

Stock Code: 1504



TECO ELECTRIC & MACHINERY CO., LTD

GENERAL SHAREHOLDERS MEETING 2022

MAY 20, 2022

AGENDA

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

Place: 11 An-Tung Road, Chung-Li, Taoyuan City
(TECO Chung-Li Plant)

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.

Table of Contents

1. MEETING PROCEDURE.....	3
2. MEETING AGENDA.....	4
(1) REPORTS.....	5
(2) RATIFICATION.....	7
(3) DISCUSSION	8
(4) EXTEMPORE MOTIONS.....	9
3. ATTACHMENTS	10
(1) BUSINESS REPORT FOR 2021.....	11
(2) Inspection Report of Audit Committee for 2021	22
(3) Financial Statements and Auditors' Report for 2021.....	23
(4) Distribution of 2021 profits	47
(5) Report on the Issuance of New Shares for Share Exchange	48
(6) The comparison between the revision and the original of "Articles of Incorporation"	51
(7) The comparison between the revision and the original of "Procedure for Acquisition or Disposal of Assets"	52
4. APPENDICES	59
(1) Articles of Incorporation.....	60
(2) Rules Governing Shareholders' Meeting.....	71
(3) Procedure for Acquisition or Disposal of Assets.....	75
(4) Shareholding of All Directors.....	94
(5) Notes.....	95

TECO Electric & Machinery Co., Ltd.

General Shareholders Meeting 2022

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 2022

Agenda

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

Place: 11 An-Tung Road, Chung-Li, Taoyuan City
(TECO Chung-Li Plant)

1. Meeting called to order

2. Addresses by the Chairman.

3. Reports

3.1 Business Report for 2021

3.2 Inspection Report of Audit Committee for 2021

3.3 Remuneration Distribution to Employees and Directors for 2021

3.4 Distribution of Cash Dividends from Profits in 2021

3.5 Report on the Issuance of New Shares for Share Exchange

4. Ratification

4.1 Business Report and Financial Statements for 2021

4.2 Distribution of 2021 Profits

5. Discussion

5.1 Amendment to Articles of Incorporation

5.2 Amendment to Procedure for Acquisition or Disposal of Assets

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

6. Extempore motion(s)

7. Meeting adjourned

Reports

1. Business report for 2021 (pages 11~21)
2. Inspection Report of Audit Committee for 2021 (page 22)
3. Remuneration distribution to employees and directors for 2021

Explanatory note:

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

4. Distribution of cash dividends from profits in 2021

Explanatory note:

- a. The Board of Directors is authorized to decide the distribution of cash dividend and report the decision to the shareholders meeting in accordance with Article 27 of the Articles of Incorporation.
- b. Cash dividend amounting to NT\$ 2,887,375 thousand were distributed to shareholders at NT\$1.35 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 Issuance of New Shares for Share Exchange

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

The Issuance of New Shares for Share Exchange

Decree of the Authority	December 16th, 2020 No. 1090377122
Share Exchange Counterpart	Walsin Lihwa Corporation
Capital Increase Shares	Teco Electric & Machinery Co., Ltd. (1504) common stock: 171,103,730 shares
Transferred Shares	Walsin Lihwa Corporation (1605) common stock: 205,332,690 shares
Share Exchange Base Date	January 6th, 2021
IPO date	February 1st, 2021
Purpose of Capital Increase	To increase the competitive advantage of both parties, a strategic alliance for the joint development of next-generation smart grid, smart manufacturing, and renewable energy industry applications.
Lead Securities Underwriter	Taishin Securities Co., Ltd.
Underwriter's Opinion	Please refer to pages 48-50 of this agenda.

Ratification

Proposal 1:

Business Report and Financial Statements for 2021 (proposed by the board of directors)

Explanatory note:

1. The Board of Directors entrusted certified public accountants Wu, Yu-Lung and Chou, Chien-Hung with Pricewaterhouse Coopers to audit and certify the Business Report and Financial Statements (includes Consolidated Financial Statements) for 2021, both of which were subsequently inspected by Audit Committee and are hereby submitted for ratification.
2. Please see pages 11~21 for the business report and pages 22~46 for the Auditors' Report and the Financial Statements.

Proposal 2:

Distribution of 2021 profits (proposed by the board of directors)

Explanatory note:

1. Distribution of 2021 profits was resolved by Subject to the Board of Directors and audited by Audit Committee.
2. Please see page 47 for the detailed profit distribution plan.

