

Stock Code: 1504



TECO ELECTRIC & MACHINERY CO., LTD

GENERAL SHAREHOLDERS MEETING 2025  
JUNE 3<sup>RD</sup>, 2025  
**AGENDA**

Time: 09:00am, June 3<sup>rd</sup>, 2025

Place: 2F., No. 508, Section 7, Zhongxiao East Road,  
Nangang District, Taipei City, Taiwan  
(Multipurpose Hall of Taipei Bioinnovation Park)

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

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# TECO Electric & Machinery Co., Ltd.

## **General Shareholders Meeting 2025**

### **Meeting Procedure**

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

TECO Electric & Machinery Co., Ltd.

**General Shareholders Meeting 2025**

**Agenda**

Meeting Format: In-person Shareholders' Meeting

Date and Time: 9:00 a.m., June 3<sup>rd</sup>, 2025 (Tuesday)

Location: 2F, No. 508, Section 7, Zhongxiao East Road, Nangang District,  
Taipei City, Taiwan

(Taipei Bioinnovation Park Multipurpose Hall)

1. Meeting called to order
2. Addresses by the Chairman.
3. Reports
  - 3.1 Business Report for 2024
  - 3.2 Inspection Report of Audit Committee for 2024
  - 3.3 Remuneration Distribution to Employees and Directors for 2024
  - 3.4 Distribution of Cash Dividends from Profits in 2024
  - 3.5 Report on the Merger with Teco Electro Devices Co., Ltd.
  - 3.6 Report on the Execution of Treasury Share Buyback
4. Ratification
  - 4.1 Business Report and Financial Statements for 2024
  - 4.2 Distribution of 2024 Profits
5. Discussion
  - 5.1 Amendment to "Articles of Incorporation"
  - 5.2 Amendment to "Procedures for Acquisition or Disposal of Assets"
  - 5.3 Amendment to "Procedures for Endorsements and Guarantees"
- ※ Voting on each of the aforementioned ratification and discussion proposals will be conducted simultaneously after each item has been discussed, with votes counted separately for each case.
6. Extempore motion(s)
7. Meeting adjourned

## **Reports**

1. Business report for 2024 (pages 11~16)

Note: please see p.11~p.16 for business report for 2024

2. Inspection Report of Audit Committee for 2024 (page 17)

Note: please see p.17 for Inspection Report of Audit Committee for 2024

3. Remuneration distribution to employees and directors for 2024

**Explanatory note:**

In 2024, income before tax is NT\$ 6,815,175 thousand, and remuneration to employees is proposed to be NT\$ 400,483 thousand, whilst remuneration to directors is proposed to be NT\$ 108,327 thousand. The remuneration would be distributed in cash.

4. Distribution of cash dividends from profits in 2024

**Explanatory note:**

- a. In accordance with Article 27 of the Articles of Incorporation, the Board of Directors is authorized to propose the distribution of profits, in which the cash dividend shall be distributed after the board of directors is authorized to resolve and report to the shareholders' meeting.
- b. The board of directors distributed Cash dividend of NT\$ 4,705,353 thousand from 2024 profit to shareholders at NT\$2.2 per share. Cash dividends were rounded to the nearest whole number. The total amount of cash dividends less than NT\$1 will be recognized as the "Other income" of the Company.
- c. Given the same payout ratio, in the event that proposed distribution of earnings is affected by a change in the Company's outstanding common shares, the chairperson is authorized by the Board of Directors to make adjustment to such distribution and other relevant issues at his/her discretion.

5. Report on the Merger with Teco Electro Devices Co., Ltd.

**Explanatory note:**

- a. To enhance the overall efficiency of resource utilization within the group, the Company's Board of Directors resolved on April 10<sup>th</sup>, 2024, to merge with Teco Electro Devices Co., Ltd. (hereinafter referred to as "TED") in accordance with the Business Mergers and Acquisitions Act and other relevant regulations. Under this merger, Teco Electric & Machinery Co., Ltd. will assume all rights and obligations of TED as the surviving company, while TED will be dissolved.
- b. The consideration for this merger will be paid entirely in cash. Each common share of TED will be exchanged for NT\$34.6 in cash (including rights and dividends). After deducting applicable taxes, the payment will be made to TED shareholders via check or wire transfer. The total transaction amount is approximately NT\$240 million.
- c. The merger record date is set for August 31<sup>st</sup>, 2024. Subsequently, on November 13<sup>th</sup>, 2024, the change of registration was approved by the

Department of Commerce, Ministry of Economic Affairs, under Letter No. 11330171210.

- d. In accordance with Article 7, Paragraph 2 and Article 26 of the Business Mergers and Acquisitions Act, this merger will be reported at the 2025 Annual General Shareholders' Meeting.

6. Report on the Execution of Treasury Share Buyback

**Explanatory note:**

- a. Conducted in accordance with Article 28-2 of the Securities and Exchange Act
- b. On March 14<sup>th</sup>, 2025, the Board of Directors resolved to repurchase the Company's shares with the following details:
  - (1) Purpose of Repurchase: To transfer shares to employees. For details regarding the share transfer to employees, please refer to pages 96~ 97 of this manual.
  - (2) Type of Shares to Be Repurchased: Common shares.
  - (3) Maximum Total Amount for the Repurchase: NT\$406.8 million.
  - (4) Planned Repurchase Period: March 17<sup>th</sup>, 2025 to May 16<sup>th</sup>, 2025.
  - (5) Planned Number of Shares to Be Repurchased: 5 million shares, representing 0.23% of the Company's total issued shares.
  - (6) Planned Price Range for the Repurchase: NT\$37.66 to NT\$81.36 per share.
  - (7) Repurchase Method: Buyback through the centralized securities exchange market.
- c. Execution Status (as of April 7, 2025):
  - (1) Repurchase Period: March 17<sup>th</sup>, 2025 to April 7<sup>th</sup>, 2025.
  - (2) Number of Shares Repurchased: 2.15 million shares, representing 0.10% of the Company's total issued shares.
  - (3) Total Amount of Shares Repurchased: NT\$108,357 thousand.
  - (4) Average Repurchase Price per Share: NT\$50.40.

## **Ratification**

### **Proposal 1:**

Business Report and Financial Statements for 2024 (proposed by the board of directors)

#### **Explanatory note:**

1. The Board of Directors entrusted certified public accountants Hsu, Sheng-Chung and Tu, Chan-Yuan with Pricewaterhouse Coopers to audit and certify the Business Report and Financial Statements (includes Consolidated Financial Statements) for 2024, both of which were subsequently inspected by Audit Committee and are hereby submitted for ratification.
2. Please see pages 11~16 for the business report and pages 18~45 for the Auditors' Report and the Financial Statements.

### **Proposal 2:**

Distribution of 2024 profits (proposed by the board of directors)

#### **Explanatory note:**

1. Distribution of 2024 profits was resolved by Subject to the Board of Directors and audited by Audit Committee.
2. Please see page 46 for the detailed profit distribution plan.

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## Discussion

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### **Proposal 1:**

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

#### **Explanatory note:**

1. In accordance with Article 14, Paragraph 6 of the Securities and Exchange Act, it is proposed to amend the Company's Articles of Incorporation to stipulate that a certain percentage of annual earnings be allocated for salary adjustments or compensation distribution to grassroots employees.
2. For the comparison between the amended and current provisions, please refer to page 47 and pages 80~91 of this manual.
3. Submit for a referendum.

### **Proposal 2:**

Amendment to "Procedures for Acquisition or Disposal of Assets" (proposed by the board of directors)

#### **Explanatory note:**

1. To enhance the flexibility of the Company and its subsidiaries in making strategic investments, and with reference to the practices of major listed companies, the procedures for the acquisition or disposal of assets are proposed to be amended. The remaining revisions are adjustments to align the wording with current regulatory requirements.
2. For the comparison between the amended and current provisions, please refer to pages 48~71 and pages 98~116 of this manual.
3. Submit for a referendum.

### **Proposal 3:**

Amendment to "Procedures for Endorsements and Guarantees" (proposed by the board of directors)

#### **Explanatory note:**

1. In consideration of the Company's current organizational structure and practices, the approval authority for endorsements and guarantees by relevant executives is proposed to be adjusted. The remaining amendments involve wording modifications to reflect current practices. The procedures for endorsements and guarantees are therefore proposed to be revised.
2. For the comparison between the amended and current provisions, please refer to pages 72~78 and pages 117~121 of this manual.
3. Submit for a referendum.

※ Voting on the above proposals:



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**Extempore Motion(s)**

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**Meeting Adjourned**

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## **Attachments**

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1. Business Report for 2024 on pages 11~16
2. Inspection Report of Audit Committee for 2024 on page 18
3. Financial Statements and Auditors' Report for 2024 on page 19~45
4. Distribution of 2024 Profits on page 46
5. Comparison Table of Amendments to "Articles of Incorporation" on page 47
6. Comparison Table of Amendments to "Procedures for Acquisition or Disposal of Assets" on page 48~71
7. Comparison Table of Amendments to "Procedures for Endorsements and Guarantees" on page 72~78

## Business Report

### Dear Shareholders,

In retrospect, the global economy in 2024 faced multiple challenges and exhibited a trend of slow growth. In the United States, economic growth slowed due to easing inflation and reduced labor market pressure. China experienced a sluggish recovery, with a weak real estate market dampening domestic demand and affecting global supply chains. Europe faced limited growth momentum due to energy price volatility and geopolitical tensions. In contrast, Taiwan benefited from the semiconductor and AI boom, with related supply chains performing exceptionally well and driving strong economic growth.

Despite revenue declines in key markets, our company continued to promote core products focused on "energy saving, emission reduction, intelligence, and automation." Thanks to the collective efforts of our team and through product optimization, cost-saving initiatives, and asset activation, we maintained stable profitability in 2024.

### A. Review of 2024 business performance

#### (a) Strategic Development Plan Implementation Results for 2024

In 2024, the Company focused its development efforts on three key strategic directions: advancing green energy, expanding the electrification market, and integrating energy-saving and carbon-reduction solutions.

#### 1. Advancing green energy

In 2024, the Company focused its development efforts on three key strategic directions: advancing green energy, expanding the electrification market, and integrating energy-saving and carbon-reduction solutions.

#### 2. Expanding the electrification market

The Company accelerated its entry into the global transformer market by acquiring Shenchang Electric and forming a strategic alliance with Indonesia's SINTRA, with contributions to Teco's revenue already beginning in the fourth quarter of 2024. In North America, the production line for electric vehicle fast-charging piles was completed, meeting Buy-in-USA and Made-in-USA requirements. In India, the Company secured an order for 600 units of direct-drive power systems for electric buses, with related production lines already under construction. In Taiwan, the Company achieved its 2024 target by delivering power systems for 700 electric buses.

#### 3. Integrating energy-saving and carbon-reduction solutions

The Company signed a Memorandum of Understanding (MOU) with a leading PCB manufacturer to collaborate comprehensively on smart energy management initiatives, including solar-plus-storage system operations and maintenance, equipment health monitoring, and trend analysis. The IE4 motors successfully obtained MEPS and government subsidy certifications, driving increased sales of high-efficiency motors. In the core home appliance business, the Company launched innovative new products such as AI-powered immersive residential air conditioners and solar hybrid energy air conditioners/heat pumps.

(b) R&D Achievements and Advanced Product Development

In 2024, the Company achieved significant R&D milestones, earning widespread industry recognition. It received five awards at the 33rd Taiwan Excellence Awards and won the Silver Award at the 2024 National Invention and Creation Awards for its "rotor structure with edge notches" innovation. Several advanced products have been successfully developed, including: "Dual-Drive Six-Phase High-Power Power System for Electric Buses": designed for commercial electric buses to enhance power efficiency and operational stability; "Long-Range, High-Payload Hybrid Power System for Commercial Drones": specifically developed for high-load, long-endurance UAVs, it improves flight duration and transport efficiency; "T-Hipro Low-Carbon High-Voltage Industrial Motor": aimed at high-performance industrial equipment and smart manufacturing applications, this motor reduces energy consumption while increasing power output; "Smart Green Hybrid Inverter Air Conditioning System": optimized for intelligent buildings and energy-efficient HVAC applications, it improves energy efficiency and reduces operating costs; "Smart Green Two-Phase Cooling Unit for Industrial Applications": developed for high-power electronics and industrial cooling systems, this unit significantly enhances thermal management and system stability.

These innovations reflect our strong commitment to green technology. By driving industrial upgrades through innovation, we continue to move toward a smarter and more sustainable future.

(c) 2024 Financial Overview, Business Plan Implementation Results, and Profitability Analysis

1. Consolidated Financial Statements of the Company and Its Subsidiaries

Unit: NT\$1,000

	2024	2023	Growth rate
Sales revenue	55,234,746	59,393,661	-7.0%
Operating profit	6,231,605	6,663,252	-6.5%
Profit for the period	6,251,281	6,332,032	-1.3%
Profit attributable to Owners of the parent	5,767,637	5,830,061	-1.1%

Consolidated sales revenue decreased by 7%, mainly due to a decline in revenue from the Green Mechatronic and Intelligence Energy segments. In the Green Mechatronic segment, revenue in the North American market was affected by weakened demand in the second half of the year and customers' inventory adjustments for VB-Skid electrification products; in Mainland China, the decline was due to weak domestic demand; and in Europe, the ongoing Russia-Ukraine war led to economic sluggishness, contributing to the revenue drop. In the Intelligence Energy segment, engineering revenue decreased due to differences in project progress, resulting in lower revenue recognized under the percentage-of-completion method. Additionally, Taiwan Pelican Express, Tecom, and ITTS also experienced revenue declines due to various industry-specific factors.

Consolidated operating profit decreased by 6.5%, primarily due to a decline in sales revenue which led to reduced gross profit. The Company continued to enhance productivity, implement various cost-reduction initiatives, and enforce expense control measures, thereby reducing operating expenses. As a result, both the overall gross profit margin and the operating expense ratio remained consistent with those of 2023.

Net non-operating income improved, mainly due to gains from the disposal of overseas assets, compensation received from successful litigation, and a significant increase in investment income recognized under the equity method. As a result, profit for the period decreased by only 1.3% compared to 2023, with net income attributable to owners of the parent declining by just 1.1%.

## 2. Parent Company only financial statement

Unit: NT\$1,000

	2024	2023	Growth rate
Sales revenue	25,771,644	27,419,501	-6.0%
Operating profit	2,519,619	2,186,291	15.2%
Profit for the Year	5,767,637	5,830,061	-1.1%

### (d) Financial Strategy and Results

The Company's primary business involves the research and development, production, and sales of industrial products. As a mature industry player, our long-term financial strategy has consistently adhered to the principle of prudent operations. Each year, we comprehensively assess our business plans, capital expenditures, working capital needs, and shareholder returns to precisely plan our cash flow and determine an appropriate financial structure.

Thanks to the stable cash flows generated from operating activities and our steady and sustainable operational strategy, Taiwan Ratings Corp. (TRC) has assigned the Company a credit rating of "twA" since 2012. This rating has enabled the Company to utilize lower-interest financing instruments, significantly reducing financing costs. In 2015, TRC further upgraded our credit rating to "twA+", and in 2024, revised our rating outlook from stable to positive. This not only highlights the improvement in the Company's commercial credit status but also enhances our fundraising capability, bargaining power, and financial flexibility.

## B. Outline of the 2025 Business Plan

Looking ahead to 2025, global economic uncertainty remains high due to the ongoing impacts of trade wars and geopolitical tensions. To ensure continued revenue growth, it is essential to seize the booming opportunities in green energy and electrification, promote products that align with ESG principles and energy conservation & emission reduction, and actively pursue and establish a presence in key development regions.

### (a) Key Operating Strategies and Growth Plans for 2025

Focusing on high-margin products, high-potential businesses, forward-looking initiatives, and TECO's core competitive advantages, the company will launch a strategic revenue growth plan from four key perspectives: green energy, electrification, energy conservation and carbon reduction, and development of key regions.

#### 1. Green Energy

TECO is committed to smart grid development, renewable energy integration, hydrogen energy technologies, and virtual power plants, including:

- (1) Building smart grids and actively participating in Taipower's resilient grid initiative;
- (2) Integrating the Group's wind, solar, and energy storage resources to offer renewable energy integration solutions;
- (3) Promoting hydrogen energy projects, such as fuel cell applications, hydrogen refueling station engineering, and hydrogen production equipment;
- (4) Investing in virtual power plants to enhance energy

utilization and expand electricity retail business.

## 2. Electrification

By leveraging synergies from acquisitions, TECO will expand capacity and pursue transformation and upgrades to enhance its technical capabilities, including: (1) Vehicle Electrification: Developing power systems and charging equipment for commercial vehicles, entering the supply chain for EV modules in drones and electric scooters, and promoting transportation electrification; (2) Industrial Electrification: Transforming VB-Skid/modular electrical rooms into integrated industrial electrification solutions; (3) Actively establishing production lines to expand transformer business in North America and Taiwan.

## 3. Energy Conservation and Carbon Reduction

By integrating group products under the Super ESCO concept, TECO will provide comprehensive solutions, including: (1) Offering software and integrating high-efficiency electromechanical products to create a one-stop Super ESCO total energy integration solution that helps enterprises achieve energy-saving and carbon reduction goals; (2) Advancing high-efficiency refrigeration, air conditioning, heat recovery, and heat pump industries.

## 4. Key Regional Development

TECO will deepen its presence in North America and expand operations in Southeast Asia, including: (1) Further penetrating the North American market, especially in AI data centers and renewable energy sectors; (2) Establishing engineering teams in Southeast Asia through acquisitions and aggressively expanding data center engineering services and comprehensive solutions while supplying various core TECO products.

### (b) Strategic development plan

In line with the business vision of "energy conservation, emission reduction, intelligence, and automation," tap ESG-driven business opportunities worldwide and focus on the four main dimensions of green energy, electrification, energy conservation and carbon abatement, and high-potential area, thereby kicking off strategic revenue growth plan.

### 1. Green energy

(1) In addition to expanding undertaking of engineering businesses related to wind power, PV power, and storage, introduce key components/parts and system integration technology and take part in carbon-capture and hydrogen filling station pilot plan, thereby strengthening value positioning in new-energy ecological system.

(2) For power generation and storage business, the company will continue expanding the scale of EPC engineering and building up site operation experience and strengthening the capability for grid integration and demand maneuvering, gradually marching toward the goal of virtual power plant.

### 2. Electrification

For electric vehicles, the company will tap North American and Indian e-bus/remodel car/engineering vehicle markets, establish regional supply chain, and secure ship e-propelling business opportunities. For industrial electrification, zero in on fuel gas and mining applications, expand industrial mix, and expand systematic integrated sales.

### 3. Energy conservation and carbon abatement

Significantly raise the revenue share of high-performance electromechanical and air-conditioning products, such as IE4/IE5/SRM/T-HiPro motors and permanent-magnetic variable-frequency screw machines, which, in addition to strengthening corresponding sale of inverters, will target sales to industries with high ESG-related demands, such as steelmaking, petroleum, papermaking and electronics, especially energy-conservation transformative programs in Taiwan, China, and Southeast Asia.

### 4. Development of high-potential areas

In addition to sale of low-voltage electric products in Mexico and India, taking advantage of local short-chain benefit, plan to tap again overseas HVAC market starting from Indonesia.

#### (b) Sustainable development

In response to climate challenges, the company remains committed to its operational emissions reduction target of “50% reduction over 10 years by 2030.” This is being pursued through the implementation of relevant KPIs and an internal carbon pricing mechanism, which help quantify performance and incentivize departments to actively promote carbon reduction initiatives. Key efforts include the expansion of solar power facilities across our global sites. In 2024, the company completed solar installations with a capacity of 5.3 MW at its plants in the U.S. and China, bringing the cumulative installed solar capacity worldwide to 15.046 MW — marking solid progress toward the goal of meeting 30% of the Group's electricity consumption from renewable energy sources by 2030.

In terms of sustainable supply chain management, the company conducts supplier audits every three years. In 2024, we also partnered with government resources to participate in the "Net Zero Transition 1+N Carbon Management Project." Acting as a central plant, TECO led 11 supply chain and affiliated companies in greenhouse gas inventory, energy efficiency diagnostics, and carbon footprint assessments for large motors at the Zhongli plant.

On the social engagement front, the company continues to promote low-carbon innovation among youth through initiatives like the "Green Brain Innovation Competition" and the "International Net Zero Emissions Technology Competition" in collaboration with National Taiwan University. The latter has become a prominent platform for international student innovation and talent cultivation, drawing 240 teams from 13 countries in 2024. Furthermore, TECO has hosted the “TECO Award” for 31 consecutive years to recognize individuals who have made significant contributions to science, technology, and the humanities in Taiwan, helping build a progressive society enriched by both scientific and cultural achievements. TECO places strong emphasis on stakeholder engagement. Internally, it has implemented DEI (Diversity, Equity, and Inclusion) initiatives to foster a new workplace culture through education and awareness. In 2024, TECO received several recognitions: the "Gold Award for DEI Vision" from Women Power, the "Silver Award for Gender Equality" from Taipei City, and the "DEI-Friendly Employer for an Aging Workforce" award.

The company continues to receive international recognition for its sustainability efforts. It has been included in the Dow Jones Sustainability Emerging Markets Index for five

consecutive years and ranked 2<sup>nd</sup> globally in the electromechanical industry in 2024. Additionally, TECO was listed in the S&P Global 2025 Sustainability Yearbook, placing it in the top 1% of companies worldwide — a testament to its solid foundation in sustainability amid the global low-carbon transition. TECO will continue to uphold the principles of sustainable operation, fully implementing ESG and energy-saving practices, supporting customers in their green transformation, providing high-quality services and solutions, creating a sustainable work environment for employees, and delivering optimal returns for shareholders.

Chairman: Morris Li



## **Inspection Report of Audit Committee**

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

TECO Electric & Machinery Co., Ltd. has submitted the 2024 financial statements (including the consolidated financial statements) to the Board of Directors. These statements have been audited and certified by PricewaterhouseCoopers Taiwan (PwC). Along with the financial statements, the 2024 Business Report and the proposal for earnings distribution have also been reviewed. The Audit Committee concurs with the audit opinion provided by the accounting firm, and has reviewed and approved the aforementioned Business Report and earnings distribution proposal. In accordance with Article 14 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit these materials for your review.

To

General Shareholders Meeting 2025

TECO Electric & Machinery Co., Ltd  
Chairperson of the Audit Committee: Hsieh-Hsing Huang

Date: March 14<sup>th</sup>, 2025

Financial Statements and Auditors' Report for 2024

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, 2024 and 2023, 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 material 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, 2024 and 2023, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of 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.

***Emphasis of matter – Retrospective restatement of the parent company only financial statements for the year ended December 31, 2023***

On March 15, 2024, we have audited and expressed an unqualified opinion with an *Other matter* section on the parent company only financial statements of Teco Electric & Machinery Co., Ltd. as at and for the year ended December 31, 2023. As described in Notes 4(35) and 6(31) of the financial statements, the Company engaged in a merger with the subsidiary, Teco Electro Devices Co., Ltd., on August 31, 2024. In accordance with the Accounting Research and Development Foundation Interpretation 101-301, the subsidiary was considered as consolidated at the beginning and shall retrospectively restate the parent company only financial statements for the year ended December 31, 2023. Our opinion is not modified in respect of the Company's restated parent company only financial statements for the year ended December 31, 2023.

