, the Company revised the relevant provisions concerning the convening of shareholders’ meetings by video conference or by other means as announced by the central competent authority.</p>
<p>Article 30 These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows: (Omitted) The fifty-eighth amendment on May 11, 2020. The fifty-ninth amendment on May 20, 2022. It took effect after the approval of shareholders’ meeting.</p>	<p>Article 30 These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows: (Omitted) The fifty-eighth amendment on May 11, 2020. It took effect after the approval of shareholders’ meeting.</p>	<p>Add the date and number of times of this amendment.</p>

TECO Electric & Machinery Co., Ltd.
Comparison between the Revision and the Original of
“Procedure for Acquisition or Disposal of Assets”

Proposed Revision	Current Clauses	Note
<p>Article 6 (Omitted) The aforementioned appraisers should abide by the self-discipline standards of their respective trade associations and the following regulations when producing appraisal report or opinions:</p> <ol style="list-style-type: none"> 1. Cautiously evaluation their own expertise, experience, and independence before undertaking the cases; 2. when performing cases, properly plan and execute operating flow for formation of conclusions, as basis for producing report or opinions and register in detail execution procedure, data collection, and conclusions in working paper; 3. evaluate one by one the appropriateness and reasonableness of data sources, parameters, and information, as the basis for production of appraisal report or opinions; 4. declaration should include expertise and independence of related persons, evaluation of the appropriateness and reasonableness of information in use, and legal compliance. 	<p>Article 6 (Omitted) The aforementioned appraisers should abide by the following regulations when producing appraisal report or opinions:</p> <ol style="list-style-type: none"> 1. Cautiously evaluation their own expertise, experience, and independence before undertaking the cases; 2. when <u>inspecting</u> cases, properly plan and execute operating flow for formation of conclusions, as basis for producing report or opinions and register in detail execution procedure, data collection, and conclusions in working paper; 3. evaluate one by one the <u>completeness, accuracy, and</u> reasonableness of data sources, parameters, and information, as the basis for production of appraisal report or opinions; 4. declaration should include expertise and independence of related persons, evaluation of the reasonableness of information in use, and legal compliance. 	<ol style="list-style-type: none"> 1. To clarify the procedures and responsibilities that external experts should follow, the second preamble of Paragraph 2 is amended accordingly to regulate the issuance of valuation reports or opinions by professional appraisers and their appraisers, CPAs, lawyers or securities underwriters, who shall comply with the self-discipline standards of their respective trade associations while complying with the provisions as provided in the current Paragraph 2. 2. In view of the fact that the

		<p>aforesaid external experts undertake and perform to issue valuation reports or reasonableness opinions in accordance with the provisions of these Regulations, which does not refer to the audit of financial reports, the wording of "audit" in Subparagraph 2 of Paragraph 2 is therefore amended to be "perform".</p> <p>3. With reference to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the appropriateness and reasonableness of information sources and parameters in the letters and Valuation Standards of Accounting Research and Development Foundation of the Republic of</p>
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		China, the wording in Subparagraph 3 and Subparagraph 4 of Paragraph 2 is amended accordingly for practical purposes.
<p>Article 7</p> <p>4. Appraisal report on real property or other fixed asset (Omitted)</p> <p>4.3 If the appraisal conducted by the professional appraiser runs into either of the following conditions, except the appraisal value of the acquired assets is higher than the trading value or the appraisal value of the disposed assets is lower than the trading value, subsequent handling by certified public accountant should be sought for as well as its opinion with respect to the reasons accounting for the price difference and the acceptability of the transaction price:</p> <p>4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value.</p> <p>4.3.2 The amount difference among the appraised values as a result of the appraisals conducted by two or more professional appraiser's amounts to 10% or more of the transaction value.</p>	<p>Article 7</p> <p>4. Appraisal report on real property or other fixed asset (Omitted)</p> <p>4.3 If the appraisal conducted by the professional appraiser runs into either of the following conditions, except the appraisal value of the acquired assets is higher than the trading value or the appraisal value of the disposed assets is lower than the trading value, subsequent handling by certified public accountant in accordance with the No. 20 Statement of Financial Accounting Standards published by Accounting Research and Development Foundation (ARD Foundation) should be sought for as well as its opinion with respect to the reasons accounting for the price difference and the acceptability of the transaction price:</p> <p>4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value.</p> <p>4.3.2 The amount difference among the appraised values as a result of the appraisals conducted by two or more</p>	<p>Considering that Article 6 has been amended and revised to require external experts to issue opinions in accordance with the self-discipline standards of their respective trade associations, which has already covered the procedures for CPAs to issue opinions, therefore, it is deleted accordingly.</p>