Discussion

Proposal 1:

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

Explanatory note:

1. To make the method of convening the shareholders' meeting more flexible, the company proposes to revise the Articles of Incorporation in accordance with Article 172-2 of the Company Act that the shareholders' meeting can be held by means of video conference or other methods promulgated by the central competent authorities.
2. For the comparison between the revision and the original, please refer to pages 51 and 60-70.

Proposal 2:

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

Explanatory note:

1. In accordance with Financial Supervisory Commission's revision on "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the company proposes to revise the partial measures of Procedure for Acquisition or Disposal of Assets.
2. For the comparison between the revision and the original, please refer to pages 52-58 and 75-93.

※ Results of voting for the discussion matters above:

Extempore Motion(s)

Meeting Adjourned

Attachments

1. Business Report for 2021 on pages 11~21
2. Inspection Report of Audit Committee for 2021 on page 22
3. Financial Statements and Auditors' Report for 2021 on page 23~46
4. Distribution of 2021 Profits on page 47
5. Report on the Issuance of New Shares for Share Exchange on page 48
6. The comparison between the revision and the original of "Articles of Incorporation" on page 51
7. The comparison between the revision and the original of "Procedure for Acquisition or Disposal of Assets" on page 52

Business Report

Dear Shareholders,

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

1. Review of 2021 business performance

The company's business focuses on the three main areas of mechatronics, energy, and air conditioning, striving for the following business opportunities: 1. Regarding "smart manufacturing," the company has continued to exercise the two core competencies of advanced power control and electromechanical integration, promote the business opportunities of AMR(Autonomous Mobile Robots) applications, and fully develop EV powertrains. Orders have increased by 15% and 250%, respectively.

2. Regarding "smart energy," the company focuses on renewable energy-related constructions. We have received more than 4.7 billion orders, and we have also obtained IDC engineering projects from different clients.

3. To develop more "smart city" solutions, the company uses digital tools to enhance operational efficiency and improve performance. We are also actively

strengthening the energy efficiency and networking functions of air conditioning products to provide users with value of energy management.

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

a. Green energy projects were extremely fruitful in 2021. The company obtained the Hai Long onshore step-down substation turnkey project. TECO accounts for 35% of the market in the field of Onshore substations of offshore wind power. Regarding solar energy projects, we have achieved 7.1 MW of self-developed projects, and the total scale of orders has reached 11.4 MW. Regarding energy storage, in addition to completing the PCS localized production target and participating in the bidding of Taipower's energy storage demonstration project, we have achieved orders of up to 6 MW in private self-developed energy storage. Many companies are vying to work with us.

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

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

business opportunities simultaneously with affiliated companies.

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

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

The company’s R&D results were fruitful in 2021, winning 14 awards in the 30th Taiwan Excellence Awards. Among them, the “TECO Smart Anti-Epidemic Robot” was nominated for the Silver Award, the highest honor in the competition. We also obtained 29 patents in 2021. Regarding energy conservation, emission reduction, intelligence and automation, we developed forward-looking products in 2021, including: “High-power and high-voltage electric vehicle powertrains” used in electric buses, industrial-use “smart monitoring very high power density forced ventilation low-voltage motors,” “IE3 premium efficiency pressure-resistant explosion-proof motors,” “variable speed energy-saving permanent magnet motors for air conditioning systems,” “smart monitoring low noise circulating water pump motors,” etc.

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

1. Consolidated report of the company and subsidiaries

Unit: NT\$1,000

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

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

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

operating income. Regarding operating expenses, the operating expense ratio decreased because of expense control during the pandemic.

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

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

2. Parent company alone

Unit: NT\$1,000

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

Regarding operating income, the annual growth was 15.8%. Regarding mechanical and electrical products, the demand for motors and inverters has gradually recovered. Both prices and volumes have grown considerably, resulting in revenue growth of nearly 20%. Household air conditioning products have benefited from work-from-home business opportunities, coupled with large orders from “air conditioning in every class in primary and secondary schools,” we received the largest order of 42,000 air conditioning units among domestic brands, increasing revenue by NT\$1 billion in 2021. There was also a 14%

increase in engineering revenue.