***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 2024 financial statements are stated as follows:

***Revenue recognition of export sales of Green Mechatronic Solution Business Group***

#### Description

Refer to Note 4(32) 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\$4,992,536 thousand and NT\$4,151,041 thousand, constituting 5% and 4% of the related total assets as of December 31, 2024 and 2023, and the comprehensive income amounting to NT\$229,062 thousand and NT\$15,635 thousand, constituting 438% and 0.48% 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 Standards on Auditing of 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 Standards on Auditing of Republic of China, we exercise professional judgement and 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.

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Hsu, Sheng-Chung

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Tu, Chan-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2025

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

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

**TECO ELECTRIC & MACHINERY CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets		Notes	December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 478,591	1	\$ 911,338	1
1139	Current financial assets for hedging	6(13)	5,887	-	-	-
1140	Current contract assets		4,723,711	5	3,522,415	4
1150	Notes receivable, net	6(4)	213,961	-	211,740	-
1160	Notes receivable - related parties	7	207,599	-	210,368	-
1170	Accounts receivable, net	6(4)	2,250,526	2	2,133,975	2
1180	Accounts receivable - related parties	7	1,424,579	2	1,279,796	2
1200	Other receivables		100,618	-	128,020	-
1210	Other receivables - related parties	6(6) and 7	868,501	1	527,904	1
130X	Inventories, net	6(5)	3,879,991	4	3,227,984	3
1410	Prepayments		590,415	1	266,753	-
1470	Other current assets	6(1) and 8	222,069	-	292,453	-
11XX	Total current assets		14,966,448	16	12,712,746	13
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	1,942,588	2	2,344,285	2
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	11,015,526	12	14,735,961	15
1550	Investments accounted for under equity method	6(6)	62,799,280	65	63,625,973	64
1600	Property, plant and equipment, net	6(7) and 7	2,624,128	3	2,999,042	3
1755	Right-of-use assets	6(8) and 7	52,077	-	70,199	-
1760	Investment property, net	6(9)	2,344,989	2	1,987,814	2
1780	Intangible assets	6(10)	16,194	-	17,302	-
1840	Deferred income tax assets	6(27)	402,135	-	569,538	1
1900	Other non-current assets	6(11)	63,311	-	97,052	-
15XX	Total non-current assets		81,260,228	84	86,447,166	87
1XXX	Total assets		\$ 96,226,676	100	\$ 99,159,912	100

(Continued)

**TECO ELECTRIC & MACHINERY CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity		Notes	December 31, 2024		December 31, 2023			
			AMOUNT	%	AMOUNT	%		
Current liabilities								
2120	Current financial liabilities at fair value through profit or loss	6(12)	\$	1,305	-	\$	5,503	-
2126	Current financial liabilities for hedging	6(13)		-	-		5,025	-
2130	Current contract liabilities	6(21)		1,253,193	1		1,131,155	1
2150	Notes payable			13,878	-		27,992	-
2170	Accounts payable			4,228,842	5		3,694,738	4
2180	Accounts payable - related parties	7		1,417,520	2		1,600,928	2
2200	Other payables			3,012,767	3		3,367,673	3
2220	Other payables - related parties	7		247,255	-		211,530	-
2230	Current income tax liabilities	6(27)		661,899	1		480,737	1
2250	Provisions for liabilities - current			94,247	-		100,698	-
2280	Current lease liabilities	6(8) and 7		14,980	-		16,723	-
2320	Long-term liabilities, current portion	6(14)		5,000,000	5		-	-
2399	Other current liabilities, others			198,544	-		209,460	-
21XX	Total current liabilities			16,144,430	17		10,852,162	11
Non-current liabilities								
2530	Corporate bonds payable	6(14)		-	-		5,000,000	5
2540	Long-term borrowings	6(15)		2,220,000	2		250,000	-
2550	Provisions for liabilities - non-current			9,859	-		94,079	-
2570	Deferred income tax liabilities	6(27)		1,331,570	2		1,475,081	2
2580	Non-current lease liabilities	6(8) and 7		11,063	-		26,341	-
2600	Other non-current liabilities	6(16)		1,027,545	1		1,172,890	1
25XX	Total non-current liabilities			4,600,037	5		8,018,391	8
2XXX	Total liabilities			20,744,467	22		18,870,553	19
Equity								
	Share capital	6(17)						
3110	Common stock			21,387,966	22		21,387,966	22
	Capital surplus	6(18)						
3200	Capital surplus			9,616,391	9		9,629,730	9
	Retained earnings	6(19)						
3310	Legal reserve			8,863,669	9		8,237,099	8
3320	Special reserve			3,640,779	4		3,640,779	4
3350	Unappropriated retained earnings			23,089,108	24		22,400,066	23
	Other equity interest	6(20)						
3400	Other equity interest			9,396,006	10		15,364,660	16
3500	Treasury stocks	6(6)(17)	(	511,710)	-	(	511,710)	( 1)
355X	Equity attributable to non-controlling interest before business combination under common control	6(31)		-	-		140,769	-
3XXX	Total equity			75,482,209	78		80,289,359	81
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		\$	96,226,676	100	\$	99,159,912	100



**TECO ELECTRIC & MACHINERY CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Year ended December 31			
		2024		2023	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(21) and 7	\$ 25,771,644	100	\$ 27,419,501	100
5000 Operating costs	6(5)(16)(26) and 7	( 20,263,514 )	( 79 )	( 22,097,446 )	( 81 )
5900 Net operating margin		5,508,130	21	5,322,055	19
5910 Unrealized profit from sales	7	( 534,179 )	( 2 )	( 460,766 )	( 2 )
5920 Realized profit from sales		460,766	2	411,132	2
5950 Net operating margin		5,434,717	21	5,272,421	19
Operating expenses	6(16)(26), 7 and 12(2)				
6100 Selling expenses		( 1,797,421 )	( 7 )	( 1,859,214 )	( 7 )
6200 General and administrative expenses		( 616,691 )	( 2 )	( 630,306 )	( 2 )
6300 Research and development expenses		( 493,740 )	( 2 )	( 592,492 )	( 2 )
6450 Expected credit impairment loss		( 7,246 )	-	( 4,118 )	-
6000 Total operating expenses		( 2,915,098 )	( 11 )	( 3,086,130 )	( 11 )
6900 Operating profit		2,519,619	10	2,186,291	8
Non-operating income and expenses					
7100 Interest income	6(22)	24,015	-	29,867	-
7010 Other income	6(3)(9)(23) and 7	1,212,467	5	1,202,850	4
7020 Other gains and losses	6(2)(12)(24)	( 338,238 )	( 2 )	( 331,746 )	( 1 )
7050 Finance costs	6(8)(25) and 7	( 65,649 )	-	( 69,104 )	-
7070 Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(6)				
		3,462,961	13	3,749,509	14
7000 Total non-operating income and expenses		4,295,556	16	4,581,376	17
7900 Profit before income tax		6,815,175	26	6,767,667	25
7950 Income tax expense	6(27)	( 1,035,260 )	( 4 )	( 932,028 )	( 4 )
8160 Profit attributable to non-controlling interests before business combination under common control	6(31)	( 12,278 )	-	( 5,578 )	-
8200 Profit for the year		\$ 5,767,637	22	\$ 5,830,061	21
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss					
8311 Other comprehensive income (loss), before tax, actuarial losses on defined benefit plans	6(16)	\$ 28,660	-	( \$ 28,399 )	-
8316 Unrealised gains and losses on valuation of investments measured at fair value through other comprehensive income	6(3)(20)	( 3,501,742 )	( 13 )	( 1,350,847 )	( 5 )
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		( 3,245,541 )	( 13 )	( 1,339,841 )	( 5 )
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	-	-	( 550 )	-
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		( 6,718,623 )	( 26 )	( 2,719,637 )	( 10 )
Other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Currency translation differences of foreign operations	6(20)	1,210,656	5	165,981	1
8368 Gains (losses) on hedging instrument		25,095	-	( 5,025 )	-
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(27)	( 232,454 )	( 1 )	6,222	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		1,003,297	4	167,178	1
8300 Other comprehensive loss for the year		( \$ 5,715,326 )	( 22 )	( \$ 2,552,459 )	( 9 )
8400 Comprehensive income attributable to non-controlling interests before business combination under common control	6(31)	-	-	341	-
8500 Total comprehensive income for the year		\$ 52,311	-	\$ 3,277,943	12
Earnings per share (in dollars)	6(28)				
9750 Basic earnings per share		\$ 2.73		\$ 2.76	
9850 Diluted earnings per share		\$ 2.73		\$ 2.76	

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, 2024 AND 2023**  
*(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)*

	Notes	Share capital - common stock	Retained Earnings				Other equity interest			Treasury stocks	Equity attributable to non-controlling interest before business combination under common control	Total equity
			Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on holding instruments			
2023												
Balance at January 1, 2023(restated)		\$ 21,387,966	\$ 9,575,822	\$ 7,899,057	\$ 3,640,779	\$ 19,680,691	\$ 2,453,451	\$ 20,805,870	\$ -	(\$ 511,710)	\$ 140,455	\$ 80,174,389
Profit for the year	6(20)	-	-	-	-	5,830,061	-	-	-	-	5,578	5,835,639
Other comprehensive (loss) income for the year		-	-	-	(43,402)	-	173,435	(2,677,126)	(5,025)	-	341	(2,532,459)
Total comprehensive income (loss)		-	-	-	5,786,659	-	173,435	(2,677,126)	(5,025)	-	5,237	3,303,180
Appropriations of 2023 earnings	6(19)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	338,042	-	(338,042)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,208,195)	-	-	-	-	-	(3,208,195)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	-	-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	6(20)	-	53,908	-	-	-	-	-	-	-	-	53,908
Dividends paid to controlling interests under common control		-	-	-	479,043	-	-	(479,043)	-	-	-	-
Balance at December 31, 2023		\$ 21,387,966	\$ 9,629,730	\$ 8,237,099	\$ 3,640,779	\$ 22,400,066	(\$ 2,280,016)	\$ 17,649,701	(\$ 5,025)	(\$ 511,710)	\$ 13,923	\$ 80,289,559
2024												
Balance at January 1, 2024		\$ 21,387,966	\$ 9,629,730	\$ 8,237,099	\$ 3,640,779	\$ 22,400,066	(\$ 2,280,016)	\$ 17,649,701	(\$ 5,025)	(\$ 511,710)	\$ 140,769	\$ 80,289,559
Profit for the year	6(20)	-	-	-	-	5,767,637	-	-	-	-	13,278	5,779,915
Other comprehensive income (loss) for the year		-	-	-	35,153	-	978,202	(6,753,776)	25,095	-	-	(5,715,326)
Total comprehensive income (loss)		-	-	-	5,802,790	-	978,202	(6,753,776)	25,095	-	-	64,589
Appropriations of 2023 earnings	6(19)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	626,570	-	(626,570)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(4,705,355)	-	-	-	-	-	(4,705,355)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	-	-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	6(20)	-	70,285	-	-	-	-	-	-	-	-	70,285
Acquisition and merger with the subsidiary		-	-	-	218,175	-	-	(218,175)	-	-	-	-
Balance at December 31, 2024		\$ 21,387,966	\$ 9,616,191	\$ 8,863,669	\$ 3,640,779	\$ 23,069,108	(\$ 1,301,814)	\$ 10,677,750	\$ 20,070	(\$ 511,710)	\$ 153,047	\$ 75,482,209

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  
YEARS ENDED DECEMBER 31, 2024 AND 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31	
	Notes	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 6,815,175	\$ 6,767,667
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(24)	( 86,208 )	( 242,423 )
Net loss on financial liabilities at fair value through profit or loss	6(12)(24)	13,025	15,960
Expected credit impairment loss	12(2)	7,246	4,118
Interest income	6(22)	( 24,015 )	( 29,867 )
Interest expense	6(25)	65,649	69,104
Dividend income	6(23)	( 560,143 )	( 646,658 )
Changes in unrealized gain from downstream sales		73,439	49,634
Share of profit of associates and joint ventures accounted for under the equity method	6(6)	( 3,462,961 )	( 3,749,509 )
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(7)(8)(9)(24)(26)	374,034	431,115
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		( 1,201,296 )	( 1,409,419 )
Notes receivable		( 1,948 )	58,926
Notes receivable - related parties		2,769	362,682
Accounts receivable		( 129,969 )	( 131,149 )
Accounts receivable - related parties		( 145,427 )	305,774
Other receivables		27,591	( 23,553 )
Other receivables - related parties		( 340,597 )	24,192
Inventories		( 652,007 )	216,450
Prepayments		( 323,662 )	( 180,376 )
Other current assets		13,508	21,614
Financial assets at fair value through profit or loss - non-current		30,646	53,330
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		( 17,223 )	( 14,302 )
Current contract liabilities		122,038	( 29,187 )
Notes payable		( 14,114 )	( 29,927 )
Notes payable - related parties		-	( 64,712 )
Accounts payable		534,104	( 513,041 )
Accounts payable - related parties		( 183,408 )	251,361
Other payables		( 426,222 )	339,617
Other payables - related parties		35,725	42,455
Provisions for liabilities - current		( 6,451 )	8,008
Provisions for liabilities - non-current		( 84,220 )	( 12,600 )
Other current liabilities		( 10,916 )	14,664
Other non-current liabilities		( 132,011 )	( 67,273 )
Cash inflow generated from operations		312,151	1,892,675
Interest received	6(22)	24,015	29,867
Dividends received		2,825,135	2,286,613
Payment of interest		( 65,547 )	( 67,496 )
Payment of income tax		( 991,150 )	( 635,126 )
Net cash flows from operating activities		2,104,604	3,506,533

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31	
	Notes	2024	2023
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in restricted bank deposit	8	\$ 56,876	\$ 161,991
Decrease in financial assets measured at amortized cost		-	2,000
Proceeds from disposal of non-current financial assets at fair value through profit or loss		457,259	-
Decrease in non-current financial assets at fair value through other comprehensive income		218,693	4,349
Acquisition of investments accounted for under equity method		( 569,159 )	-
Proceeds from disposal of investments accounted for under the equity method		-	257,904
Proceeds from disposal of property, plant and equipment		9,707	5,039
Acquisition of property, plant and equipment	6(7)(29)	( 219,180 )	( 212,539 )
Acquisition of intangible assets		( 8,535 )	( 1,021 )
Increase in deferred expenses		( 18,627 )	( 12,480 )
Decrease (increase) in refundable deposits		5,572	( 2,313 )
Dividends received		560,143	646,658
Decrease in other non-current assets		36,777	31,413
Net cash flows from investing activities		529,526	881,001
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Acquisition of subsidiary equity	6(31)	( 236,671 )	-
Increase (decrease) in long-term loans	6(30)	1,970,000	( 1,100,000 )
Cash dividends paid	6(19)(30)	( 4,705,353 )	( 3,208,195 )
Lease liabilities paid	6(30)	( 94,853 )	( 96,742 )
Dividends paid to non-controlling interest before business combination under common control	6(16)	-	( 13,923 )
Net cash flows used in financing activities		( 3,066,877 )	( 4,418,860 )
Net decrease in cash and cash equivalents		( 432,747 )	( 31,326 )
Cash and cash equivalents at beginning of year		911,338	942,664
Cash and cash equivalents at end of year		\$ 478,591	\$ 911,338

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



## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries (the "Group") as at December 31, 2024 and 2023, 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 material 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, 2024 and 2023, 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 that came into effect as endorsed by the Financial Supervisory Commission.

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

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagement of Certified Public Accountants and Standards on Auditing of 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 2024 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 2024 consolidated financial statements are stated as follows:

#### ***Revenue recognition of export sales of green mechatronic solution business group***

##### Description

Refer to Note 4(35) 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 green mechatronic solution business group amounted to NT\$28,924,465 thousand, representing 52% of the consolidated total sales revenue for the year ended December 31, 2024. Aside from domestic sales in Taiwan, the customers of green mechatronic solution business group are from America, 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\$4,001,880 thousand and NT\$2,715,657 thousand, constituting 3% and 2% of the consolidated total assets as at December 31, 2024 and 2023, respectively, and total operating revenues amounted to NT\$2,947,748 thousand and NT\$2,924,901 thousand, both constituting 5% of consolidated total operating revenues for the years then ended, respectively. The investments accounted for under the equity method amounted to NT\$2,492,819 thousand and NT\$2,514,353 thousand, both constituting 2% of consolidated total assets as of December 31, 2024 and 2023, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$87,108 thousand and NT\$83,843 thousand, both constituting less than 1% of consolidated total assets as of December 31, 2024 and 2023, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT\$106,182 thousand and NT\$20,272 thousand, constituting 21% and 1% of the consolidated total comprehensive (loss) income for the years then ended, respectively.



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

We have audited and expressed an unqualified opinion with emphasis of matter and 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, 2024 and 2023.

### ***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 that came into effect 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 Standards on Auditing of Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

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Hsu, Sheng-Chung

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Tu, Chan-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2025

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

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

**TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 26,055,287	21	\$ 23,640,536	19
1110	Current financial assets at fair value through profit or loss	6(2)	24,058	-	27,314	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	302,648	-	333,178	-
1139	Current financial assets for hedging	6(16)	5,887	-	-	-
1140	Current contract assets		5,010,143	4	3,858,752	3
1150	Notes receivable, net	6(5) and 8	715,559	1	868,642	1
1160	Notes receivable - related parties	7	21	-	99	-
1170	Accounts receivable, net	6(5)	9,343,241	8	10,488,483	8
1180	Accounts receivable - related parties	7	203,543	-	194,077	-
1200	Other receivables		370,450	-	351,635	-
1210	Other receivables - related parties	7	76,774	-	73,276	-
130X	Inventories, net	6(6)	13,482,866	11	11,631,793	9
1410	Prepayments		890,288	1	575,230	1
1460	Non-current assets or disposal groups classified as held for sale, net	6(12)	292,198	-	-	-
1470	Other current assets	6(1) and 8	493,129	-	437,596	-
11XX	Total current assets		57,266,092	46	52,480,611	41
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	2,998,980	2	3,541,679	3
1517	Non-current financial assets at fair value through other comprehensive income	6(3) and 8	22,721,250	18	30,577,940	24
1535	Non-current financial assets at amortised cost, net	6(4) and 8	109,788	-	15,557	-
1550	Investments accounted for under the equity method	6(7) and 7	3,560,452	3	3,468,923	3
1600	Property, plant and equipment, net	6(8) and 8	20,312,637	16	20,290,504	16
1755	Right-of-use assets	6(9) and 8	7,498,397	6	7,473,207	6
1760	Investment property, net	6(10)	3,186,269	3	2,785,187	2
1780	Intangible assets	6(11)	4,874,016	4	4,832,979	4
1840	Deferred income tax assets	6(31)	1,228,081	1	1,346,615	1
1900	Other non-current assets	6(13)	554,155	1	500,588	-
15XX	Total non-current assets		67,044,025	54	74,833,179	59
1XXX	Total assets		\$ 124,310,117	100	\$ 127,313,790	100

(Continued)

**TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2024 AND 2023**

(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>					
2100	Short-term borrowings	6(14) and 8	\$ 1,137,121	1	\$ 1,357,111	1
2120	Current financial liabilities at fair value through profit or loss	6(15)	1,305	-	5,850	-
2126	Current financial liabilities for hedging	6(16)	-	-	5,025	-
2130	Current contract liabilities	6(25)	2,075,068	2	2,305,861	2
2150	Notes payable		648,309	-	547,144	1
2160	Notes payable - related parties	7	466	-	1,088	-
2170	Accounts payable		9,479,935	8	8,663,722	7
2180	Accounts payable - related parties	7	56,107	-	38,189	-
2200	Other payables	6(17)	6,148,768	5	6,494,050	5
2230	Current income tax liabilities	6(31)	679,980	1	936,600	1
2250	Provisions for liabilities - current		410,738	-	435,516	-
2260	Liabilities related to non-current assets or disposal groups classified as held for sale	6(12)	27,770	-	-	-
2280	Current lease liabilities		608,975	-	531,002	-
2320	Long-term liabilities, current portion	6(18)(19) and 8	6,260,101	5	484,224	-
2399	Other current liabilities, others		961,762	1	829,103	1
21XX	<b>Total current liabilities</b>		<u>28,496,405</u>	<u>23</u>	<u>22,634,485</u>	<u>18</u>
	<b>Non-current liabilities</b>					
2530	Corporate bonds payable	6(18)	-	-	5,000,000	4
2540	Long-term borrowings	6(19) and 8	4,534,475	4	3,065,622	2
2550	Provisions for liabilities - non-current		88,413	-	215,991	-
2570	Deferred income tax liabilities	6(31)	2,557,785	2	2,632,812	2
2580	Non-current lease liabilities		5,411,415	4	5,346,519	4
2600	Other non-current liabilities	6(7)(20)	1,548,571	1	1,975,581	2
25XX	<b>Total non-current liabilities</b>		<u>14,140,659</u>	<u>11</u>	<u>18,236,525</u>	<u>14</u>
2XXX	<b>Total liabilities</b>		<u>42,637,064</u>	<u>34</u>	<u>40,871,010</u>	<u>32</u>
	<b>Equity attributable to owners of parent</b>					
	Share capital	6(21)				
3110	Common stock		21,387,966	17	21,387,966	17
	Capital surplus	6(22)				
3200	Capital surplus		9,616,391	7	9,629,730	7
	Retained earnings	6(23)				
3310	Legal reserve		8,863,669	7	8,237,099	6
3320	Special reserve		3,640,779	3	3,640,779	3
3350	Unappropriated retained earnings		23,089,108	19	22,400,066	18
	Other equity interest	6(24)				
3400	Other equity interest		9,396,006	8	15,364,660	12
3500	Treasury stocks	6(21)	( 511,710)	-	( 511,710)	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>75,482,209</u>	<u>61</u>	<u>80,148,590</u>	<u>63</u>
36XX	Non-controlling interest	6(35)	6,190,844	5	6,294,190	5
3XXX	<b>Total equity</b>		<u>81,673,053</u>	<u>66</u>	<u>86,442,780</u>	<u>68</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	6(37) and 11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 124,310,117</u>	<u>100</u>	<u>\$ 127,313,790</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, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Year ended December 31			
		2024		2023	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(9)(10)(25) and 7	\$ 55,234,746	100	\$ 59,393,661	100
5000 Operating costs	6(6)(8)(9)(20)(30)				
	and 7	( 41,094,708)	( 75)	( 44,451,003)	( 75)
5900 Net operating margin		14,140,038	25	14,942,658	25
5910 Unrealized profit from sales		( 10,953)	-	( 10,419)	-
5920 Realized profit from sales		10,419	-	9,351	-
5950 Net operating margin		14,139,504	25	14,941,590	25
Operating expenses	6(8)(9)(20)(30)				
6100 Selling expenses		( 4,230,560)	( 7)	( 4,492,287)	( 8)
6200 General and administrative expenses		( 2,629,902)	( 5)	( 2,620,767)	( 4)
6300 Research and development expenses		( 1,016,565)	( 2)	( 1,133,493)	( 2)
6450 Expected credit impairment losses	12(2)	( 30,872)	-	( 31,791)	-
6000 Total operating expenses		( 7,907,899)	( 14)	( 8,278,338)	( 14)
6900 Operating profit		6,231,605	11	6,663,252	11
Non-operating income and expenses					
7100 Interest income	6(4)(26) and 7	773,618	2	619,223	1
7010 Other income	6(3)(10)(27) and 7	1,872,072	3	1,687,895	3
7020 Other gains and losses	6(2)(15)(28)	( 550,863)	( 1)	( 397,757)	( 1)
7050 Finance costs	6(9)(29)	( 378,687)	( 1)	( 322,399)	-
7060 Share of profit of associates and joint ventures accounted for under the equity method	6(7)	132,084	-	23,930	-
7000 Total non-operating income and expenses		1,848,224	3	1,610,892	3
7900 Profit before income tax		8,079,829	14	8,274,144	14
7950 Income tax expense	6(31)	( 1,828,548)	( 3)	( 1,942,112)	( 4)
8200 Profit for the period		\$ 6,251,281	11	\$ 6,332,032	10