	professional appraiser's amounts to 10% or more of the transaction value.	
<p>Article 8</p> <p>Procedure for acquisition or disposal of marketable securities</p> <p>4. Expert opinion</p> <p>4.1 For acquisition or disposal of marketable securities, the company should obtain the audited or reviewed financial statement of the target companies as the reference for transaction price, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million, certified public accountant's opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens, except in cases where there is an active public quote on the subject securities or where the subject securities belong to any of the following:</p> <p>(Omitted)</p>	<p>Article 8</p> <p>Procedure for acquisition or disposal of marketable securities</p> <p>4. Expert opinion</p> <p>4.1 For acquisition or disposal of marketable securities, the company should obtain the audited or reviewed financial statement of the target companies as the reference for transaction price, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million, certified public accountant's opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens. In case CPA needs to adopt the report of experts, auditing criteria No. 20 publicized by Accounting Research and Development Foundation should be followed, except in cases where there is an active public quote on the subject securities or where the subject securities belong to any of the following:</p> <p>(Omitted)</p>	<p>Considering that Article 6 has been amended and revised to require external experts to issue opinions in accordance with the self-discipline standards of their respective trade associations, which has already covered the procedures for CPAs to issue opinions, therefore, it is deleted accordingly.</p>
<p>Article 9</p> <p>2. Evaluation and procedure of operation</p> <p>Acquisition or disposal of real property or its right-of-use asset from a related party, or acquires r disposes non-</p>	<p>Article 9</p> <p>2. Evaluation and procedure of operation</p> <p>Acquisition or disposal of real property or its right-of-use asset from a related party, or acquires r disposes non-</p>	<p>To amend the provisions that material related party transactions shall be performed upon approval of the</p>

<p>property assets or its right-of-use asset with related parties and the trading value exceeds 20% of the company's paid-in capital, 10% of total assets, or NT\$300 million, must be approved by the Board of Directors based on the materials on the following matters and ratified by the Audit Committee in advance to sign the transaction contract and make payment:</p> <p>2.1 The purpose, necessity and anticipated efficacy of the proposed acquisition or disposal of assets.</p> <p>2.2 The reason for selecting the related party in issue as the transaction counterpart.</p> <p>2.3 Acquiring real property or its right-of-use asset from related parties, the evaluation materials regarding the acceptability of the proposed terms of transaction produced pursuant to paragraphs .1 and 3.4 of this Article.</p> <p>2.4 The acquisition date and the transaction price at which the related party acquired the subject real property and the related party's transaction counterpart in that transaction and the relationship between them.</p> <p>2.5 Forecast on the statement of receipts and disbursements of cash within one year from the month of the proposed contract signing date, and an evaluation of the necessity of the proposed</p>	<p>property assets or its right-of-use asset with related parties and the trading value exceeds 20% of the company's paid-in capital, 10% of total assets, or NT\$300 million, must be approved by the Board of Directors based on the materials on the following matters and ratified by the Audit Committee in advance to sign the transaction contract and make payment:</p> <p>2.1 The purpose, necessity and anticipated efficacy of the proposed acquisition or disposal of assets.</p> <p>2.2 The reason for selecting the related party in issue as the transaction counterpart.</p> <p>2.3 Acquiring real property or its right-of-use asset from related parties, the evaluation materials regarding the acceptability of the proposed terms of transaction produced pursuant to paragraphs .1 and 3.4 of this Article.</p> <p>2.4 The acquisition date and the transaction price at which the related party acquired the subject real property and the related party's transaction counterpart in that transaction and the relationship between them.</p> <p>2.5 Forecast on the statement of receipts and disbursements of cash within one year from the month of the proposed contract signing date, and an evaluation of the necessity of the proposed</p>	<p>shareholders' meeting so as to strengthen the management of related party transactions and protect the rights of minority shareholders of public companies to express their opinions on the transactions between the Company and related parties.</p> <p>In addition, considering the overall business planning needs of the public companies and their subsidiaries, or between their subsidiaries, the proviso is made to release such transactions between companies from the resolution of the shareholders' meeting.</p>
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<p>transaction and the acceptability of the application of the relevant funds.</p> <p>2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article9.</p> <p>2.7 The restrictions and other important arrangements on the transaction.</p> <p>If the company or its subsidiary that is not a domestic public company has the transaction mentioned in the preceding paragraph, and the transaction amount is more than 10% of the total assets of the company, the materials listed in the preceding paragraph shall be submitted to the shareholders' meeting for approval before signing the transaction contract and making payments. However, the transaction between the company and its subsidiaries, or between its subsidiaries, is not limited to this.</p> <p>The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to the <u>shareholders' meeting</u> and board of directors for approval and the auditing committee for acknowledgement can be excluded.</p>	<p>transaction and the acceptability of the application of the relevant funds.</p> <p>2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article9.</p> <p>2.7 The restrictions and other important arrangements on the transaction.</p> <p>The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to the board of directors for approval and the auditing committee for acknowledgement can be excluded.</p>	
<p>Article 11</p> <p>4. Expert evaluation report on membership or intangible assets</p>	<p>Article 11</p> <p>4. Expert evaluation report on membership or intangible assets</p>	<p>Considering that Article 6 has been amended and revised to require external</p>