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

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

(3) Financial strategy and shareholders' equity

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

Table 1

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

Given the steady cash flow from operating activities and adherence to a stable and sustainable business strategy, Taiwan Ratings has granted TECO “twA” (stable) credit rating since 2012, enabling the company to use financing tools with lower interest rates to greatly reduce financing costs. Since 2015, Taiwan Ratings has further upgraded the company's credit rating to twA+, manifesting the company's solid credit standing, which boosts the company leverage and flexibility in fund raising and price negotiation.

2. Summary of 2022 business plan

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

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

(1) Existing career growth plan

In Green Mechatronic Solution business group, the demand in North American market has grown strongly this year because of rising oil prices.

Moreover, under the huge pressure of “carbon neutrality,” electrification program for U.S. Oil & Gas transmission and distribution pipelines, and waste heat recovery will help the growth of inverters and energy-saving solutions. In addition, the company provides carbon-neutral solutions, including high- efficiency motor drive systems, waste heat recovery power generation, and equipment inspection-free system, for energy intensive Industries such as electronics, petrochemicals, steel, and paper industries, expanding direct sales.

Regarding Intelligence Energy business group, given the spread of 5G/big data/cloud services and TECO's exceptional technologies, IDC engineering business is expected to grow strongly in domestic and foreign markets. More than 3 billion orders in related projects were received in 2021. The target revenue of 2022 grew by 30%. As for renewable energy creation and energy storage business, benefiting from Taiwan's renewable energy policy, renewable energy is expected to account for 20% of power generation by 2025. The growth of TECO's orders and revenue is highly expected.

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

(2) Strategic growth plan

Adhering to TECO's vision of “energy conservation, emission reduction,

intelligence, and automation,” in addition to existing business, the company’s strategic growth plan will continue to focus on electric vehicle powertrains, renewable energy business opportunities, and enhancing digital/smart production to improve operating ability!

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

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

Regarding digital transformation, TECO has entered the “digital optimization” stage. The BI system, initiative and performance management platform, AI-based process/quality inspection system, AI order prediction system, and smart supply chain management platform will be introduced one by one. The smart manufacturing production line will be expanded simultaneously to make TECO’s global supply chain more resilient!

(3) Sustainable development

The company has been included in the Dow Jones Sustainability Index

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

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

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

Chairman: Sophia Chiu
President: George Lien
Accounting chief: Tommy Wu

Inspection Report of Audit Committee

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

The Audit Committee has duly inspected and approved the financial statements for 2021 (including consolidated financial statements), the business report and proposed profit distribution plan prepared and proposed by the Board of Directors, with the financial statements having been audited and certified by Pricewaterhouse Coopers, hereby submit this report pursuant to Article 14 of Securities and Exchange Act and Article 219 of the Company Act.

To

General Shareholders Meeting 2022

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Wei-Chi Liu

Date: March 16th, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of TECO Electric & Machinery Co., Ltd. as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the Other matter section), the parent company only financial statements present fairly, in all material respects, the financial position of TECO Electric & Machinery Co., Ltd. as of December 31, 2021 and 2020, and its financial performance and cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 financial statements are stated as follows:

Revenue recognition of export sales of Green Mechatronic solution business Group

Description

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

How our audit addressed the matter

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

1. Obtained an understanding of and validated the internal controls over revenue recognition of export sales of Green Mechatronic solution business Group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of Green Mechatronic solution business Group to confirm the existence of export sales revenue transactions.

Other matter – Reference to the audits of other auditors

As described in Note 6(6) of the parent company only financial statements, we did not audit the financial statements of certain investee accounted for under the equity method. Those financial statements were

audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the reports of the other auditors. The investments accounted for under the equity method amounted to NT\$3,875,845 thousand and NT\$3,602,033 thousand, both constituting 4% of the related total assets as of December 31, 2021 and 2020, and the comprehensive income amounting to NT\$256,818 thousand and NT\$22,376 thousand, constituting 1% and 0.3% of the total comprehensive income for the years then ended, respectively.

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

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

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

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

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

remain solely responsible for our audit opinion.