(Continued)

**TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Year ended December 31			
		2024		2023	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>					
<b>Other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive income(loss), before tax, actuarial losses on defined benefit plans	6(20)			
		\$ 36,005	-	(\$ 33,416)	-
8316	Unrealized losses and gains on valuation of investments measured at fair value through other comprehensive income	6(3)			
		( 6,829,917)	( 12)	( 2,597,535)	( 4)
8320	Share of other comprehensive income(loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss				
		20,805	-	( 7,209)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss				
		548	-	( 19,804)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
		( 6,772,559)	( 12)	( 2,657,964)	( 4)
<b>Other comprehensive income that will be reclassified to profit or loss</b>					
8361	Currency translation differences of foreign operations	6(24)			
		1,257,067	2	151,288	-
8368	Gains (losses) on hedging instrument	6(24)			
		25,095	-	( 5,025)	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(31)			
		( 254,654)	-	5,523	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
		1,027,508	2	151,786	-
8300	<b>Other comprehensive loss for the period</b>				
		( \$ 5,745,051)	( 10)	( \$ 2,506,178)	( 4)
8500	<b>Total comprehensive income for the period</b>				
		\$ 506,230	1	\$ 3,825,854	6
Profit attributable to:					
8610	Owners of the parent				
		\$ 5,767,637	10	\$ 5,830,061	9
8620	Non-controlling interest				
		483,644	1	501,971	1
		\$ 6,251,281	11	\$ 6,332,032	10
Comprehensive income attributable to:					
8710	Owners of the parent				
		\$ 52,311	-	\$ 3,277,943	5
8720	Non-controlling interest				
		453,919	1	547,911	1
		\$ 506,230	1	\$ 3,825,854	6
Earnings per share (in dollars)					
9750	Basic earnings per share	6(32)			
		\$ 2.73		\$ 2.76	
9850	Diluted earnings per share				
		\$ 2.73		\$ 2.76	

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, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										Treasury stocks	Total	Non-controlling interest	Total equity
	Share capital – common stock	Retained Earnings				Other equity interest								
		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	Gains (losses) on hedging instruments						
Notes														
For the year ended December 31, 2023														
	\$ 21,387,966	\$ 9,575,822	\$ 7,899,057	\$ 3,640,779	\$ 19,680,601	\$ 2,453,451	\$ 20,805,870	\$ -	(\$ 511,710)	\$ 80,024,914	\$ 6,293,565	\$ 86,318,499		
Profit for the period	-	-	-	-	5,830,061	-	-	-	-	5,830,061	501,971	6,332,032		
Other comprehensive income for the period	-	-	-	-	(43,402)	173,435	(2,677,126)	(5,025)	-	(2,552,118)	45,940	(2,506,178)		
Total comprehensive income (loss)	-	-	-	-	5,786,659	173,435	(2,677,126)	(5,025)	-	3,277,943	547,911	3,825,854		
Appropriations of 2023 earnings	-	-	-	-	-	-	-	-	-	-	-	-		
Legal reserve	-	-	338,042	-	(338,042)	-	-	-	-	-	-	-		
Cash dividends	-	-	-	-	(3,208,195)	-	-	-	-	(3,208,195)	-	(3,208,195)		
Effect of changes in net equity of associates and joint ventures accounted for under the equity method	-	53,908	-	-	-	-	-	-	-	53,908	-	53,908		
Changes in other non-controlling equity	-	-	-	-	-	-	-	-	-	-	(547,286)	(547,286)		
Disposal of investments in equity instrument at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-		
Balance at December 31, 2023	\$ 21,387,966	\$ 9,629,730	\$ 8,237,099	\$ 3,640,779	\$ 22,400,066	\$ 2,280,016	\$ 17,649,701	(\$ 5,025)	(\$ 511,710)	\$ 80,148,590	\$ 6,294,190	\$ 86,442,780		
For the year ended December 31, 2024														
Balance at January 1, 2024	\$ 21,387,966	\$ 9,629,730	\$ 8,237,099	\$ 3,640,779	\$ 22,400,066	\$ 2,280,016	\$ 17,649,701	(\$ 5,025)	(\$ 511,710)	\$ 80,148,590	\$ 6,294,190	\$ 86,442,780		
Profit for the period	-	-	-	-	5,767,637	-	-	-	-	5,767,637	483,644	6,251,281		
Other comprehensive income for the period	-	-	-	-	35,153	978,202	(6,753,776)	25,095	-	(5,715,326)	(29,725)	(5,745,051)		
Total comprehensive income (loss)	-	-	-	-	5,802,790	978,202	(6,753,776)	25,095	-	52,311	453,919	506,230		
Appropriations of 2023 earnings	-	-	-	-	-	-	-	-	-	-	-	-		
Legal reserve	-	-	626,570	-	(626,570)	-	-	-	-	(4,705,353)	-	(4,705,353)		
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-		
Effect of changes in net equity of associates and joint ventures accounted for under the equity method	-	74,195	-	-	-	-	-	-	-	74,195	-	74,195		
Transactions with non-controlling interest	-	(87,534)	-	-	-	-	-	-	-	(87,534)	(169,966)	(257,500)		
Changes in other non-controlling equity	-	-	-	-	-	-	-	-	-	-	(387,299)	(387,299)		
Disposal of investments in equity instrument at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-		
Balance at December 31, 2024	\$ 21,387,966	\$ 9,616,591	\$ 8,863,669	\$ 3,640,779	\$ 23,089,108	\$ 1,301,814	\$ 10,677,790	\$ 20,070	(\$ 511,710)	\$ 75,462,309	\$ 6,190,844	\$ 81,673,053		

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, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 8,079,829	\$ 8,274,144
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(28)	50,593	( 323,320 )
Net loss on financial liabilities at fair value through profit or loss	6(15)(28)	13,656	15,044
Provision for decline in value of inventories	6(6)	250,380	155,957
Expected credit impairment losses	12(2)	30,872	31,791
Interest income	6(26)	( 773,618 )	( 619,223 )
Dividend income	6(27)	( 1,147,495 )	( 1,194,966 )
Interest expense	6(29)	378,687	322,399
Depreciation and amortization	6(8)(9)(10)(30)	2,049,006	1,987,657
Gain on disposal of property, plant and equipment	6(28)	( 92,115 )	( 155 )
Impairment loss	6(8)(11)(28)	105,060	-
Loss (gain) on disposal of investment property	6(28)	31,024	( 117,357 )
Share of profit of associates and joint ventures accounted for under the equity method	6(7)	( 132,084 )	( 23,930 )
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		( 1,151,391 )	( 1,542,688 )
Notes receivable		153,407	171,163
Notes receivable - related parties		78	2
Accounts receivable		1,143,627	( 476,521 )
Accounts receivable - related parties		9,454	107,920
Other receivables		( 19,213 )	( 25,494 )
Other receivables - related parties		( 3,498 )	( 13,651 )
Inventories		( 2,101,453 )	( 1,107,537 )
Prepayments		( 316,220 )	( 78,812 )
Other current assets		( 137,862 )	( 17,052 )
Non-current financial assets at fair value through profit or loss		11,322	22,038
Changes in operating liabilities			
Current contract liabilities		( 230,793 )	( 13,328 )
Notes payable		101,165	( 237,213 )
Notes payable - related parties		( 622 )	( 654 )
Accounts payable		828,148	( 413,326 )
Accounts payable - related parties		17,918	( 10,567 )
Other payables		( 390,092 )	( 307,861 )
Provisions for liabilities		( 152,356 )	( 192,896 )
Other current liabilities		132,659	( 165,875 )
Other non-current liabilities		( 414,441 )	( 51,139 )
Cash inflow generated from operations		6,323,632	7,536,130
Interest received	6(26)	773,618	619,223
Dividend received		41,791	106,079
Interest paid		( 241,147 )	( 227,899 )
Income tax paid		( 2,295,767 )	( 1,800,626 )
Net cash flows from operating activities		4,602,127	6,232,907

(Continued)



**TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2024	2023
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of non-current financial assets at fair value through other comprehensive income		( \$ 145,607 )	( \$ 51,727 )
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(3)	1,131,422	1,064,955
(Acquisition) proceeds of non-current financial assets at amortized cost	6(4)	( 94,231 )	100,352
Decrease (increase) in current financial assets at fair value through profit or loss		3,189	( 2,297 )
Proceeds from disposal of current financial assets at fair value through profit or loss	6(2)	480,851	37,812
Decrease in pledged and restricted bank and time deposits	6(1) and 8	82,329	188,491
Acquisition of property, plant and equipment	6(8)(33)	( 1,640,767 )	( 2,010,237 )
Proceeds from disposal of property, plant and equipment		223,216	71,604
Acquisition of investment properties		( 16,044 )	( 697 )
(Increase) decrease in other non-current assets		( 53,673 )	31,211
Net cash outflow on acquisitions of subsidiaries	6(33)	( 120,810 )	( 29,425 )
Dividends received from investments of financial instruments		1,147,495	1,194,966
Disposal of investment accounted for using equity method		-	117,357
Increase in investments accounted for under the equity method and capital reduction to recover investment cost		-	( 2,516 )
Net cash flows from investing activities		997,370	709,849
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in short-term loans	6(34)	( 219,990 )	( 394,233 )
Proceeds (repayments) from long-term debts	6(34)	2,244,730	( 105,668 )
Lease liabilities paid	6(9)(34)	( 733,852 )	( 620,778 )
Cash dividends paid to non-controlling interests		( 279,855 )	( 410,948 )
Consideration paid to non-controlling interests	6(36)	( 257,500 )	-
Cash dividends paid	6(23)	( 4,705,353 )	( 3,208,195 )
Net cash flows used in financing activities		( 3,951,820 )	( 4,739,822 )
Exchange rate effect		767,074	62,202
Net increase in cash and cash equivalents		2,414,751	2,265,136
Cash and cash equivalents at beginning of year		23,640,536	21,375,400
Cash and cash equivalents at end of year		\$ 26,055,287	\$ 23,640,536

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

## TECO Electric &amp; Machinery Co., Ltd.

**Distribution of 2024 Profits**

(In NT \$)

Item	Amount
Accumulated undistributed profit as of the beginning of the period (2024/1/1)	17,068,143,447
Add: Net Profit after tax in 2024	5,767,637,270
Add: Disposal of financial assets measured at fair value through other comprehensive income	218,174,898
Add: Actuarial gains	35,153,433
Less: Appropriation of Legal Reserve	(602,096,560)
<b>Total distributable earnings</b>	<b>22,487,012,488</b>
Profit distributed for the period:	
Cash dividend distributed from profit 2024	4,705,352,555
(Dividend per share)	2.20
<b>Undistributed profit as of the end of 2024</b>	<b>17,781,659,933</b>
Note:	

## Notes:

1. Dividend per share for the current year is NT\$2.2 and all dividends distributed shall be cash dividend.
2. The earnings distribution for this period will first be allocated from the distributable earnings of 2024. If insufficient, the remaining portion will be drawn from the accumulated distributable earnings of 2023 and prior years.
3. In the event of any changes in the number of outstanding common shares thereafter, the Chairman is fully authorized to adjust the earnings distribution schedule and handle all related matters, while maintaining the same dividend payout rate per share.

Chairman: Morris Li

President: Thomas Fann

Accounting Chief: Tommy Wu

Comparison Table of Amendments to “Articles of Incorporation”

Proposed Revision	Current Clauses	Note
<p><b>Article 26</b> The company appropriates part of its annual profits, ranging from 1% to 10%, for distribution of remuneration to employee. <u>(At least 25% of the total amount of employee remuneration shall be allocated to grassroots employees).</u> Remuneration to directors are capped at 5% of profits. Employees of affiliated companies are also entitled to remuneration to employee. Profits should be used, in priority, for making up accumulated loss, should it exist.</p> <p>The shares of the aforementioned distribution of remuneration to employee and the directors, as well as the choice of stock or cash should be resolved by the board of directors, with approval of over half of attendees in a meeting attended by over two thirds of directors, before being reported to shareholders' meeting.</p> <p>The annual profit mentioned in item 1 refers to pre-tax profits of the year before deduction of distribution of remuneration to employee and directors.</p>	<p><b>Article 26</b> The company appropriates part of its annual profits, ranging from 1% to 10%, for distribution of remuneration to employee. Remuneration to directors are capped at 5% of profits. Employees of affiliated companies are also entitled to remuneration to employee. Profits should be used, in priority, for making up accumulated loss, should it exist.</p> <p>The shares of the aforementioned distribution of remuneration to employee and the directors, as well as the choice of stock or cash should be resolved by the board of directors, with approval of over half of attendees in a meeting attended by over two thirds of directors, before being reported to shareholders' meeting.</p> <p>The annual profit mentioned in item 1 refers to pre-tax profits of the year before deduction of distribution of remuneration to employee and directors.</p>	<p>The Securities and Exchange Act was amended and announced on August 7<sup>th</sup>, 2024, revising Article 14, Paragraph 6: Listed and OTC companies are required to stipulate in their Articles of Incorporation that a certain percentage of annual earnings be allocated for salary adjustments or remuneration distribution to grassroots employees. Accordingly, the Articles of Incorporation are being amended to comply with the aforementioned regulation.</p>
<p><b>Article 30</b> These Articles of Incorporation was established on 12<sup>th</sup> April 1956 and subsequently amended as follows: (Omitted) The sixtieth amendment on May 24<sup>th</sup>, 2023. <u>The sixty-first amendment on June 3<sup>rd</sup>, 2025.</u></p> <p>It took effect after the approval of shareholders' meeting.</p>	<p><b>Article 30</b> These Articles of Incorporation was established on 12<sup>th</sup> April 1956 and subsequently amended as follows: (Omitted) The sixtieth amendment on May 24<sup>th</sup>, 2023. It took effect after the approval of shareholders' meeting.</p>	<p>Add the date and number of times of this amendment.</p>

Comparison Table of Amendments to  
"Procedures for Acquisition or Disposal of Assets"

Proposed Revision	Current Clauses	Note
<p><b>Article 5</b> Limit on investment in non-business purpose real property and marketable securities. The limits on the above assets acquired by the Company are as follows:</p> <p>1. Non-business purpose real property: The total investment amount (<u>means the original investment amount</u>) shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements.</p> <p>2. Securities: The total investment amount (means the original investment amount) shall not exceed the amount of shareholders' equity represented in the most recent certified financial statements.</p> <p>3. The total amount of investment in any specific marketable securities (means the original investment amount) <u>shall not exceed</u> 30% of the amount of shareholders' equity represented in the most recent certified financial statements.</p> <p>The limits on the total amount of the above asset acquired by a subsidiary of the Company are as follows:</p> <p>1. Non-business purpose real property: The total amount (means the original investment amount) shall not exceed 20% of the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned.</p> <p>2. Securities: The total investment amount (means the original investment amount) shall not exceed the amount of shareholders' equity represented in the most recent certified financial statements of <u>the Company</u>.</p>	<p><b>Article 5</b> Limit on investment in non-business purpose real property and marketable securities. The limits on the above assets acquired by the Company are as follows:</p> <p>1. Non-business purpose real property: The total investment amount shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements. <u>The total amount of investment in any specific short-term securities shall not exceed 5% of the amount of the above shareholders' equity.</u></p> <p>2. <u>Long- and short-term</u> securities: The total investment amount (means the original investment amount) shall not exceed the amount of shareholders' equity represented in the most recent certified financial statements.</p> <p>3. The total amount of investment in any specific marketable securities (means the original investment amount) shall be 30% of the amount of shareholders' equity represented in the most recent certified financial statements.</p> <p>The limits on the total amount of the above asset acquired by a subsidiary of the Company are as follows:</p> <p>1. Non-business purpose real property: The total amount shall not exceed 20% of the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned. <u>The total amount of investment in any specific short-term securities shall not exceed 5% of the amount of the above</u></p>	<p>1. The Company is actively pursuing international expansion and developing high-potential overseas markets. However, the low net worth of some overseas subsidiaries has hindered the execution of strategic investments. With reference to the practices of major listed companies, the investment limit for subsidiaries in marketable securities will be adjusted to be based on the parent company's net worth.</p> <p>2. In line with the relevant practices of major listed companies and to simplify the procedures for better management, the distinction between short-term and long-term marketable securities will be removed. Furthermore,</p>



<p>3. The total amount of investment in any specific marketable securities (means the original investment amount) shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements of <u>the Company</u></p>	<p><u>shareholders' equity</u>. 2. <u>Long- and short-term securities</u>: The total investment amount (means the original investment amount) shall not exceed the amount of shareholders' equity represented in the most recent certified financial statements <u>of the subsidiary concerned</u>. 3. The total amount of investment in any specific marketable securities (means the original investment amount) shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements <u>of the subsidiary concerned</u></p>	<p>the calculation basis will be clearly defined as the original investment cost. Accordingly, relevant wording has been revised and definitions clarified.</p>
<p><b>Article 7</b> Procedure for acquisition or disposal of real property or equipment 1. Evaluation and procedure of operation Acquisition or disposal of real property and equipment and its right-of-use asset by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of fixed assets. 2. Procedure for determining the terms of transaction and approval of transaction 2.1 The terms and transaction price of the acquisition or disposal of real property, <u>equipment</u> and its right-of-use asset shall be determined by reference to, among others, the posted current value, appraised value, and the actual transaction price of other real property located nearby. Transactions with a value of less than TWD50 million may precede with the approval of the <u>Chairman</u>. Transactions with a value of between TWD50 million and TWD<u>300</u> million each may proceed with the approval of the Chairman of the Board of Directors and shall be reported to the immediately subsequent meeting of the Board of Directors.</p>	<p><b>Article 7</b> Procedure for acquisition or disposal of real property or equipment 1. Evaluation and procedure of operation Acquisition or disposal of real property and equipment and its right-of-use asset by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of fixed assets. 2. Procedure for determining the terms of transaction and approval of transaction 2.1 The terms and transaction price of the acquisition or disposal of real property and its right-of-use asset shall be determined by reference to, among others, the posted current value, appraised value, and the actual transaction price of other real property located nearby. Transactions with a value of less than TWD50 million may precede with the approval of <u>the President</u>. Transactions with a value of between TWD50 million <u>and TWD100 million</u> each may proceed with the approval of the Chairman of the Board of Directors and shall be reported to</p>	<p>1. With reference to the relevant practices of major listed companies and taking into account the requirement to obtain an appraisal report for transaction amounts of NT\$300 million or more, the Chairman's approval authority limit is raised to a maximum of NT\$300 million to enhance execution efficiency. 2. The wording regarding the evaluation method is deleted, reverting to the Company's internal management regulations</p>

<p>Transactions with a value of over TWD300 million must be approved by the Board of Directors in advance.</p> <p>2.2 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.</p> <p>3. Unit in charge of execution of transaction</p> <p>Upon approval of the proposed acquisition or disposal of real property, equipment or its right-of-use asset pursuant to the preceding paragraph, the responsible department and the Corporate Finance &amp; Management <u>Center</u> shall take charge of the execution thereof.</p> <p>4. Appraisal report on real property or other fixed asset</p> <p>Where the transaction value of the acquisition or disposal of real property, equipment or its right-of-use asset amounts to 20% or more of the paid-in capital of the Company or TWD300 million or more, an appraisal report produced by a professional appraiser must be obtained before the date the fact happens in accordance with the following, except in cases where the transaction counterpart is a domestic government agencies, or the transaction is an entrusted construction project on a self-owned land or a leased land, or the objects to be acquired or disposed of equipment or its right-of-use asset for business purpose.</p> <p>4.1 Where the transaction price</p>	<p>the immediately subsequent meeting of the Board of Directors. Transactions with a value of <u>over TWD100 million</u> must be approved by the Board of Directors in advance.</p> <p><u>2.2 Acquisition or disposal of equipment its right-of-use asset shall be conducted by way of issuing request for proposal, price competition under restricted tendering, and price negotiation under single tendering or bidding. The approval thereof shall be in accordance with the Schedule of Functions and Authority compiled pursuant to the relevant bylaws of the Company.</u></p> <p><u>2.3</u> Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.</p> <p>3. Unit in charge of execution of transaction</p> <p>Upon approval of the proposed acquisition or disposal of real property, equipment or its right-of-use asset pursuant to the preceding paragraph, the responsible department and the Corporate Finance &amp; Management <u>Division</u> shall take charge of the execution thereof.</p> <p>4. Appraisal report on real property or other fixed asset</p> <p>Where the transaction value of the acquisition or disposal of real property, equipment or its right-of-use asset amounts to 20% or</p>	<p>such as the “Fixed Asset Purchase and Acceptance Procedures” and the “Table of Delegation of Authority.”</p> <p>3. The actual department names within the Company are updated accordingly.</p>
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<p>shall be determined by reference to any restricted, designated price or special price for whatever special reason, the transaction and all subsequent changes to the terms thereof (if any) must be submitted to the Board of Directors for approval in advance.</p> <p>4.2 Where the transaction value amounts to TWD1 billion or more, the appraisal shall be conducted by two or more professional appraisers.</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 accountants' 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>4.4 The appraisal report date and the date of creation of the transaction contract conducted by professional appraiser must not be apart for more than 3 months. Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought.</p> <p>4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or</p>	<p>more of the paid-in capital of the Company or TWD300 million or more, an appraisal report produced by a professional appraiser must be obtained before the date the fact happens in accordance with the following, except in cases where the transaction counterpart is a domestic government agencies, or the transaction is an entrusted construction project on a self-owned land or a leased land, or the objects to be acquired or disposed of equipment or its right-of-use asset for business purpose.</p> <p>4.1 Where the transaction price shall be determined by reference to any restricted, designated price or special price for whatever special reason, the transaction and all subsequent changes to the terms thereof (if any) must be submitted to the Board of Directors for approval in advance.</p> <p>4.2 Where the transaction value amounts to TWD1 billion or more, the appraisal shall be conducted by two or more professional appraisers.</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 accountants' 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>	
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<p>certified public accountant's opinion.</p> <p>5. The aforementioned trading value should be calculated according to Article 15.1.8. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.</p>	<p>professional appraiser's amounts to 10% or more of the transaction value.</p> <p>4.4 The appraisal report date and the date of creation of the transaction contract conducted by professional appraiser must not be apart for more than 3 months.</p> <p>Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought.</p> <p>4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or certified public accountant's opinion.</p> <p>5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.</p>	
<p><b>Article 8</b> Procedure for acquisition or disposal of marketable securities</p> <p>1. Evaluation and procedure of operation Trading of long- or short-term securities by the Company shall be in accordance with the Company's internal control policy pertaining to the investment cycle.</p> <p>2. Procedure for determining the terms of transaction and approval of transaction</p> <p>2.1 For acquisition and disposal of securities, the execution unit should evaluate transaction conditions and authorized quota, under the principle of legal compliance, investments less than NT\$300 million in value can be approved by the <u>Chairman</u> and reported to the latter at its next</p>	<p><b>Article 8</b> Procedure for acquisition or disposal of marketable securities</p> <p>1. Evaluation and procedure of operation Trading of <u>long- or short-term</u> securities by the Company shall be in accordance with the Company's internal control policy pertaining to the investment cycle. <u>Acquisition or disposal of long-term securities mentioned in the procedure refers to the holding of over 20% stake or long-term equity or long-term equity investment in a company.</u></p> <p>2. Procedure for determining the terms of transaction and approval of transaction</p> <p>2.1 For acquisition and disposal of <u>long-term</u> securities, the execution unit should evaluate</p>	<p>1. In line with the amendment to Article 5, the relevant wording regarding short-term and long-term marketable securities is deleted.</p> <p>2. With reference to the relevant practices of major listed companies and taking into account the requirement to obtain an</p>

meeting. Cases with value exceeding NT\$300 million still need the approval of the board of directors though.