<p>Except the transaction with government agencies, where the transaction value of the acquisition or disposal of membership or intangible asset by the Company amounts to 20% of the paid-in capital of the Company or TWD300 million, the opinion of a certified public accountant on the acceptability of the proposed transaction price should be sought for before the date the fact happens.</p>	<p>Except the transaction with government agencies, where the transaction value of the acquisition or disposal of membership or intangible asset by the Company amounts to 20% of the paid-in capital of the Company or TWD300 million, the opinion of a certified public accountant on the acceptability of the proposed transaction price should be sought for before the date the fact happens, who shall act in accordance with the No. 20 Statement of Auditing Standards published by the ARD Foundation.</p>	<p>experts to issue opinions in accordance with the self-discipline standards of their respective trade associations, which has already covered the procedures for CPAs to issue opinions, therefore, it is deleted accordingly.</p>
<p>Article 15</p> <p>1. Matters which should be reported for public disclosure and the relevant standards (omitted) except for these transactions:</p> <p>1.7.1 The transaction is the purchase or sale of domestic government bonds or foreign government bonds with a credit rating not lower the sovereign rating of the Republic of China.</p> <p>1.7.2 Professional investors, who trade in securities at stock exchanges or business outlets of securities firms, or subscribe foreign government bonds or common corporate bonds and common financial bonds without stock right (excluding subordinated bonds), or subscription to of redemption of securities investment trust funds or futures trust funds, purchase or repurchase index investment securities on the domestic primary</p>	<p>Article 15</p> <p>1. Matters which should be reported for public disclosure and the relevant standards (omitted) except for these transactions:</p> <p>1.7.1 The transaction is the purchase or sale of domestic government bonds.</p> <p>1.7.2 Professional investors, who trade in securities at stock exchanges or business outlets of securities firms, or subscribe to common corporate bonds and common financial bonds without stock right (excluding subordinated bonds), or subscription to of redemption of securities investment trust funds or futures trust funds on the domestic primary market , security brokers who subscribe to securities out of the need for underwriting business or in the capacity as a assisting or recommending security firm for share listing on the</p>	<p>1. It is also exempted from public announcement and reporting for purchase and sale of foreign government bonds with a credit rating not lower the sovereign rating of the Republic of China.</p> <p>2. Professional investors who subscribe for foreign government bonds, purchase or repurchase index investment securities in the primary market may also be exempted from public announcement and reporting.</p>

<p>market , security brokers who subscribe to securities out of the need for underwriting business or in the capacity as a assisting or recommending security firm for share listing on the Emerging Stock Market, according to the regulations of the Taipei Exchange(over-the-counter market)</p> <p>1.7.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements. Subscription to and redemption of domestic money-market funds issued by Securities Investment Trust Enterprises.</p>	<p>Emerging Stock Market, according to the regulations of the Taipei Exchange(over-the-counter market)</p> <p>1.7.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements. Subscription to and redemption of domestic money-market funds issued by Securities Investment Trust Enterprises.</p>	
<p>Article 19 This Procedure was established on 11 August 1989 and subsequently amended as follows: (omitted)</p> <p>the eleventh amendment on 14 June 2019.</p> <p><u>and the twelfth amendment on 20 May 2022.</u></p>	<p>Article 19 This Procedure was established on 11 August 1989 and subsequently amended as follows: (omitted)</p> <p>and the eleventh amendment on 14 June 2019.</p>	<p>Add the date and number of times of this amendment.</p>