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

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

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

Wu, Yu-Lung

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2022

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

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

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

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

(Continued)

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

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

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

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

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(20) and 7	\$ 22,940,571	100	\$ 19,819,029	100
5000	Operating costs	6(5)(15)(25) and 7	(18,666,184)	(81)	(15,808,505)	(80)
5900	Net operating margin		4,274,387	19	4,010,524	20
5910	Unrealized profit from sales	7	(375,720)	(2)	(450,133)	(2)
5920	Realized profit from sales		450,133	2	500,745	3
5950	Net operating margin		4,348,800	19	4,061,136	21
	Operating expenses	6(15)(25) and 7				
6100	Selling expenses		(1,869,845)	(8)	(1,890,669)	(9)
6200	General and administrative expenses		(541,455)	(2)	(530,160)	(3)
6300	Research and development expenses		(567,739)	(3)	(555,889)	(3)
6450	Expected credit impairment gains (losses)		7,223	-	(9,385)	-
6000	Total operating expenses		(2,971,816)	(13)	(2,986,103)	(15)
6900	Operating profit		1,376,984	6	1,075,033	6
	Non-operating income and expenses					
7100	Interest income	6(21) and 7	2,840	-	11,599	-
7010	Other income	6(3)(9)(22) and 7	919,906	4	929,030	5
7020	Other gains and losses	6(2)(12)(23) and 7	(239,191)	(1)	(124,450)	(1)
7050	Finance costs	6(8)(24) and 7	(70,028)	-	(95,875)	-
7070	Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(6)	3,366,183	14	1,862,858	9
7000	Total non-operating income and expenses		3,979,710	17	2,583,162	13
7900	Profit before income tax		5,356,694	23	3,658,195	19
7950	Income tax expense	6(26)	(343,560)	(1)	(146,837)	(1)
8200	Profit for the year		\$ 5,013,134	22	\$ 3,511,358	18
	Other comprehensive income					
	Other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive loss, before tax, actuarial losses on defined benefit plans	6(15)	(\$ 20,206)	-	(\$ 6,235)	-
8316	Unrealised gains and losses on valuation of investments measured at fair value through other comprehensive income	6(3)(19)	1,304,003	6	(1,200,833)	(6)
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		20,709,937	90	5,299,291	27
8310	Components of other comprehensive income that will not be reclassified to profit or loss		21,993,734	96	4,092,223	21
	Other comprehensive loss that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	6(19)	(1,159,046)	(5)	(406,873)	(2)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(19)(26)	133,697	-	65,922	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(1,025,349)	(5)	(340,951)	(2)
8300	Other comprehensive income for the year		\$ 20,968,385	91	\$ 3,751,272	19
8500	Total comprehensive income for the year		\$ 25,981,519	113	\$ 7,262,630	37
	Earnings per share (in dollars)	6(27)				
9750	Basic earnings per share		\$ 2.38		\$ 1.81	
9850	Diluted earnings per share		\$ 2.38		\$ 1.81	

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

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

	Notes	Retained Earnings				Other equity interest		Treasury stocks	Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
<u>2020</u>									
Balance at January 1, 2020		\$ 19,676,929	\$ 7,389,577	\$ 6,702,463	\$ 3,640,779	\$ 16,047,563	(\$ 2,676,725)	\$ 6,247,481	(\$ 321,563) \$ 56,706,504
Profit for the year		-	-	-	-	3,511,358	-	-	3,511,358
Other comprehensive (loss) income for the year	6(19)	-	-	-	-	(17,920)	(340,951)	4,110,143	- 3,751,272
Total comprehensive income (loss)		-	-	-	-	3,493,438	(340,951)	4,110,143	- 7,262,630
Appropriations of 2019 earnings	6(18)								
Legal reserve		-	-	322,172	-	(322,172)	-	-	-
Cash dividends		-	-	-	-	(1,948,016)	-	-	(1,948,016)
Acquisition of parent company's share by subsidiaries recognized as treasury shares		-	-	-	-	-	-	-	(190,147) (190,147)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	(2,676)	-	-	-	-	-	(2,676)
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(19)	-	-	-	-	690	-	(690)	-
Balance at December 31, 2020		\$ 19,676,929	\$ 7,386,901	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710) \$ 61,828,295
<u>2021</u>									
Balance at January 1, 2021		\$ 19,676,929	\$ 7,386,901	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710) \$ 61,828,295
Profit for the year		-	-	-	-	5,013,134	-	-	5,013,134
Other comprehensive (loss) income for the year	6(19)	-	-	-	-	(33,085)	(1,025,349)	22,026,819	- 20,968,385
Total comprehensive income (loss)		-	-	-	-	4,980,049	(1,025,349)	22,026,819	- 25,981,519
Appropriations of 2020 earnings	6(18)								
Legal reserve		-	-	349,413	-	(349,413)	-	-	-
Cash dividends		-	-	-	-	(2,459,616)	-	-	(2,459,616)
Common shares issued for share conversion	6(16)	1,711,037	2,097,884	-	-	-	-	-	3,808,921
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	44,735	-	-	-	-	-	44,735
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(19)	-	-	-	-	284,557	-	(284,557)	-
Effect of changes in decrease in entities of associates		-	-	-	-	(14,515)	9,909	14,515	- 9,909
Balance at December 31, 2021		\$ 21,387,966	\$ 9,529,520	\$ 7,374,048	\$ 3,640,779	\$ 19,712,565	(\$ 4,033,116)	\$ 32,113,711	(\$ 511,710) \$ 89,213,763