2.2 For the purpose of short-term fund management, the Company may engage in the trading of domestic and foreign commercial papers, negotiable certificates of deposit, open-end bond funds, and mutual funds. Such transactions shall be determined by the responsible financial unit based on market conditions and shall not be subject to the restrictions of the preceding paragraph.

2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to all Supervisors. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director (if any) shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.

3. Unit in charge of execution  
Upon approval of the proposed acquisition or disposal of investment in securities by the Company pursuant to the preceding paragraph, the Corporate Finance & Management Center shall take charge of the execution thereof.

4. Expert opinion

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

transaction conditions and authorized quota, under the principle of legal compliance, for the sake of timing and company interests, investments less than NT\$300 million in value can be approved by the board of managing directors during the recess of the board of directors before being reported to the latter at its next meeting. Cases with value exceeding NT\$300 million still need the approval of the board of directors though.

2.2 For acquisition and disposal of short-term securities, the execution unit should evaluate the transaction conditions and authorization quota before carrying out the move according to "Measures for the Management of Short-term Investment."

2.2.1 Purchasing and selling short-term marketable securities traded on the stock exchange or over-the-counter market shall be judged and determined by the responsible financial unit according to the market. The limits on the total investment amount and the amount of investment in any specific securities are as follows:

Securities	Limit	Limit on specific securities
Domestic finance bills, Foreign finance bills		TWD600 million TWD600 million
Negotiable certificates of deposit, Time deposit		TWD600 million TWD600 million
Open-end bonds funds	TWD2 billion	TWD500 million
Mutual funds (excluding open-end bonds mutual funds)	TWD1 billion	TWD100 million
Stocks traded on stock exchanges, over-the-counter market, and preferred securities	TWD1 billion	TWD100 million
Share warrant certificates	TWD1 billion	TWD5 million

2.2.2 For purchase or sale of short-term marketable securities not traded on the stock exchange or over-the-counter market, the most recent certified financial statements of the target company must be obtained for an as reference for evaluating the transaction price for an analysis on, among others, the per share net value, profitability and

appraisal report for transaction amounts of NT\$300 million or more, and since the Company no longer has a Managing Board, the authorization for the Company's acquisition or disposal of marketable securities has been adjusted to raise the Chairman's approval authority limit to a maximum of NT\$300 million.

3. To retain flexibility in short-term fund management, for low-risk, highly liquid specific financial products, the financial department may decide based on its professional judgment, without being subject to the restrictions of the first clause.

4. The wording of the fourth item is revised in accordance with the current regulations and Q&A guidelines.

<p>opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens. Except in cases where the subject securities belongs to any of the following:</p> <p>4.1.1 securities obtained on contribution of cash capital to the establishment of an entity by promoters or by placement <u>and the rights represented by the acquired securities shall be commensurate with the proportion of the capital invested.</u></p> <p>4.1.2 securities issued at par value on the legal capital increase of an invested company.</p> <p>4.1.3 securities issued on the cash capital increase of a 100%-owned invested company.</p> <p>4.1.4 "Marketable securities listed on the Taiwan Stock Exchange, OTC-listed, or traded on the Emerging Stock Board, which are bought or sold through the stock exchange or at the business premises of securities firms.</p> <p>4.1.5 <u>Domestic</u> government bonds or bonds with re-purchase, re-sale agreements.</p> <p>4.1.6 <u>Public offering fund</u></p> <p>4.1.7 Acquisition or disposal of stocks of listed or OTC-listed companies shall be conducted in accordance with the bidding or auction procedures prescribed by the Taiwan Stock Exchange or the Taipei Exchange.</p> <p>4.1.8 stocks of public companies issued on cash capital increase but not under private placement</p> <p>4.1.9 In accordance with Article 11, Paragraph 1 of the Securities Investment Trust and Consulting Act and the Financial Supervisory Commission's Order No. <u>1060038414 dated October 19, 2017, the subscription to domestic privately placed funds before their establishment, or the subscription and redemption of such funds, shall be permitted if the trust agreement specifies that the investment strategy—excluding securities margin transactions and</u></p>	<p><u>potentiality of the objective company. The above proposed purchase or sale proposed must be submitted transaction conditions and authorization quota to the board of directors for approval in advance.</u></p> <p>2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to all Supervisors. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director (if any) shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.</p> <p>3. Unit in charge of execution Upon approval of the proposed acquisition or disposal of <u>long- or short-term</u> investment in securities by the Company pursuant to the preceding paragraph, the Corporate Finance &amp; Management <u>Division</u> shall take charge of the execution thereof.</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. <u>Except in cases where there is an active public quote on the subject</u></p>	
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<p><u>unsettled positions in securities-related products—is otherwise consistent with the investment scope of publicly offered funds.</u></p> <p>4.2 Where the subject asset is acquired or disposed of by auction in the court, the appraisal report or certified public accountant's opinion may be replaced by the relevant certifying document issued by the court.</p> <p>5. The aforementioned trading value should be calculated according to Article 15.1.8. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can be excluded.</p>	<p><u>securities or where the subject securities belongs to any of the following:</u></p> <p>4.1.1 securities obtained on contribution of cash capital to the establishment of an entity by promoters or by placement.</p> <p>4.1.2 securities issued at par value on the legal capital increase of an invested company.</p> <p>4.1.3 securities issued on the cash capital increase of a 100%-owned invested company.</p> <p>4.1.4 "Marketable securities listed on the Taiwan Stock Exchange, OTC-listed, or traded on the Emerging Stock Board, which are bought or sold through the stock exchange or at the business premises of securities firms.</p> <p>4.1.5 government bonds or bonds with re-purchase, re-sale agreements.</p> <p>4.1.6 <u>domestic or offshore mutual funds</u></p> <p>4.1.7 Acquisition or disposal of stocks of listed or OTC-listed companies shall be conducted in accordance with the bidding or auction procedures prescribed by the Taiwan Stock Exchange or the Taipei Exchange.</p> <p>4.1.8 stocks of public companies issued on cash capital increase but not under private placement</p> <p>4.1.9 <u>the request for purchase of which was submitted prior to the establishment of the mutual fund as provided in the first paragraph of Article 11 of the Securities Investment Trust and Consulting Act and the Order of 1 November 2004 issued by the Financial Supervisory Commission (ref. Jin-Guan-Si-Tze No. 0930005249).</u></p> <p>4.1.10 <u>newly purchased or re-purchased domestic private equity, the scope of investment of which is identical with that of publicly raised mutual funds except the investment strategy with respect to securities credit trading and position of the uncovered products relating to the</u></p>	
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	<p><u>securities as indicated in the relevant trust agreement.</u></p> <p>4.2 Where the subject asset is acquired or disposed of by auction in the court, the appraisal report or certified public accountant's opinion may be replaced by the relevant certifying document issued by the court.</p> <p>5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can be excluded.</p>	
<p><b>Article 9</b> Transaction with related parties</p> <p>1. In addition to the procedure for acquisition or disposal of assets or its right-of-use asset from a related party provided in Article 7-11, requirements with respect to the procedure of approval and evaluation of the acceptability of the terms of transaction. According the stipulations of article 7-11 of the handling procedure, when the trading value exceeds 10% of the company's total assets, the appraisal report of professional appraisers or the opinions of CPA should be obtained. The substance of the relationship other than the formation as a legal matter must be considered when determining whether the transaction counterpart is a related party</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 or disposes non-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 <u>the Audit Committee and the Board of Directors</u> based on the materials on the following matters to sign the transaction</p>	<p><b>Article 9</b> Transaction with related parties</p> <p>1. In addition to the procedure for acquisition or disposal of assets or its right-of-use asset from a related party provided in Article 7-11, requirements with respect to the procedure of approval and evaluation of the acceptability of the terms of transaction. According the stipulations of article 7-11 of the handling procedure, when the trading value exceeds 10% of the company's total assets, the appraisal report of professional appraisers or the opinions of CPA should be obtained. The substance of the relationship other than the formation as a legal matter must be considered when determining whether the transaction counterpart is a related party</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 or disposes non-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</p>	<p>Revise the clause wording in accordance with actual procedures</p>

<p>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 3 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 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 Article 9.</p> <p>2.7 The restrictions and other important arrangements on the transaction.</p> <p>If the Company or its subsidiaries that are not domestic public companies engage in the aforementioned transactions and the transaction amount reaches 10% or more of the Company's total assets, the information listed in the preceding paragraph shall be submitted to the shareholders' meeting for approval before the transaction contract may be executed and any payment made. However, transactions between the Company and its subsidiaries or between subsidiaries are exempt from this requirement.</p> <p>The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year</p>	<p>materials on the following matters <u>and ratified by the Audit Committee</u> 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 3 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 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 Article 9.</p> <p>2.7 The restrictions and other important arrangements on the transaction.</p> <p>If the Company or its subsidiaries that are not domestic public companies engage in the aforementioned transactions and the transaction amount reaches 10% or more of the Company's total assets, the information listed in the preceding paragraph shall be submitted to the shareholders' meeting for approval before the transaction contract may be executed and any payment made. However, transactions</p>	
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<p>period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to <u>the auditing committee and the board of directors</u> for approval can be excluded.</p> <p>The opinion expressed by the Independent Directors each at the relevant meeting of the Board of Directors convened for discussing according to the previous two items, transaction proposed pursuant to the preceding paragraph shall be sufficiently considered. Opposition or qualified opinion expressed by the Independent Director shall be clearly indicated in the minutes of the relevant meeting of the Board of Directors.</p> <p>Transaction between the company and subsidiaries or between directly or indirectly 100%- owned subsidiaries, in terms of issued shares or paid-in capital, board of directors could authorize the chairperson to make decision with the value falls within NT300 million, and subsequently submitted to the most recent Board of Directors meeting for ratification :</p> <p>a. for the acquisition or disposal of the equipment or its right-of-use asset for business use.</p> <p>b. for the acquisition or disposal of right-of-use asset of real property for business use.</p> <p>3. Evaluation of acceptability of the transaction cost</p> <p>3.1 The acceptability of transaction cost of the proposed acquisition of real property or its right-of-use asset by the Company from a related party shall be evaluated in accordance with the following:</p> <p>3.1.1 The transaction cost shall be the sum of the proposed transaction price plus the necessary capital interest and the legal cost to be incurred by the buyer. Necessary capital interest shall be calculated according to the weighted average interest rate on loans extended to the Company in</p>	<p>between the Company and its subsidiaries or between subsidiaries are exempt from this requirement.</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 <u>and the auditing committee for acknowledgement</u> can be excluded.</p> <p>The opinion expressed by the Independent Directors each at the relevant meeting of the Board of Directors convened for discussing according to the previous two items, transaction proposed pursuant to the preceding paragraph shall be sufficiently considered. Opposition or qualified opinion expressed by the Independent Director shall be clearly indicated in the minutes of the relevant meeting of the Board of Directors.</p> <p>Transaction between the company and subsidiaries or between directly or indirectly 100%- owned subsidiaries, in terms of issued shares or paid-in capital, board of directors could authorize the chairperson to make decision with the value falls within NT300 million, and subsequently submitted to the most recent Board of Directors meeting for ratification :</p> <p>a. for the acquisition or disposal of the equipment or its right-of-use asset for business use.</p> <p>b. for the acquisition or disposal of right-of-use asset of real property for business use.</p> <p>3. Evaluation of acceptability of the transaction cost</p> <p>3.1 The acceptability of transaction cost of the proposed acquisition of real property or its right-of-use asset by the</p>	
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<p>the year of the purchase of the real property, provided that the said interest rate shall not exceed the maximum non-financing borrowing interest rate announced by the Ministry of Finance.</p> <p>3.1.2 Where the related party has mortgaged the subject real property to any financial institution, the total value adopted by the financial institution to determine the line of credit shall be taken into account, provided that the accumulated amount of the actual advanced credit on the subject real property has amounted to 70% or more of the line of credit for over one year except in cases where the financial institution is a related party to the related party in issue or vice versa.</p> <p>3.2 Where the subject real property bought or leased jointly comprises the land and the building thereon, the transaction cost of the land and the building may be evaluated separately according to any of the methods provided in the preceding paragraph.</p> <p>3.3 The cost of the real property or its right-of-use asset to be acquired by the Company from a related party shall be evaluated in accordance with paragraph 3.1 and 3.2 of this Article and review and workable opinion by a certified public accountant on such evaluation should be sought for.</p> <p>3.4 Where the values of the real property to be acquired by the Company from a related party in conclusion of the evaluation pursuant to paragraphs 3.1 and 3.2 of this Article respectively both are lower than the proposed transaction price, paragraph 3.5 of this Article shall apply except in the following cases where objective evidence has been produced and workable opinion has been sought for from the professional appraiser and a certified public on the acceptability of the transaction price:</p> <p>3.4.1 The related party has</p>	<p>Company from a related party shall be evaluated in accordance with the following:</p> <p>3.1.1 The transaction cost shall be the sum of the proposed transaction price plus the necessary capital interest and the legal cost to be incurred by the buyer. Necessary capital interest shall be calculated according to the weighted average interest rate on loans extended to the Company in the year of the purchase of the real property, provided that the said interest rate shall not exceed the maximum non-financing borrowing interest rate announced by the Ministry of Finance.</p> <p>3.1.2 Where the related party has mortgaged the subject real property to any financial institution, the total value adopted by the financial institution to determine the line of credit shall be taken into account, provided that the accumulated amount of the actual advanced credit on the subject real property has amounted to 70% or more of the line of credit for over one year except in cases where the financial institution is a related party to the related party in issue or vice versa.</p> <p>3.2 Where the subject real property bought or leased jointly comprises the land and the building thereon, the transaction cost of the land and the building may be evaluated separately according to any of the methods provided in the preceding paragraph.</p> <p>3.3 The cost of the real property or its right-of-use asset to be acquired by the Company from a related party shall be evaluated in accordance with paragraph 3.1 and 3.2 of this Article and review and workable opinion by a certified public accountant on such evaluation should be sought for.</p>	
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<p>acquired or leased a vacant land to build the building and evidence has been produced to prove fulfillment of any of the following:</p> <p>3.4.1(1) The sum of the value of the vacant land appraised according to the method provided in the preceding Article and the value of the building appraised as the total of the construction cost incurred by the related party plus reasonable construction profit exceeds the actual transaction price. Reasonable construction profit shall be determined based on the average gross margin ratio of the construction department of the related party in the past three years or the gross margin ratio applicable to the construction industry published by the Ministry of Finance, whichever is lower.</p> <p>3.4.1(2) The terms of the proposed transaction are considered acceptable by reference to the transactions of the other floors of the same building or nearby buildings concluded by non-related parties, each of which is of similar square measure to that of the subject real property, and the term of such successful transactions are considered comparable to the relevant terms of the proposed transaction according to the common practice of real property transaction or leasing applicable to the area.</p> <p>3.4.2 The Company has produced evidence to prove the terms of the proposed purchase of real property or its right-of-use asset thorough leasing from a related party are comparable to the terms of transactions of nearby real property of similar square measure which were concluded by non-related parties within one year. Transaction of nearby real property means the transaction of a real property which is located in the same block as the subject real property and within a radius of 500 meters from the subject real property or the posted present value of which is similar to</p>	<p>3.4 Where the values of the real property to be acquired by the Company from a related party in conclusion of the evaluation pursuant to paragraphs 3.1 and 3.2 of this Article respectively both are lower than the proposed transaction price, paragraph 3.5 of this Article shall apply except in the following cases where objective evidence has been produced and workable opinion has been sought for from the professional appraiser and a certified public on the acceptability of the transaction price:</p> <p>3.4.1 The related party has acquired or leased a vacant land to build the building and evidence has been produced to prove fulfillment of any of the following:</p> <p>3.4.1(1) The sum of the value of the vacant land appraised according to the method provided in the preceding Article and the value of the building appraised as the total of the construction cost incurred by the related party plus reasonable construction profit exceeds the actual transaction price. Reasonable construction profit shall be determined based on the average gross margin ratio of the construction department of the related party in the past three years or the gross margin ratio applicable to the construction industry published by the Ministry of Finance, whichever is lower.</p> <p>3.4.1(2) The terms of the proposed transaction are considered acceptable by reference to the transactions of the other floors of the same building or nearby buildings concluded by non-related parties, each of which is of similar square measure to that of the subject real property, and the term of such successful transactions are considered comparable to the relevant terms of the proposed transaction according to the</p>	
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<p>that of the subject real property. Of similar square measure means, basically, the square measure of the real property or its right-of-use asset in the transaction concluded by a non-related party being referred to is no less than 50% of the square measure of the subject real property. Within one year means within the year immediately preceding the date of occurrence of the proposed transaction.</p> <p>3.5 Where the values of the real property or its right-of-use asset to be acquired by the Company from a related party appraised in conclusion of the evaluation pursuant to paragraphs 3.1 and 3.2 of this Article respectively both are lower than the proposed transaction price, the Company shall act in accordance with the following:</p> <p>3.5.1 The Company shall appropriate an amount equal to the difference between the transaction price and the appraised cost of the real property for special earnings reserve pursuant to the first paragraph of Article 41 of the Securities and Exchange Act, which shall be set aside from distribution or new issues of shares for capital increase. Investors who recognize their investment in the Company on equity method and who are public listed companies shall also appropriate an amount equal to the recognized value according to the shareholding percentage for special earnings reserve pursuant to the first paragraph of Article 41 of the Securities and Exchange Act.</p> <p>3.5.2 Audit Committee shall act in accordance Article 218 of the Company Act.</p> <p>3.5.3 The result of handling pursuant to aforementioned two points shall be reported to the Shareholders Meeting and the particulars of the transaction shall be disclosed in the relevant annual report and the prospectus.</p> <p>The special earnings reserve set</p>	<p>common practice of real property transaction or leasing applicable to the area.</p> <p>3.4.2 The Company has produced evidence to prove the terms of the proposed purchase of real property or its right-of-use asset thorough leasing from a related party are comparable to the terms of transactions of nearby real property of similar square measure which were concluded by non-related parties within one year. Transaction of nearby real property means the transaction of a real property which is located in the same block as the subject real property and within a radius of 500 meters from the subject real property or the posted present value of which is similar to that of the subject real property. Of similar square measure means, basically, the square measure of the real property or its right-of-use asset in the transaction concluded by a non-related party being referred to is no less than 50% of the square measure of the subject real property. Within one year means within the year immediately preceding the date of occurrence of the proposed transaction.</p> <p>3.5 Where the values of the real property or its right-of-use asset to be acquired by the Company from a related party appraised in conclusion of the evaluation pursuant to paragraphs 3.1 and 3.2 of this Article respectively both are lower than the proposed transaction price, the Company shall act in accordance with the following:</p> <p>3.5.1 The Company shall appropriate an amount equal to the difference between the transaction price and the appraised cost of the real property for special earnings reserve pursuant to the first paragraph of Article 41 of the Securities and Exchange Act,</p>	
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<p>aside pursuant to the above shall not be applied for use without the prior approval by the Financial Supervisory Commission until the loss from depreciation arising from the purchase or lease of the asset by paying a high premium price is duly recognized, disposed of, end of leasing appropriately made up, restored or there being no other evidence challenging the acceptability issue.</p> <p>3.6 Acquisition of real property or its right-of-use asset by the Company from a related party will be forthwith handled in accordance with paragraphs 1 and 2 of this Article in any of the following cases, in which case paragraphs 3.1, 3.2 and 3.3 of this Article regarding evaluation of acceptability of the transaction cost shall not operate:</p> <p>3.6.1 The related party has acquired the subject real property or its right-of-use asset by inheritance or as a gift.</p> <p>3.6.2 Over five years has lapsed since the related party signed the contract on acquisition of the subject real property or its right-of-use asset.</p> <p>3.6.3 The related party acquired the subject real property under a signed joint construction contract with its related party or entrustment of related parties for realty constructions, either on own land or leased land.</p> <p>3.6.4 Transaction between the company and subsidiaries or between directly or indirectly 100%-owned subsidiaries, in terms of issued shares or paid-in capital, for the acquisition of right-of-use asset for realty assets for business use.</p> <p>3.7 In case there is any evidence proving any irregularity of the proposed transaction for the Company to acquire the subject real property from a related party, the Company shall still act in accordance with paragraph 3.5 of this Article.</p>	<p>which shall be set aside from distribution or new issues of shares for capital increase. Investors who recognize their investment in the Company on equity method and who are public listed companies shall also appropriate an amount equal to the recognized value according to the shareholding percentage for special earnings reserve pursuant to the first paragraph of Article 41 of the Securities and Exchange Act.</p> <p>3.5.2 Audit Committee shall act in accordance Article 218 of the Company Act.</p> <p>3.5.3 The result of handling pursuant to aforementioned two points shall be reported to the Shareholders Meeting and the particulars of the transaction shall be disclosed in the relevant annual report and the prospectus.</p> <p>The special earnings reserve set aside pursuant to the above shall not be applied for use without the prior approval by the Financial Supervisory Commission until the loss from depreciation arising from the purchase or lease of the asset by paying a high premium price is duly recognized, disposed of, end of leasing appropriately made up, restored or there being no other evidence challenging the acceptability issue.</p> <p>3.6 Acquisition of real property or its right-of-use asset by the Company from a related party will be forthwith handled in accordance with paragraphs 1 and 2 of this Article in any of the following cases, in which case paragraphs 3.1, 3.2 and 3.3 of this Article regarding evaluation of acceptability of the transaction cost shall not operate:</p> <p>3.6.1 The related party has acquired the subject real property or its right-of-use asset by inheritance or as a gift.</p> <p>3.6.2 Over five years has lapsed</p>	
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	<p>since the related party signed the contract on acquisition of the subject real property or its right-of-use asset.</p> <p>3.6.3 The related party acquired the subject real property under a signed joint construction contract with its related party or entrustment of related parties for realty constructions, either on own land or leased land.</p> <p>3.6.4 Transaction between the company and subsidiaries or between directly or indirectly 100%-owned subsidiaries, in terms of issued shares or paid-in capital, for the acquisition of right-of-use asset for realty assets for business use.</p> <p>3.7 In case there is any evidence proving any irregularity of the proposed transaction for the Company to acquire the subject real property from a related party, the Company shall still act in accordance with paragraph 3.5 of this Article.</p>	
<p><b>Article 11</b>  Procedure for acquisition or disposal of intangible assets  1. Evaluation and procedure for operation  The acquisition or disposal of intangible assets or its right-of-use asset by the Company shall be conducted in accordance with the Company's internal control policy pertaining to the cycle of fixed assets.  2. Terms of transaction and procedure for approval of transaction  2.1 The terms and transaction price of the proposed acquisition or disposal of intangible assets or its right-of-use asset shall be determined by reference to the evaluation report produced by an expert or the fair market value.  Transactions with a transaction value of less than TWD30 million each may proceed with the approval of the President.  Transactions with a value of between TWD30 million and</p>	<p><b>Article 11</b>  Procedure for acquisition or disposal of intangible assets  1. Evaluation and procedure for operation  The acquisition or disposal of intangible assets or its right-of-use asset by the Company shall be conducted in accordance with the Company's internal control policy pertaining to the cycle of fixed assets.  2. Terms of transaction and procedure for approval of transaction  2.1 The terms and transaction price of the proposed acquisition or disposal of intangible assets or its right-of-use asset shall be determined by reference to the evaluation report produced by an expert or the fair market value.  Transactions with a transaction value of less than TWD30 million each may proceed with the approval of the President.  Transactions with a value of between TWD30 million and</p>	<p>Amend the department/unit name</p>

<p>TWD60 million may proceed with the approval of the Chairman and shall be reported to the immediate subsequent meeting of the Board of Directors. Transactions with a value of over TWD60 million each must be approved by the Board of Directors in advance.</p> <p>2.2 Where the acquisition or disposal of assets or its right-of-use asset by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.</p> <p>3. Unit in charge of execution of transaction</p> <p>Upon approval of the proposed acquisition or disposal of membership or intangible assets or its right-of-use asset pursuant to the preceding paragraph, the responsible department and the Corporate Finance &amp; Management <u>Center</u> shall take charge of the execution thereof.</p> <p>4. Expert evaluation report on membership or intangible assets</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>5. The aforementioned trading value should be calculated</p>	<p>TWD60 million may proceed with the approval of the Chairman and shall be reported to the immediate subsequent meeting of the Board of Directors. Transactions with a value of over TWD60 million each must be approved by the Board of Directors in advance.</p> <p>2.2 Where the acquisition or disposal of assets or its right-of-use asset by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.</p> <p>3. Unit in charge of execution of transaction</p> <p>Upon approval of the proposed acquisition or disposal of membership or intangible assets or its right-of-use asset pursuant to the preceding paragraph, the responsible department and the Corporate Finance &amp; Management <u>Division</u> shall take charge of the execution thereof.</p> <p>4. Expert evaluation report on membership or intangible assets</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</p>	
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<p>according to Article 15.1.8. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can be excluded.</p>	<p>date the fact happens 5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can be excluded.</p>	
<p><b>Article 14</b> Procedure for handling merger, spin-off, acquisition or assignment of shares 1. Evaluation and procedure of operation 1.1 The Company shall, for the purpose of a merger, spin-off, acquisition or assignment of shares, call a meeting of the legal counsel, certified public accountant and underwriter for joint discussion to determine the timetable of the legal proceeding and organize a special group to execute the legal proceeding. The Company shall also seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price or, cash or other property to be distributed to the shareholders and submit the same to the meeting of the Board of Directors for approval. The company need not obtain reasonable opinions from experts, as mentioned above, for acquiring subsidiaries 100% owned, in terms of issued shares or paid-in capital, by the company directly or indirectly or merger of subsidiaries 100% owned, in terms of issued shares or paid-in capital, by the company directly. 1.2 The Company shall, prior to the convention of the relevant Shareholders Meeting, produce the document on disclosure of the material agreement and relevant matters on the proposed merge, spin-off or acquisition and submit such document to all shareholders together with the expert opinion provided in paragraph 1.1 of this Article and the meeting minutes as reference for the shareholders to</p>	<p><b>Article 14</b> Procedure for handling merger, spin-off, acquisition or assignment of shares 1. Evaluation and procedure of operation 1.1 The Company shall, for the purpose of a merger, spin-off, acquisition or assignment of shares, call a meeting of the legal counsel, certified public accountant and underwriter for joint discussion to determine the timetable of the legal proceeding and organize a special group to execute the legal proceeding. The Company shall also seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price or, cash or other property to be distributed to the shareholders and submit the same to the meeting of the Board of Directors for approval. The company need not obtain reasonable opinions from experts, as mentioned above, for acquiring subsidiaries 100% owned, in terms of issued shares or paid-in capital, by the company directly or indirectly or merger of subsidiaries 100% owned, in terms of issued shares or paid-in capital, by the company directly. 1.2 The Company shall, prior to the convention of the relevant Shareholders Meeting, produce the document on disclosure of the material agreement and relevant matters on the proposed merge, spin-off or acquisition and submit such document to all shareholders together with the expert opinion provided in</p>	<p>1. In accordance with Article 23 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," the authority is reverted to the Board of Directors.  2. Correction of typographical errors.</p>



<p>determine to or not to approve the proposed merger, spin-off or acquisition, except in case where a relevant resolution adopted by the Shareholders Meeting is not legally required. If any of the participant companies is unable to convene the meeting, or to obtain the resolution of its shareholders meeting on the proposed merger, spin-off or acquisition because the number of shares represented at the meeting fell short of the quorum for the meeting or the proposal is denied by the meeting, the participant companies shall promptly give a public explanation of the cause, the subsequent handling and reschedule a date for convening the shareholders meeting.</p> <p>2. Other matters for attention</p> <p>2.1 Date of convention of the relevant meeting of the Board of Directors:</p> <p>Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the merger, spin-off or acquisition shall convene the meeting of the board of directors and the shareholders meeting on the same day to adopt the resolution on the matters in connection with the proposed merger, spin-off or acquisition. Except as otherwise provided by law or there being any special factor which has been approved by the Financial Supervisory Commission, companies participating in the assignment of shares shall convene the meeting of the board of directors on the same day. Companies participating in the merger, spin-off, acquisition or assignment of shares whose stocks are traded on the stock exchange or the over-the-counter market shall maintain complete written record on the following materials and keep the same for a term of five years.</p> <p>2.1.1 Basic personal information:</p>	<p>paragraph 1.1 of this Article and the meeting minutes as reference for the shareholders to determine to or not to approve the proposed merger, spin-off or acquisition, except in case where a relevant resolution adopted by the Shareholders Meeting is not legally required. If any of the participant companies is unable to convene the meeting, or to obtain the resolution of its shareholders meeting on the proposed merger, spin-off or acquisition because the number of shares represented at the meeting fell short of the quorum for the meeting or the proposal is denied by the meeting, the participant companies shall promptly give a public explanation of the cause, the subsequent handling and reschedule a date for convening the shareholders meeting.</p> <p>2. Other matters for attention</p> <p>2.1 Date of convention of the relevant meeting of the Board of Directors:</p> <p>Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the merger, spin-off or acquisition shall convene the meeting of the board of directors and the shareholders meeting on the same day to adopt the resolution on the matters in connection with the proposed merger, spin-off or acquisition. Except as otherwise provided by law or there being any special factor which has been approved by the Financial Supervisory Commission, companies participating in the assignment of shares shall convene the meeting of the board of directors on the same day. Companies participating in the merger, spin-off, acquisition or assignment of shares whose stocks are traded on the stock exchange or the over-the-counter</p>	
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<p>including all personnel who participate in the execution of the merger, spin-off, acquisition or assignment of shares before the relevant information was publicly released, including their titles, names, and identification card (or passport) number.</p> <p>2.1.2 Dates of important matters including, among others, execution of the relevant memorandum of intent (MOI) or memorandum of understanding (MOU), engagement of financial or legal counsel, execution of the relevant contracts and the date of the relevant meeting of the Board of Directors.</p> <p>2.1.3 Important documents and meeting records on, among others, the proposed merger, spin-off, acquisition or assignment of shares, and the relevant MOI or MOU, important contract(s) and minutes of the relevant meeting of the Board of Directors.</p> <p>Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall each, within two days from the date following the adoption of the relevant resolution by the meeting of their Board of Directors, make a report online of the information provided in subparagraphs 1 and 2 of the preceding paragraph in the required form and substance to the Financial Supervisory Commission.</p> <p>Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall enter into the relevant agreement with companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are not traded on the stock exchange or the over-the-counter market (if any) and make the report provided in the two preceding paragraphs.</p> <p>2.2 Prior non-disclosure</p>	<p>market shall maintain complete written record on the following materials and keep the same for a term of five years.</p> <p>2.1.1 Basic personal information: including all personnel who participate in the execution of the merger, spin-off, acquisition or assignment of shares before the relevant information was publicly released, including their titles, names, and identification card (or passport) number.</p> <p>2.1.2 Dates of important matters including, among others, execution of the relevant memorandum of intent (MOI) or memorandum of understanding (MOU), engagement of financial or legal counsel, execution of the relevant contracts and the date of the relevant meeting of the Board of Directors.</p> <p>2.1.3 Important documents and meeting records on, among others, the proposed merger, spin-off, acquisition or assignment of shares, and the relevant MOI or MOU, important contract(s) and minutes of the relevant meeting of the Board of Directors.</p> <p>Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall each, within two days from the date following the adoption of the relevant resolution by the meeting of their Board of Directors, make a report online of the information provided in subparagraphs 1 and 2 of the preceding paragraph in the required form and substance to the Financial Supervisory Commission.</p> <p>Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall enter into the relevant agreement with</p>	
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<p>agreement: All persons who participate in or have knowledge about the Company's project of merger, spin-off, acquisition or assignment of shares shall each sign a non-disclosure agreement to undertake that they will not externally disclose the project before the Company makes the relevant public disclosure and that they will not buy or sell any stocks or equity securities of any company involved in the proposed merger, spin-off, acquisition or assignment of shares, either in their own name or using any other person's name to do so.</p> <p>2.3 Determination and change of the proposed swap ratio or acquisition price: Each participant company shall seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price, or cash or other property before the meetings of Board of Directors, then submit the same to the <u>Board of Directors for approval</u>. Basically, neither the swap ratio nor the acquisition price shall be changed except in case of the conditions for a change provided in the contract (if any) and such conditions have been publicly disclosed. The swap ratio or acquisition price may be changed in the event of any of the following:</p> <p>2.3.1 The subject securities are issued for capital increase, issuance of convertible bonds, stock grant, and issuance of corporate bond with stock option, issuance of preferred shares with stock option, issuance of share warrant certificates or other equity securities.</p> <p>2.3.2 Any of the participant companies has done any act that may affect the financial operation of the company such as disposal of its material assets.</p> <p>2.3.3 The shareholders' equity or securities price of any of the</p>	<p>companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are not traded on the stock exchange or the over-the-counter market (if any) and make the report provided in the two preceding paragraphs.</p> <p>2.2 Prior non-disclosure agreement: All persons who participate in or have knowledge about the Company's project of merger, spin-off, acquisition or assignment of shares shall each sign a non-disclosure agreement to undertake that they will not externally disclose the project before the Company makes the relevant public disclosure and that they will not buy or sell any stocks or equity securities of any company involved in the proposed merger, spin-off, acquisition or assignment of shares, either in their own name or using any other person's name to do so.</p> <p>2.3 Determination and change of the proposed swap ratio or acquisition price: Each participant company shall seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price, or cash or other property before the meetings of Board of Directors, then submit the same to the <u>Shareholders Meeting</u>. Basically, neither the swap ratio nor the acquisition price shall be changed except in case of the conditions for a change provided in the contract (if any) and such conditions have been publicly disclosed. The swap ratio or acquisition price may be changed in the event of any of the following:</p> <p>2.3.1 The subject securities are issued for capital increase, issuance of convertible bonds, stock grant, and issuance of</p>	
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<p>participant companies has been affected by, among others, a major disaster or material technical change.</p> <p>2.3.4 Any of the participant companies has adjusted legal buy-back of treasury stocks.</p> <p>2.3.5 The principal participant companies or the number of participant companies has changed.</p> <p>2.3.6 The contract has provided the other conditions for changes and such conditions have been publicly disclosed.</p> <p>2.4 Provision of the contract: The contract on the proposed merger, spin-off, acquisition or assignment of shares shall provide the matters set forth below, except those in accordance with the provision of Article 317-1 of the Company Act and Article 22 of the Business Merger Act:</p> <p>2.4.1 Handling of defaults.</p> <p>2.4.2 The procedure for issuance of equity securities or buy-back of treasury shares adopted by the company to extinct as a result of the proposed merger or to spin off.</p> <p>2.4.3 The amount of treasury stocks the participant company may legally buy back after the swap ratio record date and such company's procedure therefore.</p> <p>2.4.4 Ways to handle matters arising from a change of the principal participant company or the number of participant companies.</p> <p>2.4.5 The schedule for executing the project and the scheduled date of completion.</p> <p>2.4.6 Procedure for handling relevant matters and the date to duly convene the relevant Shareholders Meeting in case the project is not completed as scheduled.</p> <p>2.5 Change of the participant companies: Where, after any of the companies participating in the proposed merger, spin-off, acquisition or assignment of shares has publicly</p>	<p>corporate bond with stock option, issuance of preferred shares with stock option, issuance of share warrant certificates or other equity securities.</p> <p>2.3.2 Any of the participant companies has done any act that may affect the financial operation of the company such as disposal of its material assets.</p> <p>2.3.3 The shareholders' equity or securities price of any of the participant companies has been affected by, among others, a major disaster or material technical change.</p> <p>2.3.4 Any of the participant companies has adjusted legal buy-back of treasury stocks.</p> <p>2.3.5 The principal participant companies or the number of participant companies has changed.</p> <p>2.3.6 The contract has provided the other conditions for changes and such conditions have been publicly disclosed.</p> <p>2.4 Provision of the contract: The contract on the proposed merger, spin-off, acquisition or assignment of shares shall provide the matters set forth below, except those in accordance with the provision of Article 317-1 of the Company Act and Article 22 of the Business Merger Act:</p> <p>2.4.1 Handling of defaults.</p> <p>2.4.2 The procedure for issuance of equity securities or buy-back of treasury shares adopted by the company to extinct as a result of the proposed merger or to spin off.</p> <p>2.4.3 The amount of treasury stocks the participant company may legally buy back after the swap ratio record date and such company's procedure therefore.</p> <p>2.4.4 Ways to handle matters arising from a change of the principal participant company or the number of participant companies.</p> <p>2.4.5 The schedule for executing</p>	
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<p>disclosed the information, there is another company to participate in the proposed merger, spin-off, acquisition or assignment of shares, the original participant companies each shall re-new all relevant proceedings or legal acts except in the case of there being reduction in the number of the original participant companies and the Board of Directors is authorized to act accordingly by the resolution of the Shareholders Meeting.</p> <p>2.6 The Company shall enter into an agreement with the participant company which is not a public company and set the date to convene the relevant meeting of the Board of Directors, execute the prior non-disclosure agreement, and act accordingly in consideration of the change of the participant companies in accordance with paragraphs 2.1, 2.2 and 2.5 of this Article.</p>	<p>the project and the scheduled date of completion.</p> <p>2.4.6 Procedure for handling relevant matters and the date to duly convene the relevant Shareholders Meeting in case the project is not completed as scheduled.</p> <p>2.5 Change of the participant companies: Where, after any of the companies participating in the proposed merger, spin-off, acquisition or assignment of shares has publicly disclosed the information, there is another company to participate in the proposed merger, spin-off, acquisition or assignment of shares, the original participant companies each shall re-new all relevant proceedings or legal acts except in the case of there being reduction in the number of the original participant companies and the Board of Directors is authorized to act accordingly by the resolution of the Shareholders Meeting.</p> <p>2.6 The Company shall enter into an agreement with the participant company which is not a public company and set the date to convene the relevant meeting of the Board of Directors, execute the prior non-disclosure agreement, and act accordingly in consideration of the change of the participant companies in accordance with paragraphs 2.1, 2.2 and 2.5 of this Article.</p>	
<p><b>Article 19</b> This Procedure was established on 11 August 1989 and subsequently amended as follows: the first amendment on 30 September 1991; the second amendment on 26 June 1995; the third amendment on 28 April 1997; the fourth amendment on 28 October 1999; the fifth amendment on 6 June 2003;</p>	<p><b>Article 19</b> This Procedure was established on 11 August 1989 and subsequently amended as follows: the first amendment on 30 September 1991; the second amendment on 26 June 1995; the third amendment on 28 April 1997; the fourth amendment on 28 October 1999; the fifth amendment on 6 June</p>	<p>Add the date of the thirteenth amendment</p>



the sixth amendment on 13 June 2007; the seventh amendment on 15 June 2012; the eighth amendment on 21 June 2013; the ninth amendment on 23 June 2014; the tenth amendment on 16 June 2017; the eleventh amendment on 14 June 2019; the twelfth amendment on 20 May 2022; and the thirteenth amendment on 3 June 2025.	2003; the sixth amendment on 13 June 2007; the seventh amendment on 15 June 2012; the eighth amendment on 21 June 2013; the ninth amendment on 23 June 2014; the tenth amendment on 16 June 2017; the eleventh amendment on 14 June 2019; and the twelfth amendment on 20 May 2022.	
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Comparison Table of Amendments to  
"Procedures for Endorsements and Guarantees"

Proposed Revision	Current Clauses	Note
<b>Article 4</b> Quota for endorsement and guarantee A. The total value of endorsement and guarantee provided by the company can not exceed 60% of the company's book value in the most recent financial statement and the value of endorsement and guarantee for a single enterprise can not exceed 20% of the company's book value in the most recent financial statement. B. Total amount of endorsement and guarantee extended by the company and its subsidiaries can not exceed 80% of the company's book value in the latest financial statement. The limit is set at 30% for a single enterprise. C. In case the total amount of endorsement and guarantee extended by the company and its subsidiaries exceeds 50% of the company's book value, explanation of its necessity and justification should be made in shareholders' meeting.	<b>Article 4</b> Quota for endorsement and guarantee A. The total value of endorsement and guarantee provided by the company can not exceed 60% of the company's book value in the most recent financial statement and the value of endorsement and guarantee for a single enterprise can not exceed 20% of the company's book value in the most recent financial statement. B. Total amount of endorsement and guarantee extended by the company and its subsidiaries can not exceed 80% of the company's book value in the latest financial statement. The limit is set at 30% for a single enterprise. C. In case the total amount of endorsement and guarantee extended by the company and its subsidiaries exceeds 50% of the company's book value, explanation of its necessity and justification should be made in shareholders' meeting.  <u>When the aforementioned limitations and actual guarantees are denominated in different currencies, the exchange rate shall be based on the sell rate at the Taipei Foreign Exchange Market on the date of approval by the Board of Directors.</u>	As the current practice no longer refers to the exchange rates published by the Taipei Foreign Exchange Market, and instead relies on the exchange rate as determined by the certified public accountant, the reference is hereby deleted.
<b>Article 5</b> Deadline and Contents for Mandatory Information Publication A. In addition to posting the previous month's outstanding amount of endorsement and	<b>Article 5</b> Deadline and Contents for Mandatory Information Publication A. In addition to posting the previous month's outstanding amount of endorsement and	Since Statement of Financial Accounting Standards No. 9 is no longer applicable, it is hereby deleted.

<p>guarantee by the Company and its subsidiaries by the 10th day of each month, the Company shall also post information on the outstanding amount of endorsement and guarantee within two days on the Market Observation Post System whenever it meets one of the following standards, the date of actual occurrence specified by the rule refers to the earliest date of the signing of transaction contract, payment, the resolution of the board of directors, or other dates ascertain transaction object and transaction value.</p> <p>1. The total amount of endorsement and guarantee from the Company and its subsidiaries exceeds 50% of the Company's book value in its most recent financial statement;</p> <p>2. The amount of endorsement and guarantee for a single enterprise from the Company and its subsidiaries exceeds 20% of the Company's book value in its most recent financial statement;</p> <p>3. The amount of endorsement and guarantee for a single enterprise from the Company and its subsidiaries exceeds NT\$10 million, and the value of endorsement and guarantee, long-term investment and loans for the enterprise combined exceeds 30% of the Company's book value in its most recent financial statement.</p> <p>4. New application for endorsement and guarantee by the Company or its subsidiaries exceeds NT\$30 million in value and 5% of the company's book value in the most recent financial statement.</p> <p>B. The Company shall make mandatory posting of information under the aforementioned situations for its subsidiaries which are not domestic companies with public offering.</p> <p>C. The company shall make proper disclosure in its financial</p>	<p>guarantee by the Company and its subsidiaries by the 10th day of each month, the Company shall also post information on the outstanding amount of endorsement and guarantee within two days on the Market Observation Post System whenever it meets one of the following standards, the date of actual occurrence specified by the rule refers to the earliest date of the signing of transaction contract, payment, the resolution of the board of directors, or other dates ascertain transaction object and transaction value.</p> <p>1. The total amount of endorsement and guarantee from the Company and its subsidiaries exceeds 50% of the Company's book value in its most recent financial statement;</p> <p>2. The amount of endorsement and guarantee for a single enterprise from the Company and its subsidiaries exceeds 20% of the Company's book value in its most recent financial statement;</p> <p>3. The amount of endorsement and guarantee for a single enterprise from the Company and its subsidiaries exceeds NT\$10 million, and the value of endorsement and guarantee, long-term investment and loans for the enterprise combined exceeds 30% of the Company's book value in its most recent financial statement.</p> <p>4. New application for endorsement and guarantee by the Company or its subsidiaries exceeds NT\$30 million in value and 5% of the company's book value in the most recent financial statement.</p> <p>B. The Company shall make mandatory posting of information under the aforementioned situations for its subsidiaries which are not domestic companies with public</p>	
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report information on the evaluation of or provision for the possible loss from endorsement and guarantee, in addition to providing the information to certified public accountants for necessary auditing.	<p>offering.</p> <p>C. <u>In accordance with the financial accounting standard No. 9</u>, the company shall make proper disclosure in its financial report information on the evaluation of or provision for the possible loss from endorsement and guarantee, in addition to providing the information to certified public accountants for necessary auditing.</p>	
<p><b>Article 6</b> Guidelines for Endorsement and Guarantee</p> <p>A. The Company's internal auditors should check the Procedures for Endorsement and Guarantee, as well as its execution, at least every quarter and record the finding, in addition to informing the Audit Committee in written form, the discovery of major violations.</p> <p>B. The Board of Directors' approval is necessary for the Company to overcome the limitations set by the procedures in providing endorsement and guarantee for cases arising from business needs and meeting the conditions set by the procedures, with half of the Board of Directors agreeing to provide personal guarantee for the possible loss from the exceptional treatment. The Board of Directors shall also revise the procedures before sending the revision to Shareholders' Meeting for affirmation. If the Shareholders' Meeting disapproves such cases, the Company shall formulate plans to eradicate the excessive portion by a specific deadline. If the company has instituted independent directors, the opinions of independent directors should be taken into account by the Board of Directors when discussing the cases, and their agreement / opposition and reasoning, shall be included in the record of the Board of</p>	<p><b>Article 6</b> Guidelines for Endorsement and Guarantee</p> <p>A. The Company's internal auditors should check the Procedures for Endorsement and Guarantee, as well as its execution, at least every quarter and record the finding, in addition to informing the Audit Committee in written form, the discovery of major violations.</p> <p>B. The Board of Directors' approval is necessary for the Company to overcome the limitations set by the procedures in providing endorsement and guarantee for cases arising from business needs and meeting the conditions set by the procedures, with half of the Board of Directors agreeing to provide personal guarantee for the possible loss from the exceptional treatment. The Board of Directors shall also revise the procedures before sending the revision to Shareholders' Meeting for affirmation. If the Shareholders' Meeting disapproves such cases, the Company shall formulate plans to eradicate the excessive portion by a specific deadline. If the company has instituted independent directors, the opinions of independent directors should be taken into account by the Board of Directors when discussing the cases, and their agreement / opposition and reasoning, shall</p>	Amend the wording