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

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

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

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Decrease in other receivables - related parties - financing	7	\$	98,722	\$	56,850
Increase in investments accounted for under equity method		(	230,304 )	(	47,879)
Proceeds from disposal of property, plant and equipment			7,214		288
Acquisition of property, plant and equipment	6(7)(28)	(	237,017 )	(	139,954)
Increase in deferred expenses		(	11,869 )	(	23,376)
Decrease in refundable deposits			8,510		55,827
Increase in bank deposit under the regulation governing the management, utilization, and taxation of repatriated offshore funds	6(10)	(	191,813 )	(	169,411)
Dividends received			499,979		316,018
Proceeds from disposal of investments accounted for under the equity method			5,869		-
Decrease (increase) in other non-current assets			<u>1,745</u>	(	<u>81,451</u>)
Net cash flows used in investing activities		(	<u>48,964</u> )	(	<u>33,088</u>)

CASH FLOWS FROM FINANCING ACTIVITIES

(Decrease) increase in short-term loans		(	761,853)		1,152,460
Decrease in other payables - related parties financing	7		-	(	499,800)
Proceeds from issuance of bonds	6(13)		-		5,000,000
Repayment of bonds	6(13)		-	(	3,000,000)
Increase (decrease) in long-term loans			820,000	(	3,119,967)
Cash dividends paid	6(18)	(	2,459,616 )	(	1,948,016)
Lease liabilities paid		(	<u>84,461</u> )	(	<u>74,587</u>)
Net cash flows used in financing activities		(	<u>2,485,930</u> )	(	<u>2,489,910</u>)
Net (decrease) increase in cash and cash equivalents		(	<u>504,520</u>)		<u>11,425</u>
Cash and cash equivalents at beginning of year			<u>716,313</u>		<u>704,888</u>
Cash and cash equivalents at end of year		\$	<u>211,793</u>	\$	<u>716,313</u>

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Revenue recognition of export sales of green mechatronic solution business group

Description

Refer to Note 4(33) of the consolidated financial statements for the accounting policies on revenue recognition and Note 14 for the segment financial information. The Group disclosed the financial information of green mechatronic solution business group, intelligence energy business group and air and intelligent life business group in the segment financial information. Green mechatronic solution business group handles the manufacturing and sales of various machinery, equipment and motors. The sales revenue of the the green mechatronic solution business group amounted to NT\$26,864,667 thousand, representing 51% of the consolidated total sales revenue for the year ended December 31, 2021. Aside from domestic sales in Taiwan, the customers of green mechatronic solution business group are from China, America, Southeast Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue recognition of export sales of green mechatronic solution business group as a key audit matter.

How our audit addressed the matter

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

1. Obtained an understanding of and validated the internal controls over revenue recognition of export sales of green mechatronic solution business group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of green mechatronic solution business group to confirm their existence.

Other matter – Reference to the audits of other auditors

As described in Notes 4(3) and 6(7) of the consolidated financial statements, we did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$2,597,098 thousand and NT\$2,342,121 thousand, both constituting 2% of the consolidated total assets as at December 31, 2021 and 2020, respectively, and total operating revenues amounted to NT\$2,940,496 thousand and NT\$2,844,491 thousand, both constituting 6% of consolidated total operating revenues for the years then ended, respectively. The investments accounted for under the equity method amounted to NT\$2,377,144 thousand and NT\$2,290,263 thousand, both constituting 2% of consolidated total assets as of December 31, 2021 and 2020, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$132,837 thousand and NT\$72,708 thousand, both constituting less than 1% of consolidated total assets as of December 31, 2021 and 2020, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT\$202,511 thousand and NT(\$21,039) thousand, both constituting less than 1% of the consolidated total comprehensive income for the years then ended, respectively.