<p>Directors.</p> <p>C. If qualified endorsement recipients meeting the conditions set in Article 4 become disqualified later on or the value of endorsement and guarantee exceeds the limitations due to changes in the calculation basis, the endorsement and guarantee for the recipients or the excessive amount should be erased entirely upon the contract expiration or by a deadline set by an improvement plan, which shall be sent to the Audit Committee, complete the improvement plan, and report to the Board of Directors.</p>	<p>be included in the record of the Board of Directors.</p> <p>C. If qualified endorsement recipients meeting the conditions set in Article 4 become disqualified later on or the value of endorsement and guarantee exceeds the limitations due to changes in the calculation basis, the endorsement and guarantee for the recipients or the excessive amount should be erased entirely upon the contract expiration or by a deadline set by an improvement plan, which shall be sent to the Audit Committee, complete the improvement plan <u>on schedule</u>, and report to the Board of Directors.</p>	
<p><b>Article 7</b> Handling Procedures for Endorsement and Guarantee</p> <p>A. Recipients of endorsement and guarantee shall provide all financial data when applying with the Company's financial unit for utilizing the endorsement and guarantee within the set quota, upon which the financial unit should evaluate the application and carry out credit investigation. The evaluation shall cover the necessity and rationality of the application. For endorsement and guarantee deriving from business dealings, the evaluation shall cover the proportion between endorsement/guarantee value and the scale of business dealing, effect on the company's operating risk, financial status, and shareholders' interest, as well as obtaining of collateral and its value.</p> <p>B. The Company's registered seals with the Ministry of Economic Affairs and dedicated seals for issuing checks shall be used in providing endorsement and guarantee to outside parties, which shall be kept by the Head of Finance and Management <u>Center</u> and can only be used with</p>	<p><b>Article 7</b> Handling Procedures for Endorsement and Guarantee</p> <p>A. Recipients of endorsement and guarantee shall provide all financial data when applying with the Company's financial unit for utilizing the endorsement and guarantee within the set quota, upon which the financial unit should evaluate the application and carry out credit investigation. The evaluation shall cover the necessity and rationality of the application. For endorsement and guarantee deriving from business dealings, the evaluation shall cover the proportion between endorsement/guarantee value and the scale of business dealing, effect on the company's operating risk, financial status, and shareholders' interest, as well as obtaining of collateral and its value.</p> <p>B. The Company's registered seals with the Ministry of Economic Affairs and dedicated seals for issuing checks shall be used in providing endorsement and guarantee to outside parties, which shall be kept by the Head of Finance and</p>	<p>Amend the name of the department/unit</p>

<p>the approval of the Chairman. In the event that the Company provides a guarantee for a foreign company, the guarantee letter shall be executed by the person duly authorized by the Board of Directors.</p> <p>C. Endorsement and guarantee undertaken by the Company shall be put on record, including the objects of guarantee, the name of enterprise receiving endorsement or guarantee, the result of risk evaluation, the value of endorsement and guarantee, contents of collateral, and conditions and date for the removal of the liabilities for endorsement and guarantee.</p> <p>D. The Company shall make proper disclosure in its financial report information on the evaluation and provision for the possible loss from endorsement and guarantee, in addition to providing the information to certified public accountants for necessary auditing and producing adequate auditing report.</p> <p>E. If the Company or its subsidiaries' endorsement parties are the subsidiaries which net value are lower than one-half of paid-in capital, it should be ruled by guidelines of Article 6, for shares of subsidiaries without par value or with par value other than NT\$10, paid-in capital should be calculated by adding up share capital and capital surplus - additional paid-in capital.</p>	<p>Management <u>Division</u> and can only be used with the approval of the Chairman.</p> <p>In the event that the Company provides a guarantee for a foreign company, the guarantee letter shall be executed by the person duly authorized by the Board of Directors.</p> <p>C. Endorsement and guarantee undertaken by the Company shall be put on record, including the objects of guarantee, the name of enterprise receiving endorsement or guarantee, the result of risk evaluation, the value of endorsement and guarantee, contents of collateral, and conditions and date for the removal of the liabilities for endorsement and guarantee.</p> <p>D. The Company shall make proper disclosure in its financial report information on the evaluation and provision for the possible loss from endorsement and guarantee, in addition to providing the information to certified public accountants for necessary auditing and producing adequate auditing report.</p> <p>E. If the Company or its subsidiaries' endorsement parties are the subsidiaries which net value are lower than one-half of paid-in capital, it should be ruled by guidelines of Article 6, for shares of subsidiaries without par value or with par value other than NT\$10, paid-in capital should be calculated by adding up share capital and capital surplus - additional paid-in capital.</p>	
<p><b>Article 8</b> Review Procedures, Decision-Making, and Authorization Levels</p> <p>A. For endorsements and guarantees within the limit stipulated in Article 4, the Chairman is authorized to act within the limit of NT\$<u>300</u> million. The responsible department shall</p>	<p><b>Article 8</b> Review Procedures, Decision-Making, and Authorization Levels</p> <p>A. For endorsements and guarantees within the limit stipulated in Article 4, the Chairman is authorized to act within the limit of NT\$<u>100</u></p>	<p>In light of the absence of managing directors, the Chairman's approval authority has been adjusted to a maximum of</p>



<p>submit an application for the guarantee and assess the associated risks, reporting to the Chairman. After the Chairman reviews the application, he shall either stamp or sign the relevant document. The transaction shall then be reported to the most recent Board of Directors meeting for ratification. For guarantees exceeding NT\$300 million, approval from the Audit Committee and the Board of Directors is required.</p> <p>B. For subsidiaries in which the Company directly or indirectly holds more than 90% of the voting shares, a guarantee endorsement must be approved by the Company's Board of Directors in accordance with Article 3, Paragraph 2, prior to execution. However, guarantees between companies where the Company directly or indirectly holds 100% of the voting shares are exempt from this requirement.</p>	<p><u>million. The responsible department shall submit an application for the guarantee and assess the associated risks, reporting to the Chairman. After the Chairman reviews the application, he shall either stamp or sign the relevant document. The transaction shall then be reported to the most recent Board of Directors meeting for ratification. For guarantees exceeding NT\$100 million but not exceeding NT\$300 million, approval from the Managing Board is required, followed by ratification by the most recent Board of Directors meeting. For guarantees exceeding NT\$300 million, approval from the Audit Committee and the Board of Directors is required. In all three cases, the details of the transaction and relevant matters must be reported to the shareholders' meeting for reference.</u></p> <p>B. For subsidiaries in which the Company directly or indirectly holds more than 90% of the voting shares, a guarantee endorsement must be approved by the Company's Board of Directors in accordance with Article 3, Paragraph 2, prior to execution. However, guarantees between companies where the Company directly or indirectly holds 100% of the voting shares are exempt from this requirement.</p>	<p>NT\$300 million.</p>
<p><b>Article 9</b> Control Procedure for the Provision of Endorsement and Guarantee by subsidiaries</p> <p>A. The company's subsidiaries shall also formulate Procedures for Endorsement and Guarantee, on the basis of the measures, but the calculation of quota is based on the book value of subsidiaries.</p> <p>B. Subsidiaries shall compile report on details of the previous month's provision of endorsement</p>	<p><b>Article 9</b> Control Procedure for the Provision of Endorsement and Guarantee by subsidiaries</p> <p>A. The company's subsidiaries shall also formulate Procedures for Endorsement and Guarantee, on the basis of the measures, but the calculation of quota is based on the book value of subsidiaries.</p> <p>B. Subsidiaries shall compile report on details of the previous</p>	<p>Given that audit work for some subsidiaries is supported by auditors from the parent company, the amendment is made to preserve operational flexibility.</p>

<p>and guarantee by the 10th day of each month and submit to the Company for review.</p> <p>C. The subsidiaries shall check the Procedures for Endorsement and Guarantee, as well as its execution, at least every quarter and record the finding, in addition to informing the Company's auditing unit in written form the discovery of major violations. The Company shall also submit the information in written form to the Audit Committee.</p> <p>D. When undertaking auditing works at subsidiaries according to yearly auditing plan, the Company's auditors shall understand their execution on the operating procedures for endorsement and guarantee and carry out reviews on the improvement on mistakes or irregularities, in addition to producing improvement reports and submit to the Chairman for review.</p>	<p>month's provision of endorsement and guarantee by the 10th day of each month and submit to the Company for review.</p> <p>C. The subsidiaries' <u>internal auditors</u> shall check the Procedures for Endorsement and Guarantee, as well as its execution, at least every quarter and record the finding, in addition to informing the Company's auditing unit in written form the discovery of major violations. The Company shall also submit the information in written form to the Audit Committee.</p> <p>D. When undertaking auditing works at subsidiaries according to yearly auditing plan, the Company's auditors shall understand their execution on the operating procedures for endorsement and guarantee and carry out reviews on the improvement on mistakes or irregularities, in addition to producing improvement reports and submit to the Chairman for review.</p>	
<p><b>Article 14</b></p> <p>The Procedures were approved by the Shareholders' Meeting on June 6, 2003.</p> <p>The first amendment was implemented on Jun. 19, 2009.</p> <p>The second amendment was implemented on Jun. 18, 2010.</p> <p>The third amendment shall be implemented on June 21, 2013.</p> <p>The fourth amendment shall be implemented on May 11, 2020.</p> <p>The fifth amendment shall be implemented on June 3, 2025.</p>	<p><b>Article 14</b></p> <p>The Procedures were approved by the Shareholders' Meeting on June 6, 2003.</p> <p>The first amendment was implemented on Jun. 19, 2009.</p> <p>The second amendment was implemented on Jun. 18, 2010.</p> <p>The third amendment shall be implemented on June 21, 2013.</p> <p>The fourth amendment shall be implemented on May 11, 2020.</p>	<p>Add the date of the fifth amendment</p>

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## **Appendices**

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1. Articles of Incorporation on page 80~91
2. Rules Governing Shareholders' Meeting on page 92~95
3. Procedures for the 17th Repurchase of Shares and Transfer to Employees on pages 96~97
4. Procedures for Acquisition or Disposal of Assets on pages 98~116
5. Procedures for Endorsements and Guarantees on pages 117~121
6. Shareholding of All Directors on page 122
7. Notes on page 123

**TECO Electric & Machinery Co., Ltd.**

**Articles of Incorporation**

(Summary Translation)

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

**Chapter 1 General Provisions**

**Article 1**

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

**Article 2**

The scope of business of this Company is as follows:

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

35. E604010 Installation of machines;
36. E605010 Installation of computer equipment;
37. F106010 Wholesale of hardware;
38. F106030 Wholesale of tooling;
39. F108031 Wholesale of medical devices
40. F113070 Wholesale of telecom-products
41. F114080 Wholesale of rail cars and the parts thereof;
42. F117010 Wholesale of fire-fighting safety equipment;
43. F119010 Wholesale of electrical materials;
44. F206010 Retail sale of hardware;
45. F206030 Retail sale of tooling;
46. F206040 Retail sale of water equipment and relevant materials;
47. F208031 Retail sale of medical devices;
48. F213040 Retail sale of precision instruments;
49. F213060 Retail of telecom products
50. F218010 Retail of information software
51. F401010 International Trade;
52. F401021 Import of controlled telecommunication radio-frequency devices;
53. F501060 Restaurant services;
54. G801010 Warehousing services;
55. H701010 Development and leasing of residential and business buildings;
56. I103060 Management consulting services;
57. I301010 Information application services;
58. I301020 Data-processing services;
59. I301030 Supply of electronic information services;
60. IF01010 Inspection and repair of firefighting safety equipment services;
61. IG03010 Energy Technical Services;
62. E606010 Testing and inspection of electrical equipment services;
63. JE01010 Leasing services;
64. ZZ99999 Other businesses not prohibited or restricted legally except those with special permit.

### **Article 3**

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

### **Article 4**

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

### **Article 5**

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

## **Chapter 2 Capital stocks**

### **Article 6**

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

A total of NT\$1,000,000,000 of the above total capital will be reserved for issuance of employee stock options for a total of 100,000,000 shares of stocks with a par value of NT\$10

each, which may be issued in installments according to the resolution adopted by the relevant meeting of the Board of Directors.

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

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

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

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

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

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



## **Article 6-2**

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

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

premium of Class B Preferred Shares should not be capitalized into share capital.

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

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

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

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

the preceding paragraphs will remain unchanged. Holders of the outstanding Class C Preferred Shares are entitled to receive declared dividends based on the actual days in the redemption year up to the date of redemption should the Company decide to declare dividend for the redemption year.

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

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

#### **Article 7**

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

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

#### **Article 8**

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

#### **Article 9**

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

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

#### **Article 10**

The Company will have two types of shareholders meetings:

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

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

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

The shareholders' meeting can be convened by means of video conference or other methods promulgated by the central competent authority.

**Article 11**

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

**Article 12**

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

**Article 13**

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

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

**Article 14**

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

**Chapter 4 Board of Directors****Article 15**

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

At least 3 of the aforementioned directors are independent directors.

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

**Article 16**

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

**Article 17**

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

**Article 18**

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

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

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

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

**Article 19**

The function of the Board of Directors is to

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

**Article 20**

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

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

**Article 21**

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



## **Chapter 5 Audit Committee**

### **Article 22**

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

## **Chapter 6 Managerial officers**

### **Article 23**

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

### **Article 24**

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

## **Chapter 7 Accounting**

### **Article 25**

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

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

### **Article 26**

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

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

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

### **Article 27**

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

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

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

## **Chapter 8 Supplemental Provisions**

### **Article 28**

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

### **Article 29**

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

### **Article 30**

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

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

The thirty-first amendment on 28 March 1986;  
The thirty-second amendment on 28 March 1987;  
The thirty-third amendment on 28 March 1988;  
The thirty-fourth amendment on 28 March 1989;  
The thirty-fifth amendment on 28 March 1999;  
The thirty-sixth amendment on 7 May 1991;  
The thirty-seventh amendment on 8 May 1992;  
The thirty-eighth amendment on 7 May 1993;  
The thirty-ninth amendment on 28 April 1994;  
The fortieth amendment on 6 May 1995;  
The forty-first amendment on 11 May 1996;  
The forth-second amendment on 24 May 1997;  
The forty-third amendment on 15 May 1998;  
The forty-fourth amendment on 21 April 2000;  
The forty-fifth amendment on 15 May 2001;  
The forty-sixth amendment on 31 May 2002;  
The forty-seventh amendment on 6 June 2003;  
The forty-eighth amendment on 11 June 2004;  
The forty-ninth amendment on 27 May 2005;  
The fiftieth amendment on 15 June 2006;  
The fifty-first amendment on 13 June 2008;  
The fifty-second amendment on June 19, 2009;  
The fifty-third amendment on June 10, 2011;  
The fifty-fourth amendment was on June 15, 2012;  
The fifty-fifth amendment was on June 23, 2014;  
The fifty-sixth amendment was on June 16, 2016;  
The fifty-seventh amendment was on June 14, 2019;  
The fifty-eighth amendment was on May 11, 2020.  
The fifty-ninth amendment was on May 20, 2022  
The sixtieth amendment was on May 24, 2023

It took effect after the approval of shareholders' meeting.

**TECO Electric & Machinery Co., Ltd.  
Rules Governing Shareholders' Meetings**

(Summary Translation)

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

**Article 1**

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

**Article 2**

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

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

**Article 3**

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

**Article 4**

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

**Article 5**

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

**Article 6**

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

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

**Article 7**

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

**Article 8**

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

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

**Article 9**

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

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

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

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

**Article 10**

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

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

**Article 11**

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

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

**Article 12**

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

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

**Article 13**

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

**Article 14**

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

**Article 15**

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

**Article 16**

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

**Article 17**

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

**Article 18**

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

**Article 19**

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

**Article 20**

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

**Article 21**

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



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

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

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

**TECO Electric & Machinery Co., Ltd.**  
**Procedures for the 17th Repurchase of Shares and Transfer to Employees**

(Summary Translation)

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

Established on March 14, 2025  
Amended on May 14, 2025 (Note)

**Article 1**

To motivate employees and enhance cohesion, the Company has established these Regulations for Transferring Repurchased Shares to Employees pursuant to Article 28-2, Paragraph 1, Subparagraph 1 of the Securities and Exchange Act and the “Regulations Governing Share Repurchase by TWSE Listed and TPEx Listed Companies” issued by the Financial Supervisory Commission. The transfer of repurchased shares to employees shall be handled in accordance with these Procedures unless otherwise provided by applicable laws.

**Article 2**

Type of Shares, Rights, and Restrictions

The shares to be transferred to employees are common shares. Except as otherwise provided by law or these Procedures, such shares shall have the same rights and obligations as other outstanding common shares.

**Article 3**

Transfer Period

The repurchased shares may be transferred to employees in one or multiple tranches within five years from the date of repurchase, in accordance with these Procedures.

**Article 4**

Eligibility of Recipients

All full-time employees of the Company who have been employed for at least one year as of the share subscription reference date, or who have made special contributions to the Company and have been approved by the Board of Directors, as well as qualified full-time employees of domestic and foreign subsidiaries, are eligible to subscribe for the shares in accordance with Article 5 of these Procedures

"Domestic and foreign subsidiaries under control or affiliation" shall be determined in accordance with Articles 369-2 and 369-3 of the Company Act.

**Article 5**

Number of Shares Employees May Subscribe For

The number of shares that employees may subscribe for shall be determined based on factors such as position, title, years of service, salary, performance, and special contributions to the Company. The Company shall also consider the total number of treasury shares held as of the subscription reference date and the maximum number of shares an individual employee may subscribe for. The final eligibility and number of shares to be allocated to each employee shall be resolved by the Board of Directors and shall not be delegated to the Chairman.

## **Article 6**

### **Transfer Procedure**

The procedure for transferring repurchased shares to employees is as follows:

- A. The Company shall repurchase shares within the execution period based on a Board resolution and make the necessary public announcements and filings.
- B. The Board shall determine and announce the share subscription reference date, standards for share allocation, subscription and payment period, rights, and restriction conditions.
- C. Upon completion of subscription and payment, the Company shall process the share transfer and registration of ownership.

## **Article 7**

### **Agreed Transfer Price Per Share**

The transfer price per share shall be the average actual repurchase price. However, if the number of outstanding common shares increases or decreases prior to the transfer, the transfer price may be adjusted proportionally.

Price Adjustment Formula:

Adjusted Transfer Price = Average Repurchase Price × (Total Outstanding Common Shares upon Completion of Share Repurchase ÷ Total Outstanding Common Shares before Transfer to Employees)

## **Article 8**

### **Rights and Obligations After Transfer**

Once the shares have been transferred and registered under the employee's name, their rights and obligations shall be the same as those attached to existing shares, unless otherwise specified.

## **Article 9**

### **Other Rights and Obligations**

All taxes and expenses arising from the share transfer shall be handled in accordance with applicable laws and related Company procedures at the time of transfer.

## **Article 10**

### **Miscellaneous**

These Procedures shall become effective upon approval by the Board of Directors and may be amended by subsequent resolutions of the Board.

Note: Certain provisions were amended in accordance with competent authority directives and are scheduled to take effect upon Board approval on May 14, 2025.

**TECO Electric & Machinery Co., Ltd.**  
**Procedures for Acquisition or Disposal of Assets**

(Summary Translation)

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

**Article 1 Purpose**

This Procedure is established for the purpose of protecting the rights and interests of shareholders and the interests of investors.

**Article 2 Legal authority**

This Procedure is established pursuant to Article 36-1 of the Securities And Exchange Act and the relevant provision and subsequent revision there of the “Regulations Governing the Acquisition or Disposal of Assets by Public Companies” established by the Financial Supervisory Commission, Executive Yuan (hereinafter “FSC”).

**Article 3 Scope of assets**

1. The term *marketable securities* include investments in stocks, government bond, corporate bond, financial debenture, mutual fund securities, depository receipts, share warrant certificates, beneficiary securities, asset-back securities and so on.
2. Real property (including land, house & construction, investment real assets and inventory of construction business) and equipment.
3. Membership.
4. Intangible assets, including, patent, copyright, trademark, franchise and so on.
5. Right-of-use asset
6. Credit claims in financial institutions (including accounts receivable, foreign exchange discount, lending, overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or assignment of shares.
9. Other important assets.

**Article 4 Definition**

1. Derivatives means the forward contracts, options contracts, futures contracts, hedge margin contracts, swaps contracts, and combination of aforementioned contracts or derivatives-based combination contracts, or structured products the value of which is derived from specific interest rates, prices of financial instruments, commodity price, exchange rate, indices of price or rate, credit rating or credit standing indices, or other variables. Forward contracts do not include insurance contracts, performance guaranty contracts, after-sale service contracts, long-term leases and long-term purchase (sale) contracts.
2. Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or assignment of shares means the assets acquired from or disposed of as a result of a merger, spin-off or acquisition conducted in accordance with the Business Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Merger Act or other

laws, or the stocks of another company acquired by issuing new shares pursuant to the third paragraph of Article 156 of the Company Act.

3. A related party & *subsidiary* means the party defined in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. A professional appraiser means real property appraisers or any other service which is legally authorized to appraise real property and equipment for business.
5. Date of occurrence means the transaction contracting date, payment date, the entrusted transaction closing date, transfer date, board resolution date or other date on which the transaction counterpart and the transaction value may be sufficiently ascertained, whichever is earlier. Notwithstanding, where the investment must be approved by the competent authority in advance, the date of occurrence shall mean the earlier of the above date applicable and the date of approval by the competent authority.
6. PRC investment means the investment made in the People's Republic of China in accordance with the Regulations Governing Approval of Investments or Technical Cooperation Conducted in the People's Republic of China prescribed by the Investment Commission, Ministry of Economic Affairs.
7. Within one year means the year counted backward from the date of acquisition or disposal of the asset in issue, excluding the items which have been publicly disclosed.
8. The most recent certified financial statements means the latest financial statements certified or audited by a certified public accountant and duly published immediately before the acquisition or disposal of assets in issue.

#### **Article 5**

Limit on investment in non-business purpose real property and marketable securities.

The limits on the above assets acquired by the Company are as follows:

1. Non-business purpose real property: The total investment amount shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements. The total amount of investment in any specific short-term securities shall not exceed 5% of the amount of the above shareholders' equity.
2. Long- and short-term securities: The total investment amount (means the original investment amount) shall not exceed the amount of shareholders' equity represented in the most recent certified financial statements.
3. The total amount of investment in any specific marketable securities (means the original investment amount) shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements.

The limits on the total amount of the above asset acquired by a subsidiary of the Company are as follows:

1. Non-business purpose real property: The total amount shall not exceed 20% of the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned. The total amount of investment in any specific short-term securities shall not exceed 5% of the amount of the above shareholders' equity.
2. Long- and short-term securities: The total investment amount (means the original investment amount) shall not exceed the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned.
3. The total amount of investment in any specific marketable securities (means the original investment amount) shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned.

#### **Article 6**

The company's appraisal report or certified public account, attorney at law, or securities underwriter should meet the following conditions:

1. without subsection to verdict of over one year of imprisonment for violation of the law, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or commitment of fraud, breach of trust, conversion, forgery, or business-related crimes, except those who have served the imprisonment or those with completion of probation or reception of pardon for three years or more.
2. Trading partners should not be stakeholders or those with substantive relationship.
3. Should it need to obtain appraisal reports from two or more appraisers, those appraisers should not have the relationship of stakeholders or other substantive relationship.

The aforementioned appraisers should abide by the following regulations when producing appraisal report or opinions:

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.

#### **Article 7 Procedure for acquisition or disposal of real property or equipment**

1. Evaluation and procedure of operation  
Acquisition or disposal of real property, and equipment and its right-of-use asset by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of fixed assets.
2. Procedure for determining the terms of transaction and approval of transaction
  - 2.1 The terms and transaction price of the acquisition or disposal of real property and its right-of-use asset shall be determined by reference to, among others, the posted current value, appraised value, and the actual transaction price of other real property located nearby. Transactions with a value of less than TWD50 million may precede with the approval of the President. Transactions with a value of between TWD50 million and TWD100 million each may proceed with the approval of the Chairman of the Board of Directors and shall be reported to the immediately subsequent meeting of the Board of Directors. Transactions with a value of over TWD100 million must be approved by the Board of Directors in advance.
  - 2.2 Acquisition or disposal of equipment its right-of-use asset shall be conducted by way of issuing request for proposal, price competition under restricted tendering, and price negotiation under single tendering or bidding. The approval thereof shall be in accordance with the Schedule of Functions and Authority compiled pursuant to the relevant bylaws of the Company.
  - 2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.
3. Unit in charge of execution of transaction  
Upon approval of the proposed acquisition or disposal of real property, equipment or its right-of-use asset pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof.

4. Appraisal report on real property or other fixed asset  
Where the transaction value of the acquisition or disposal of real property, equipment or its right-of-use asset amounts to 20% or more of the paid-in capital of the Company or TWD300 million or more, an appraisal report produced by a professional appraiser must be obtained before the date the fact happens in accordance with the following, except in cases where the transaction counterpart is a domestic government agencies, or the transaction is an entrusted construction project on a self-owned land or a leased land, or the objects to be acquired or disposed of equipment or its right-of-use asset for business purpose.
  - 4.1 Where the transaction price shall be determined by reference to any restricted, designated price or special price for whatever special reason, the transaction and all subsequent changes to the terms thereof (if any) must be submitted to the Board of Directors for approval in advance.
  - 4.2 Where the transaction value amounts to TWD1 billion or more, the appraisal shall be conducted by two or more professional appraisers.
  - 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:
    - 4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value.
    - 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.
  - 4.4 The appraisal report date and the date of creation of the transaction contract conducted by professional appraiser must not be apart for more than 3 months. Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought.
  - 4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or certified public accountant's opinion.
5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.

## **Article 8**

### **Procedure for acquisition or disposal of marketable securities**

1. Evaluation and procedure of operation  
Trading of long- or short-term securities by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of investments. Acquisition or disposal of long-term securities mentioned in the procedure refers to the holding of over 20% stake or long-term equity investment. Acquisition or disposal of long-term securities mentioned in the procedure refers to the holding of over 20% stake or long-term equity investment in a company.
2. Procedure for determining the terms of transaction and approval of transaction
  - 2.1 For acquisition and disposal of long-term securities, the execution unit should evaluate transaction conditions and authorized quota, under the principle of legal compliance,



for the sake of timing and company interests, investments less than NT\$300 million in value can be approved by the board of standing directors during the recess of the board of directors before being reported to the latter at its next meeting. Cases with value exceeding NT\$300 million still need the approval of the board of directors, though.

2.2 For acquisition and disposal of short-term securities, the execution unit should evaluate the transaction conditions and authorization quota before carrying out the move according to “Measures for the Management of Short-term Investment.”

2.2.1 Purchasing and selling short-term marketable securities traded on the stock exchange or over-the-counter market shall be judged and determined by the responsible financial unit according to the market. The limits on the total investment amount and the amount of investment in any specific securities are as follows:

Securities	Limit	Limit on specific securities
Domestic finance bills Foreign finance bills		TWD600 million TWD600 million
Negotiable certificates of deposit Time deposit		TWD600 million TWD600 million
Open-end bonds funds	TWD2 billion	TWD500 million
Mutual funds (excluding open-end bonds mutual funds)	TWD1 billion	TWD100 million
Stocks traded on stock exchanges, over-the-counter market and relevant securities	TWD1 billion	TWD100 million
Share warrant certificates	TWD1 billion	TWD5 million

2.2.2 For purchase or sale of short-term marketable securities not traded on the stock exchange or over-the-counter market, the most recent certified financial statements of the target company must be obtained for an as reference for evaluating the transaction price for an analysis on, among others, the per share net value, profitability and potentiality of the objective company. The above proposed purchase or sale proposed must be submitted transaction conditions and authorization quota to the board of directors for approval in advance.

2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to all Supervisors. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director (if any) shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.

### 3. Unit in charge of execution

Upon approval of the proposed acquisition or disposal of long- or short-term investment in securities by the Company pursuant to the preceding paragraph, the Corporate Finance & Management Division shall take charge of the execution thereof.

#### 4. Expert opinion

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:

- 4.1.1 securities obtained on contribution of cash capital to the establishment of an entity by promoters or by placement.
- 4.1.2 securities issued at par value on the legal capital increase of an invested company.
- 4.1.3 securities issued on the cash capital increase of a 100%-owned invested company.
- 4.1.4 securities traded on the stock exchange, Over-the-Counter Market or on the GreTai Securities Market.
- 4.1.5 government bonds or bonds with re-purchase, re-sale agreements.
- 4.1.6 domestic or offshore mutual funds
- 4.1.7 corporate securities listed on the stock exchange or traded on the GreTai Securities Market to be acquired or disposed off pursuant to the Regulations Governing Purchase of Listed Securities by Tender Offer or by Auction of the Taiwan Stock Exchange Corporation or the GreTai Securities Market.
- 4.1.8 stocks of public companies issued on cash capital increase but not under private placement
- 4.1.9 the request for purchase of which was submitted prior to the establishment of the mutual fund as provided in the first paragraph of Article 11 of the Securities Investment Trust and Consulting Act and the Order of 1 November 2004 issued by the Financial Supervisory Commission (ref. Jin-Guan-Si-Tze No. 0930005249).
- 4.1.10 newly purchased or re-purchased domestic private equity, the scope of investment of which is identical with that of publicly raised mutual funds except the investment strategy with respect to securities credit trading and position of the un-covered products relating to the securities as indicated in the relevant trust agreement

4.2 Where the subject asset is acquired or disposed of by auction in the court, the appraisal report or certified public accountant's opinion may be replaced by the relevant certifying document issued by the court.

5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can be excluded.

#### **Article 9 Transaction with related parties**

1. In addition to the procedure for acquisition or disposal of assets or its right-of-use asset from a related party provided in Article 7-11, requirements with respect to the procedure of approval and evaluation of the acceptability of the terms of transaction. According the stipulations of article 7-11 of the handling procedure, when the trading value exceeds 10% of the company's total assets, the appraisal report of professional appraisers or the opinions of CPA should be obtained. The substance of the relationship other than the formation as a legal matter must be considered when determining whether the transaction counterpart is a related party.

2. Evaluation and procedure of operation

Acquisition or disposal of real property or its right-of-use asset from a related party, or acquires or disposes non-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:

- 2.1 The purpose, necessity and anticipated efficacy of the proposed acquisition or disposal of assets.
- 2.2 The reason for selecting the related party in issue as the transaction counterpart.
- 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.
- 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.
- 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 transaction and the acceptability of the application of the relevant funds.
- 2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article9.
- 2.7 The restrictions and other important arrangements on the transaction.

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.

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 shareholders' meeting and board of directors for approval and the auditing committee for acknowledgement can be excluded.

The opinion expressed by the Independent Directors each at the relevant meeting of the Board of Directors convened for discussing according to the previous two items, transaction proposed pursuant to the preceding paragraph shall be sufficiently considered. Opposition or qualified opinion expressed by the Independent Director shall be clearly indicated in the minutes of the relevant meeting of the Board of Directors.

Transaction between the company and subsidiaries or between directly or indirectly 100%-owned subsidiaries, in terms of issued shares or paid-in capital, board of directors could authorize the chairperson to make decision with the value falls within NT300 million:

- a. for the acquisition or disposal of the equipment or its right-of-use asset for business use.
- b. for the acquisition or disposal of right-of-use asset of real property for business use.

3. Evaluation of acceptability of the transaction cost

3.1 The acceptability of transaction cost of the proposed acquisition of real property or its right-of-use asset by the Company from a related party shall be evaluated in accordance with the following:

- 3.1.1 The transaction cost shall be the sum of the proposed transaction price plus the necessary capital interest and the legal cost to be incurred by the buyer.

*Necessary capital interest* shall be calculated according to the weighted average interest rate on loans extended to the Company in the year of the purchase of the real property, provided that the said interest rate shall not exceed the maximum non-financing borrowing interest rate announced by the Ministry of Finance.

- 3.1.2 Where the related party has mortgaged the subject real property to any financial institution, the total value adopted by the financial institution to determine the line of credit shall be taken into account, provided that the accumulated amount of the actual advanced credit on the subject real property has amounted to 70% or more of the line of credit for over one year except in cases where the financial institution is a related party to the related party in issue or vice versa.
- 3.2 Where the subject real property bought or leased jointly comprises the land and the building thereon, the transaction cost of the land and the building may be evaluated separately according to any of the methods provided in the preceding paragraph.
- 3.3 The cost of the real property or its right-of-use asset to be acquired by the Company from a related party shall be evaluated in accordance with paragraph 3.1 and 3.2 of this Article and review and workable opinion by a certified public accountant on such evaluation should be sought for.
- 3.4 Where the values of the real property to be acquired by the Company from a related party in conclusion of the evaluation pursuant to paragraphs 3.1 and 3.2 of this Article respectively both are lower than the proposed transaction price, paragraph 3.5 of this Article shall apply except in the following cases where objective evidence has been produced and workable opinion has been sought for from the professional appraiser and a certified public on the acceptability of the transaction price:
  - 3.4.1 The related party has acquired or leased a vacant land to build the building and evidence has been produced to prove fulfillment of any of the following:
    - 3.4.1(1) The sum of the value of the vacant land appraised according to the method provided in the preceding Article and the value of the building appraised as the total of the construction cost incurred by the related party plus reasonable construction profit exceeds the actual transaction price. Reasonable construction profit shall be determined based on the average gross margin ratio of the construction department of the related party in the past three years or the gross margin ratio applicable to the construction industry published by the Ministry of Finance, whichever is lower.
    - 3.4.1(2) The terms of the proposed transaction are considered acceptable by reference to the transactions of the other floors of the same building or nearby buildings concluded by non-related parties, each of which is of similar square measure to that of the subject real property, and the term of such successful transactions are considered comparable to the relevant terms of the proposed transaction according to the common practice of real property transaction or leasing applicable to the area.
  - 3.4.2 The Company has produced evidence to prove the terms of the proposed purchase of real property or its right-of-use asset thorough leasing from a related party are comparable to the terms of transactions of nearby real property of similar square measure which were concluded by non-related parties within one year. Transaction of nearby real property means the transaction of a real property which is located in the same block as the subject real property and within a radius of 500 meters from the subject real property or the posted present value of which is similar to that of the subject real property. Of similar square measure means, basically, the square measure of the real property or its right –of-use asset in the

transaction concluded by a non-related party being referred to is no less than 50% of the square measure of the subject real property. Within one year means within the year immediately preceding the date of occurrence of the proposed transaction.

3.5 Where the values of the real property or its right-of-use asset to be acquired by the Company from a related party appraised in conclusion of the evaluation pursuant to paragraphs 3.1 and 3.2 of this Article respectively both are lower than the proposed transaction price, the Company shall act in accordance with the following:

3.5.1 The Company shall appropriate an amount equal to the difference between the transaction price and the appraised cost of the real property for special earnings reserve pursuant to the first paragraph of Article 41 of the Securities and Exchange Act, which shall be set aside from distribution or new issues of shares for capital increase. Investors who recognize their investment in the Company on equity method and who are public listed companies shall also appropriate an amount equal to the recognized value according to the shareholding percentage for special earnings reserve pursuant to the first paragraph of Article 41 of the Securities and Exchange Act.

3.5.2 Audit Committee shall act in accordance Article 218 of the Company Act.

3.5.3 The result of handling pursuant to aforementioned two points shall be reported to the Shareholders Meeting and the particulars of the transaction shall be disclosed in the relevant annual report and the prospectus.

The special earnings reserve set aside pursuant to the above shall not be applied for use without the prior approval by the Financial Supervisory Commission until the loss from depreciation arising from the purchase or lease of the asset by paying a high premium price is duly recognized, disposed of, end of leasing appropriately made up, restored or there being no other evidence challenging the acceptability issue.

3.6 Acquisition of real property or its right-of-use asset by the Company from a related party will be forthwith handled in accordance with paragraphs 1 and 2 of this Article in any of the following cases, in which case paragraphs 3.1, 3.2 and 3.3 of this Article regarding evaluation of acceptability of the transaction cost shall not operate:

3.6.1 The related party has acquired the subject real property or its right-of-use asset by inheritance or as a gift.

3.6.2 Over five years has lapsed since the related party signed the contract on acquisition of the subject real property or its right-of-use asset.

3.6.3 The related party acquired the subject real property under a signed joint construction contract with its related party or entrustment of related parties for realty constructions, either on own land or leased land.

3.6.4 Transaction between the company and subsidiaries or between directly or indirectly 100%-owned subsidiaries, in terms of issued shares or paid-in capital, for the acquisition of right-of-use asset for realty assets for business use.

3.7 In case there is any evidence proving any irregularity of the proposed transaction for the Company to acquire the subject real property from a related party, the Company shall still act in accordance with paragraph 3.5 of this Article.

#### **Article 10 Procedure for acquisition or disposal of membership**

The Company will, in principle, not conduct acquisition or disposal of memberships. Should any such transaction be proposed in the future, the Company shall submit the proposal to the

meeting of the Board of Directors for approval and, thereafter, lay down the procedure for the evaluation and operation thereof.

#### **Article 11 Procedure for acquisition or disposal of intangible assets**

1. Evaluation and procedure for operation  
The acquisition or disposal of intangible assets or its right-of-use asset by the Company shall be conducted in accordance with the Company's internal control policy pertaining to the revolving of fixed assets.
2. Terms of transaction and procedure for approval of transaction
  - 2.1 The terms and transaction price of the proposed acquisition or disposal of intangible assets or its right-of-use asset shall be determined by reference to the evaluation report produced by an expert or the fair market value. Transactions with a transaction value of less than TWD30 million each may proceed with the approval of the President. Transactions with a value of between TWD30 million and TWD60 million may proceed with the approval of the Chairman and shall be reported to the immediate subsequent meeting of the Board of Directors. Transactions with a value of over TWD60 million each must be approved by the Board of Directors in advance.
  - 2.2 Where the acquisition or disposal of assets or its right-of-use asset by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.
3. Unit in charge of execution of transaction  
Upon approval of the proposed acquisition or disposal of membership or intangible assets or its right-of-use asset pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof.
4. Expert evaluation report on membership or intangible assets  
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.
5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can be excluded.

#### **Article 12 Procedure for acquisition or disposal of credit claims in financial institutions**

The Company will, basically, not conduct the transaction of acquiring or disposing of credit claims in financial institutions. Should any such transaction be proposed in the future, the Company shall submit the proposal to the meeting of the Board of Directors for approval and, thereafter, lay down the procedure for the evaluation and operation thereof.

## **Article 13 Procedure for acquisition or disposal of financial derivatives**

### **1. Principle and policy of transaction**

All derivatives transactions by the Company shall basically be conducted with a view to prevent possible risks arising from business operation of the Company. The responsible personnel of a derivatives transaction shall conduct a detailed analysis of the possible risks in advance, conduct the hedge transaction with care, and get hold of all possible risks that may arise from the transaction.

#### **1.1 Derivatives transactions:**

Derivatives means the transaction contracts the value of which is derived from assets, interest rates, exchange rates, indices or the interests in any of the above (such as forward contracts, options contracts, futures, swap and compound contracts of a combination of the above). For purposes of this Procedure, forward contracts exclude insurance contracts, performance guaranty, after-sale services warranty, long-term leases and long-term purchase (sale) contracts.

#### **1.2 Operational or hedging strategy:**

The Company's demand for foreign currency to meet the calls for purchases of imported materials and equipment shall be hedged by buying forward foreign exchange and receipts of foreign currency from exports shall be hedged by selling forward foreign exchange.

#### **1.3 Division of powers and duties:**

1.3.1 Only the personnel approved by the Chairman authorized to do so by the relevant meeting of the Board of Directors may conduct foreign exchange transactions. Necessary increase or reduction in the staff of such personnel, if any, must also be approved by the Chairman.

1.3.2 The accounting department shall be responsible for administering foreign exchange transactions.

1.3.3 The relevant financial managerial office shall act as the supervisor of the foreign exchange transaction within the scope of their power of authority with respect to the transaction amount.

#### **1.4 Key points of performance evaluation:**

1.4.1 Non-hedging part shall be evaluated according to the accumulated realized amount of net foreign exchange gain (loss) of the year.

1.4.2 Hedging part shall be evaluated according to their compliance with the relevant policy and rules for operation of forward foreign exchange of the Company.

#### **1.5 Total contractual transaction amount**

Total contractual transaction amount shall be the Company's total authorized transaction amount on forward foreign exchange contracts.

1.5.1 Limit of hedging transactions: The total hedging transaction amount of the Company as a whole shall basically be determined according to the Company's call for imports and exports both for a term of six month of the year. Any position call beyond the 6-month term must be approved by the Chairman authorized to do so by the relevant meeting of the Board of Directors.

1.5.2 Limit of non-hedging transactions: The total non-hedging transaction amount of the Company as a whole shall be within the range of the amount equal to 15% of the Company's call for imports and exports both for a term of six month of the year.

1.5.3 The maximum uncovered position of the Company as a whole shall not exceed 150% of the Company's call for imports and exports both for a term of six month of the year and the sum of the position of hedging transactions and that of non-



hedging transactions combined shall not exceed the maximum uncovered position of the Company.

1.6 Ceiling of loss value

1.6.1 Loss ceiling for open-interest position of the current quarter for an individual contract on risk-hedging merchandise transaction is set at NT\$5 million, with ceiling for all the contracts set at NT\$50 million. Cases with loss surpassing the aforementioned ceiling should be reported to chairman, who is authorized to adopt proper countermeasures according to current operating need and expected situation of the financial market, so as to reduce the losses of individual or total open-interest positions under the ceilings.

1.6.2 The value of open-interest positions for non-risk hedging merchandise transactions is calculated according to the closing price of New York on the previous day and that of NT dollar on the day. Should the loss already exceed NT\$2.5 million, offset 25% of the open-interest position and stop all trading carried out by traders; should the loss surpass NT\$5 million, offset 50% of open-interest position and report the case to chairman; should the loss top NT\$10 million, close all positions and report the case to the board of directors.

2. Risk management

2.1 Credit risk management:

In consideration of the changing market, risks management in connection with the operation of derivatives transactions shall be administered in accordance with the following principles:

The transaction counterparts shall mainly be well known local or foreign financial institutions.

The commodity transacted shall be among those offered by local or foreign financial institutions.

The total uncovered transaction amount with respect to the same transaction counterpart shall not exceed 10% of the total authorized amount except as otherwise approved by the President.

2.2 Market risk management:

The operation shall focus on the public foreign exchange transaction provided by banks without regard to the futures market.

2.3 Liquidity risk management:

In consideration of liquidity, the derivative commodities transacted by the Company shall be selected from among those with high liquidity (i.e. those which may be covered at any time on the market). The financial institution entrusted to conduct the transaction must be able to get hold of the relevant information and is able to conduct transactions on any market at any time.

2.4 Cash flow risk management:

In consideration of stable working capital, the Company shall basically conduct derivatives transactions by using self-owned fund and take into account the capital calls forecast for the next three months when deciding the amount to be applied to conduct derivatives transactions.

2.5 Operational risk management

The transactions shall be conducted within the relevant authorized amount in full compliance with the procedure for operation and put under internal control to prevent operational risks. The personnel conducting derivatives must not act concurrently as

the personnel responsible for making the relevant verification and delivery and vice versa.

The personnel responsible for weighing, monitoring and controlling the risks and the personnel provided in the preceding subparagraph must be serving in different departments of the Company and they must report to the Board of Directors or a high-ranking managerial officer who is not in charge of the transaction or decision-making on the positions to be taken.

The positions taken by derivatives transaction shall be evaluated at least once a week except hedging transactions which have been conducted to meet business needs and which shall be evaluated twice a month. The evaluation report shall be submitted to the relevant high-ranking managerial officer authorized to do so by the Board of Directors.

2.6 Commodities risk management

Internal trading personnel must have complete and accurate special knowledge with respect to derivatives and shall request the bank for full disclosure of risks in order to prevent the risk of utilizing inappropriate commodities.

2.7 Legal risk management

In consideration of prevention of possible legal risks, documents to be entered into by and between the Company and financial institutions must be examined in advance by personnel with special knowledge in foreign exchange and the legal compliance personnel or by the legal counsel.

3. Internal audit policy

3.1 Internal audit personnel must conduct periodical audit of the acceptability of the internal control with respect to derivatives transactions and, on a monthly basis, audit the compliance with the procedure for derivatives transactions by the departments responsible for the transactions and evaluate the transaction cycle, produce the relevant internal reports, and give a written notice of any material breach to the Audit Committee.

3.2 The internal audit personnel shall, by the end of February the following year, submit the internal audit report and the annual internal audit inspection report to the Financial Supervisory Commission and report the correction of irregularities (if any) to the Financial Supervisory Commission by the end of May the following year.

4. Periodical evaluation

4.1 The Board of Directors shall authorize high-ranking managerial officers to supervise and evaluate, on a regular basis, the compliance of the procedure for derivatives transactions and the acceptability limits on risks, as well as report to the Board of Directors upon finding of any irregularity in the market value evaluation report (e.g. a position taken having exceeded the limit of loss), and take proper measures in response.

4.2 The positions taken by derivatives transaction shall be evaluated at least once a week except hedging transactions which have been conducted to meet business needs and which shall be evaluated twice a month. The evaluation report shall be submitted to the relevant high-ranking managerial officer authorized by the Board of Directors.

5. Principles of supervision and control of derivatives transactions by the Board of Directors

5.1 The Board of Directors shall appoint high-ranking managerial officers to oversee and control the risks from derivatives transactions from time to time according to the following principles:

- 5.1.1 Suitability of the current risk management measures and the compliance of the Company's procedure for derivatives transactions should be evaluated on a regular basis.
- 5.1.2 Necessary measures shall be taken upon finding of any irregularity with respect to the transaction and profit (loss) from the transaction. Such finding must be reported to the Board of Directors immediately and the relevant opinion expressed by the Independent Director shall be heard at the relevant meeting.
- 5.2 Performance consistency of derivatives transactions with the relevant operation policy and the acceptability limit of risks must be evaluated on a regular basis.
- 5.3 Where the relevant personnel have been authorized pursuant to the procedure for derivatives transactions to handle the transaction, the transaction shall be reported to the Board of Directors up to date after the transaction.
- 5.4 The Company shall maintain a derivatives transactions record book in which the type, value, date of the relevant resolution adopted by the meeting of the Board of Directors, and the matters subject to evaluation provided in paragraphs 4.2, 5.1 and 5.2 of this Article of each transaction shall be indicated in detail for reference.

#### **Article 14 Procedure for handling merger, spin-off, acquisition or assignment of shares**

##### **1. Evaluation and procedure of operation**

- 1.1 The Company shall, for the purpose of a merger, spin-off, acquisition or assignment of shares, call a meeting of the legal counsel, certified public accountant and underwriter for joint discussion to determine the timetable of the legal proceeding and organize a special group to execute the legal proceeding. The Company shall also seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price or, cash or other property to be distributed to the shareholders and submit the same to the meeting of the Board of Directors for approval. The company need not obtain reasonable opinions from experts, as mentioned above, for acquiring subsidiaries 100% owned, in terms of issued shares or paid-in capital, by the company directly or indirectly or merger of subsidiaries 100% owned, in terms of issued shares or paid-in capital, by the company directly.
- 1.2 The Company shall, prior to the convention of the relevant Shareholders Meeting, produce the document on disclosure of the material agreement and relevant matters on the proposed merge, spin-off or acquisition and submit such document to all shareholders together with the expert opinion provided in paragraph 1.1 of this Article and the meeting minutes as reference for the shareholders to determine to or not to approve the proposed merger, spin-off or acquisition, except in case where a relevant resolution adopted by the Shareholders Meeting is not legally required. If any of the participant companies is unable to convene the meeting, or to obtain the resolution of its shareholders meeting on the proposed merger, spin-off or acquisition because the number of shares represented at the meeting fell short of the quorum for the meeting or the proposal is denied by the meeting, the participant companies shall promptly give a public explanation of the cause, the subsequent handling and reschedule a date for convening the shareholders meeting.

##### **2. Other matters for attention**

###### **2.1 Date of convention of the relevant meeting of the Board of Directors:**

Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the merger, spin-off or acquisition shall convene the meeting of the board of directors and the shareholders meeting on the same day to adopt the resolution on the matters in connection with the proposed merger, spin-off or acquisition. Except as otherwise provided by law or there being any special factor which has been approved by the Financial Supervisory Commission,

companies participating in the assignment of shares shall convene the meeting of the board of directors on the same day.

Companies participating in the merger, spin-off, acquisition or assignment of shares whose stocks are traded on the stock exchange or the over-the-counter market shall maintain complete written record on the following materials and keep the same for a term of five years.

- 2.1.1 Basic personal information: including all personnel who participate in the execution of the merger, spin-off, acquisition or assignment of shares before the relevant information was publicly released, including their titles, names, and identification card (or passport) number.
- 2.1.2 Dates of important matters including, among others, execution of the relevant memorandum of intent (MOI) or memorandum of understanding (MOU), engagement of financial or legal counsel, execution of the relevant contract(s) and the date of the relevant meeting of the Board of Directors.
- 2.1.3 Important documents and meeting records on, among others, the proposed merger, spin-off, acquisition or assignment of shares, and the relevant MOI or MOU, important contract(s) and minutes of the relevant meeting of the Board of Directors.

Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall each, within two days from the date following the adoption of the relevant resolution by the meeting of their Board of Directors, make a report online of the information provided in subparagraphs 1 and 2 of the preceding paragraph in the required form and substance to the Financial Supervisory Commission.

Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall enter into the relevant agreement with companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are not traded on the stock exchange or the over-the-counter market (if any) and make the report provided in the two preceding paragraphs.

## 2.2 Prior non-disclosure agreement:

All persons who participate in or have knowledge about the Company's project of merger, spin-off, acquisition or assignment of shares shall each sign a non-disclosure agreement to undertake that they will not externally disclose the project before the Company makes the relevant public disclosure and that they will not buy or sell any stocks or equity securities of any company involved in the proposed merger, spin-off, acquisition or assignment of shares, either in their own name or using any other person's name to do so.

## 2.3 Determination and change of the proposed swap ratio or acquisition price:

Each participant company shall seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price, or cash or other property to be distributed to shareholders before the meetings of Board of Directors, then submit the same to the Shareholders Meeting. Basically, neither the swap ratio nor the acquisition price shall be changed except in case of the conditions for a change provided in the contract (if any) and such conditions have been publicly disclosed. The swap ratio or acquisition price may be changed in the event of any of the following:

- 2.3.1 The subject securities are issued for capital increase, issuance of convertible bonds, stock grant, and issuance of corporate bond with stock option, issuance

- of preferred shares with stock option, issuance of share warrant certificates or other equity securities.
- 2.3.2 Any of the participant companies has done any act that may affect the financial operation of the company such as disposal of its material assets.
- 2.3.3 The shareholders' equity or securities price of any of the participant companies has been affected by, among others, a major disaster or material technical change.
- 2.3.4 Any of the participant companies has adjusted legal buy-back of treasury stocks.
- 2.3.5 The principal participant companies or the number of participant companies has changed.
- 2.3.6 The contract has provided the other conditions for changes and such conditions have been publicly disclosed.
- 2.4 Provision of the contract:
  - The contract on the proposed merger, spin-off, acquisition or assignment of shares shall provide the matters set forth below, except those in accordance with the provision of Article 317-1 of the Company Act and Article 22 of the Business Merger Act:
  - 2.4.1 Handling of defaults.
  - 2.4.2 The procedure for issuance of equity securities or buy-back of treasury shares adopted by the company to extinct as a result of the proposed merger or to spin off.
  - 2.4.3 The amount of treasury stocks the participant company may legally buy back after the swap ratio record date and such company's procedure therefore.
  - 2.4.4 Ways to handle matters arising from a change of the principal participant company or the number of participant companies.
  - 2.4.5 The schedule for executing the project and the scheduled date of completion.
  - 2.4.6 Procedure for handling relevant matters and the date to duly convene the relevant Shareholders Meeting in case the project is not completed as scheduled.
- 2.5 Change of the participant companies: Where, after any of the companies participating in the proposed merger, spin-off, acquisition or assignment of shares has publicly disclosed the information, there is another company to participate in the proposed merger, spin-off, acquisition or assignment of shares, the original participant companies each shall re-new all relevant proceedings or legal acts except in the case of there being reduction in the number of the original participant companies and the Board of Directors is authorized to act accordingly by the resolution of the Shareholders Meeting.
- 2.6 The Company shall enter into an agreement with the participant company which is not a public company and set the date to convene the relevant meeting of the Board of Directors, execute the prior non-disclosure agreement, and act accordingly in consideration of the change of the participant companies in accordance with paragraphs 2.1, 2.2 and 2.5 of this Article.

## **Article 15 Procedure for public disclosure reports**

1. Matters which should be reported for public disclosure and the relevant standards
  - 1.1 Acquisition of real property or its right-of-use assets, or disposal of properties or its right-of-use assets with, related parties, or acquisition of non-property assets or its right-of-use assets from, or disposal of non-property assets or its right-of-use assets with, related parties with the trading value exceeding 20% of the company's paid-in capital or 10% of total assets, or NT\$300 million. However, trading in government bonds or bonds with repurchase and resale agreements, or subscription or repurchase

- of money market funds by domestic securities investment trust enterprises and subscription or redemption of domestic money-market funds issued by Securities Investment Trust Enterprises are not included.
- 1.2 Merger, spin-off, acquisition or assignment of shares.
  - 1.3 The amount of loss incurred from the derivatives transaction exceeds the limit on loss from all contracts or the relevant individual contract provided in the relevant handling procedure.
  - 1.4 The subject asset or its right-of-use assets to be acquired or disposed of is equipment for business use and the transaction counterpart is a non-related party and the transaction value is above TWD 1 billion.
  - 1.5 The subject real property or its right-of-use assets is to be acquired or disposed of by the construction business division of the Company for construction use and the transaction counterpart is a non-related party and the transaction value is above TWD500 million.
  - 1.6 The subject real property to be acquired is a building is to be constructed on a self-owned land, leased land, jointly constructed and shared by units, jointly constructed and shared by percentage, jointly constructed and sold by units and the anticipated transaction value is above TWD500 million and counterparties of transaction are not related parties.
  - 1.7 Assets transactions or disposals of credit claims in financial institutions or investment in PRC other than those provided in the preceding six subparagraphs, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million each, except for these transactions:
    - 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.
    - 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 or redemption of securities investment trust funds or futures trust funds, purchase or repurchase index investment securities 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 Emerging Stock Market, according to the regulations of the Taipei Exchange(over-the-counter market)
    - 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.
  - 1.8 The transaction value provided in previous paragraph 1.8 above shall be calculated as follows, where within one year means within the year immediately preceding the date of occurrence of the proposed transaction, excluding the items which have been publicly disclosed.
    - 1.8.1 The value of each transaction.
    - 1.8.2 The total value of the property of the same nature acquired from or transferred to the same transaction counterpart within one year.
    - 1.8.3 The total value of the real property or its right-of-use assets under the same development project acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately).
    - 1.8.4 The total value of the same specific securities acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately).

- 1.9 The calculation for 10% of total assets, as referred in the handling procedure, is based on the sum of assets included in recent alone-basis financial reports, formulated according to the "Regulations Governing the Preparation of Financial. For stocks without par value or with par value other than NT\$10, the calculation of 20% of paid-in capital for transaction value, as referred in the procedure, is based on 10% of the owner's equity of the parent firm.
2. Time period for making public disclosure  
If the acquisition or disposal of assets involves any item which should be published pursuant to paragraph 1 of this Article and the transaction value meets the public disclosure standards provided in this Article, the Company shall make a public disclosure on such acquisition or disposal of assets within two days following the date of occurrence of such transaction.
3. Procedure for making public disclosure
  - 3.1 The Company shall cause the relevant information publicly disclosed on the website designated by the Financial Supervisory Commission.
  - 3.2 The Company shall on a monthly basis make a report on the derivatives transactions conducted in the month by itself and its local subsidiaries which are not public companies on the website designated by the FSC in the form and substance required by the tenth day the following month.
  - 3.3 The Company shall renew the entire public disclosure report in case the public disclosure report made contains any error or omission within 2 days counting inclusively from the date of occurrence of the event.
  - 3.4 The Company shall keep all agreements, meeting minutes, reference record book, appraisal report, opinions of the certified public account, legal counsel or underwriter in the Company relating to the acquisition or disposal of any asset for a term of at least five years except as otherwise provided by law.
  - 3.5 In the event of any of the following after submitting the public disclosure report in accordance with the preceding paragraph, the Company shall, within two days following the occurrence of such event, publicly disclose the relevant information on the website designated by the Financial Supervisory Commission:
    - 3.5.1 There is change to the relevant original signed agreement(s) or the original signed agreement(s) is terminated or rescinded.
    - 3.5.2 The proposed merger, spin-off, acquisition or assignment of shares is not completed as scheduled under the relevant agreement.
    - 3.5.3 There are changes for the original reporting.

**Article 16 The Company shall cause all subsidiaries to act in accordance with the following:**

1. The subsidiaries of the Company each shall prescribe their own rules for acquisition or disposal of assets pursuant to the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.
2. For a subsidiary of the Company which is not a public company, if the acquisition or disposal of asset by such subsidiary meets the public disclosure standards provided in the paragraph 1 of Article 15, the Company shall make the relevant public disclosure report for such subsidiary.
3. The "amounts to 20% of the paid-in capital of the company or 10% of the total assets" provided in the public disclosure standards applicable to the subsidiaries of the Company means the paid-in capital of the Company.

**Article 17 Penalty**

Any employee of the Company who has handled acquisition or disposal of asset for the Company in breach of these Rules shall be subject to periodical evaluation according to the personnel administration rules and employees handbook and punished according to the degree of severity of the breach.

**Article 18 Implementation and amendment**

Subject to the approval by the meeting of the Board of Directors, the Board of Directors shall submit the Procedure for Acquisition or Disposal of Assets and all subsequent amendment thereto to Audit Committee and to the Shareholders Meeting for approval. Opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. Opinion expressed by the Independent Director (if any) at the relevant meeting of the Board of Directors on the Procedure for Acquisition or Disposal of Assets shall be sufficiently considered. Opposition or qualified opinion expressed by Independent Directors shall be clearly indicated in the minutes of the Board of Directors.

**Article 19**

This Procedure was established on 11 August 1989 and subsequently amended as follows:

- the first amendment on 30 September 1991;
- the second amendment on 26 June 1995;
- the third amendment on 28 April 1997;
- the fourth amendment on 28 October 1999;
- the fifth amendment on 6 June 2003;
- the sixth amendment on 13 June 2007;
- the seventh amendment on 15 June 2012;
- the eighth amendment on 21 June 2013;
- the ninth amendment on 23 June 2014;
- the tenth amendment on 16 June 2017;
- the eleventh amendment on 14 June 2019.
- and the twelfth amendment on 20 May 2022.



TECO Electric & Machinery Co., Ltd.  
**Procedures for Endorsements and Guarantees**

(Summary Translation)

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

**Article 1**

Source of Law

These Procedures for Endorsement and Guarantee are promulgated pursuant to the “Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies”, in order to intensify the management of endorsement and guarantee, lower management risk, and uphold shareholders’ interests.

**Article 2**

Endorsement and Guarantee refer to the following items:

A. Financing endorsements/guarantees, including:

1. Bill discount financing.;
2. Endorsement or guarantee made to meet the financing needs of another company;
3. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.

B. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.

C. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these procedures

**Article 3**

Recipients of Endorsement and Guarantee

A. The company can provide endorsement or guarantee to the following companies:

1. Business partners;
2. Subsidiaries in which the Company directly owns holds more than 50% of its common shares;
3. Companies in which the Company and its subsidiaries together own more than 50% its common share;
4. Parent company owning more than 50% of the company’s common shares, either directly or indirectly via its subsidiaries.

B. Provision of endorsement and guarantee is allowed between subsidiaries in which the Company owns directly and indirectly over 90% of its voting right, within the limit of 10% of the company’s book value. The limit, however, is not applicable to companies 100% owned by the company, directly and indirectly.

C. The company can provide endorsement and guarantee, free from the restriction of previous two items, to peers for undertaking engineering projects, to co-developers according to the obligation of mutual guarantee included in the contract, or to invested companies, along with all shareholders, according to the ratio of its shareholding.

D. The aforementioned shareholding refers to shares owned by the Company directly or indirectly via its 100%-owned subsidiaries.

**Article 4**

Quota for endorsement and guarantee

A. The total value of endorsement and guarantee provided by the company can not exceed

60% of the company's book value in the most recent financial statement and the value of endorsement and guarantee for a single enterprise can not exceed 20% of the company's book value in the most recent financial statement.

B. Total amount of endorsement and guarantee extended by the company and its subsidiaries can not exceed 80% of the company's book value in the latest financial statement. The limit is set at 30% for a single enterprise.

C. In case the total amount of endorsement and guarantee extended by the company and its subsidiaries exceeds 50% of the company's book value, explanation of its necessity and justification should be made in shareholders' meeting.

When the aforementioned limitations and actual guarantees are denominated in different currencies, the exchange rate shall be based on the sell rate at the Taipei Foreign Exchange Market on the date of approval by the Board of Directors.

## **Article 5**

### **Deadline and Contents for Mandatory Information Publication**

A. In addition to posting the previous month's outstanding amount of endorsement and guarantee by the Company and its subsidiaries by the 10th day of each month, the Company shall also post information on the outstanding amount of endorsement and guarantee within two days on the Market Observation Post System whenever it meets one of the following standards, the date of actual occurrence specified by the Procedure refers to the earliest date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the endorsement/guarantee, whichever date is earlier.

1. The total amount of endorsement/guarantee from the Company and its subsidiaries exceeds 50% of the Company's book value in its most recent financial statement;

2. The amount of endorsement and guarantee for a single enterprise from the Company and its subsidiaries exceeds 20% of the Company's book value in its most recent financial statement;

3. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30% or more of public company's net worth as stated in its latest financial statement.

4. New application for endorsement and guarantee by the Company or its subsidiaries exceeds NT\$30 million in value and 5% of the company's book value in the most recent financial statement.

B. The Company shall make mandatory posting of information under the aforementioned situations for its subsidiaries which are not domestic companies with public offering.

C. In accordance with the financial accounting standard No. 9, the company shall make proper disclosure in its financial report information on the evaluation of or provision for the possible loss from endorsement and guarantee, in addition to providing the information to certified public accountants for necessary auditing.

## **Article 6**

### **Guidelines for Endorsement and Guarantee**

A. The Company's internal auditors should check the Procedures for Endorsement and Guarantee, as well as its execution, at least every quarter and record the finding, in addition to informing the audit committee in written form, the discovery of major violations.

B. The Board of Directors' approval is necessary for the Company to overcome the limitations set by the Procedures in providing endorsement and guarantee for cases arising from business needs and meeting the conditions set by the Procedures, with half of the Board of Directors agreeing to provide personal guarantee for the possible loss from the exceptional treatment. The Board of Directors shall also revise the Procedures before sending the revision to Shareholders' Meeting for affirmation. If the Shareholders' Meeting disapproves such cases,

the Company shall formulate plans to eradicate the excessive portion by a specific deadline. The opinions of independent directors should be taken into account by the Board of Directors when discussing the cases, and their agreement / opposition and reasoning, shall be included in the record of the Board of Directors.

C. If qualified endorsement recipients meeting the conditions set in Article 4 become disqualified later on or the value of endorsement and guarantee exceeds the limitations due to changes in the calculation basis, the endorsement and guarantee for the recipients or the excessive amount should be erased entirely upon the contract expiration or by a deadline set by an improvement plan, which shall be sent to the audit committee, complete the improvement plan on schedule, and reported to the Board of Directors.

## **Article 7**

### **Handling Procedures for Endorsement and Guarantee**

A. Recipients of endorsement and guarantee shall provide all financial data when applying with the Company's financial unit for utilizing the endorsement and guarantee within the set quota, upon which the financial unit should evaluate the application and carry out credit investigation. The evaluation shall cover the necessity and rationality of the application. For endorsement and guarantee deriving from business dealings, the evaluation shall cover the proportion between endorsement/guarantee value and the scale of business dealing, effect on the company's operating risk, financial status, and shareholders' interest, as well as obtaining of collateral and its value.

B. The Company's registered seals with the Ministry of Economic Affairs and dedicated seals for issuing checks shall be used in providing endorsement and guarantee to outside parties, which shall be kept by the Head of the headquarters in charge of finance and can only be used with the approval of the Chairman.

C. Endorsement and guarantee undertaken by the Company shall be put on record, including the objects of guarantee, the name of enterprise receiving endorsement or guarantee, the result of risk evaluation, the value of endorsement and guarantee, contents of collateral, and conditions and date for the removal of the liabilities for endorsement and guarantee.

D. The Company shall make proper disclosure in its financial report information on the evaluation or provision for the possible loss from endorsement and guarantee, in addition to providing the information to certified public accountants for necessary auditing and producing adequate auditing report.

E. If the Company or its subsidiaries' endorsement parties are the subsidiaries which net value are lower than one-half of paid-in capital, it should be ruled by guidelines of Article 6, for shares of subsidiaries without par value or with par value other than NT\$10, paid-in capital should be calculated by adding up share capital and capital surplus - additional paid-in capital.

## **Article 8**

### **Review Procedures, Decision-Making, and Authorization Levels**

A. For endorsements and guarantees within the limit stipulated in Article 4, the Chairman is authorized to act within the limit of NT\$100 million. The responsible department shall submit an application for the guarantee and assess the associated risks, reporting to the Chairman. After the Chairman reviews the application, he shall either stamp or sign the relevant document. The transaction shall then be reported to the most recent Board of Directors meeting for ratification. For guarantees exceeding NT\$100 million but not exceeding NT\$300 million, approval from the Managing Board is required, followed by ratification by the most recent Board of Directors meeting. For guarantees exceeding NT\$300 million, approval from the Audit Committee and the Board of Directors is required. In all three cases, the details of the transaction and relevant matters must be reported to the shareholders' meeting for reference.

B. For subsidiaries in which the Company directly or indirectly holds more than 90% of the voting shares, a guarantee endorsement must be approved by the Company's Board of Directors in accordance with Article 3, Paragraph 2, prior to execution. However, guarantees between companies where the Company directly or indirectly holds 100% of the voting shares are exempt from this requirement.

## **Article 9**

Control Procedure for the Provision of Endorsement and Guarantee by subsidiaries

A. The company's subsidiaries shall also formulate Procedures for Endorsement and Guarantee, on the basis of the measures, but the calculation of quota is based on the book value of subsidiaries.

B. Subsidiaries shall compile report on details of the previous month's provision of endorsement and guarantee by the 10th day of each month and submit to the Company for review.

C. The subsidiaries' internal auditors shall check the Procedures for Endorsement and Guarantee, as well as its execution, at least every quarter and record the finding, in addition to informing the Company's auditing unit in written form the discovery of major violations. The Company shall also submit the information in written form to the Audit Committee.

D. When undertaking auditing works at subsidiaries according to yearly auditing plan, the Company's auditors shall understand their execution on the operating procedures for endorsement and guarantee and carry out reviews on the improvement on mistakes or irregularities, in addition to producing improvement reports and submit to the Chairman for review.

## **Article 10**

The company will not accept request for the issuance of negotiable instruments in the provision of guarantee to others, except cases with special reasons which are approved by the Board of Directors. The recipients, though, have to deposit promissory notes bearing similar value with the company, for use of reciprocal guarantee.

The company shall produce formal vouchers for the aforementioned negotiable instruments and register them on books under the items of "withdrawal of guarantee oriented negotiable instruments" and "deposit of guarantee-oriented negotiable instruments."

## **Article 11**

When banks request endorsement of new promissory notes in exchange for the return of old promissory notes for the extension of endorsement, the control unit shall keep tracking record and retrieve the old promissory notes as soon as possible.

## **Article 12**

Penalties

Managers and employees responsible for handling the Procedures will be penalized if procedures or related matters are violated, according to the employee working rules.

## **Article 13**

Other Businesses

A. After the Board of Directors approval, the Procedures shall be sent to the audit committee for reference and submitted to the Shareholders' Meeting for approval before being put into practice.

B. The Board of Directors should take the opinions of independent directors into account when discussing the Operating Procedures and include their opinions and reasons for support or opposition in the record of the Board of Directors.

C. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

D. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions

## **Article 14**

The Procedures were approved by the Shareholders' Meeting on June 6, 2003.

The first amendment was implemented on Jun. 19, 2009.

The second amendment was implemented on Jun. 18, 2010.  
The third amendment shall be implemented on June 21, 2013.  
The fourth amendment shall be implemented on May 11, 2020.

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

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

Period of suspension of share transfer: April 5<sup>th</sup> 2025 ~ June 3<sup>rd</sup> 2025

Title	Name	Date elected (yy.mm.dd)	Term of office	Shareholding when elected		Number of shares held recorded in the shareholders roster as of the date of suspension of share transfer	
				Number of shares held	%	Number of shares held	%
Chairman	Ming-Shieh Li	20240524	3yrs	118,000	0.01%	318,000	0.01%
Vice Chairman	Ho Yuan International Investment Co., Ltd. Representative: Su Chiu Wu	20240524	3yrs	50,420,000	2.36%	50,420,000	2.36%
Director	Ho Yuan International Investment Co., Ltd. Representative: Show-Shoun Chou	20240524	3yrs	50,420,000	2.36%	50,420,000	2.36%
Director	Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy Chiu	20240524	3yrs	31,991,364	1.50%	31,991,364	1.50%
Director	Tong Ho Global Investment Co., Ltd. Representative: Cheng-Tsung Huang	20240524	3yrs	2,240,262	0.10%	2,240,262	0.10%
Director	Creative Sensor Inc. Representative: Jack Hou	20240524	3yrs	46,987,000	2.20%	46,987,000	2.20%
Director	Jong-Chin Shen	20240524	3yrs	0	0.00%	0	0.00%
Independent Director	Hsieh-Hsing Huang	20240524	3yrs	0	0.00%	0	0.00%
Independent Director	Chao-Chin Tung	20240524	3yrs	0	0.00%	0	0.00%
Independent Director	Hui-Yiu Chen	20240524	3yrs	0	0.00%	0	0.00%
Independent Director	Mei-Chun Chao	20240524	3yrs	0	0.00%	0	0.00%
Total number of shares held by all Directors				131,756,626	6.16%	131,956,626	6.17%

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

## TECO Electric & Machinery Co., Ltd.

### Notes

1. Impact on Company's business performance, EPS and ROI from the stock grant proposed by Shareholders Meeting: Not applicable.
2. Information on proposals submitted to the shareholders' meeting
  - a. According to article 172-1 of the Company Law, shareholders with over 1% holding of total shares issued can submit only one written proposal, containing up to 300 words, to shareholders' meeting.
  - b. Shareholders can put forth proposals to the shareholders' meeting during March 28<sup>th</sup>– April 7<sup>th</sup> (till 5pm), 2025, which had been posted on the Market Observation Post System of the Taiwan Stock Exchange, according to law.
  - c. The company received no proposal from the shareholder during the period.
3. Information on nomination submitted to the shareholders' meeting: Not applicable