Other matter –Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2021 and 2020.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

We also:

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

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

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

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

Wu, Yu-Lung

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2022

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

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

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

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

(Continued)

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

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

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

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

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

(Continued)

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

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
	Other comprehensive income					
	Other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive loss, before tax, actuarial losses on defined benefit plans	6(19)	(\$ 27,172)	-	(\$ 12,954)	-
8316	Unrealized gains on valuation of investments measured at fair value through other comprehensive income	6(3)	22,629,456	43	4,160,554	9
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(6,876)	-	(4,075)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	(84,107)	-	247	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		22,511,301	43	4,143,772	9
	Other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	6(23)	(1,159,131)	(2)	(422,317)	(1)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(30)	122,289	-	70,484	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		(1,036,842)	(2)	(351,833)	(1)
8300	Other comprehensive income for the year		\$ 21,474,459	41	\$ 3,791,939	8
8500	Total comprehensive income for the year		\$ 26,976,650	51	\$ 7,603,587	17
	Profit attributable to:					
8610	Owners of the parent		\$ 5,013,134	9	\$ 3,511,358	8
8620	Non-controlling interest		489,057	1	300,290	1
			\$ 5,502,191	10	\$ 3,811,648	9
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 25,981,519	49	\$ 7,262,630	16
8720	Non-controlling interest		995,131	2	340,957	1
			\$ 26,976,650	51	\$ 7,603,587	17
	Earnings per share (in dollars)	6(31)				
9750	Basic earnings per share		\$ 2.38		\$ 1.81	
9850	Diluted earnings per share		\$ 2.38		\$ 1.81	

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

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

Equity attributable to owners of the parent												
		Retained Earnings				Other equity interest						
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling interest	Total equity
2020												
Balance at January 1, 2020		\$ 19,676,929	\$ 7,389,577	\$ 6,702,463	\$ 3,640,779	\$ 16,047,563	(\$ 2,676,725)	\$ 6,247,481	(\$ 321,563)	\$ 56,706,504	\$ 4,998,286	\$ 61,704,790
Profit for the year		-	-	-	-	3,511,358	-	-	-	3,511,358	300,290	3,811,648
Other comprehensive (loss) income for the year	6(23)	-	-	-	-	(17,920)	(340,951)	4,110,143	-	3,751,272	40,667	3,791,939
Total comprehensive income		-	-	-	-	3,493,438	(340,951)	4,110,143	-	7,262,630	340,957	7,603,587
Appropriations of 2019 earnings	6(22)											
Legal reserve		-	-	322,172	-	(322,172)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,948,016)	-	-	-	(1,948,016)	-	(1,948,016)
Acquisition of parent company's share by subsidiaries recognized as treasury shares	6(20)	-	-	-	-	-	-	-	(190,147)	(190,147)	-	(190,147)
Transactions with non-controlling interest		-	(26,468)	-	-	-	-	-	-	(26,468)	26,468	-
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	23,792	-	-	-	-	-	-	23,792	-	23,792
Changes in other non-controlling equity		-	-	-	-	-	-	-	-	-	(268,774)	(268,774)
Proceeds from capital increase of non-controlling interests	6(34)	-	-	-	-	-	-	-	-	-	700,000	700,000
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(23)	-	-	-	-	690	-	(690)	-	-	-	-
Balance at December 31, 2020		\$ 19,676,929	\$ 7,386,901	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710)	\$ 61,828,295	\$ 5,796,937	\$ 67,625,232
2021												
Balance at January 1, 2021		\$ 19,676,929	\$ 7,386,902	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710)	\$ 61,828,296	\$ 5,796,937	\$ 67,625,233
Profit for the year		-	-	-	-	5,013,134	-	-	-	5,013,134	489,057	5,502,191
Other comprehensive (loss) income for the year	6(23)	-	-	-	-	(33,085)	(1,025,349)	22,026,819	-	20,968,385	506,074	21,474,459
Total comprehensive income		-	-	-	-	4,980,049	(1,025,349)	22,026,819	-	25,981,519	995,131	26,976,650
Appropriations of 2020 earnings	6(22)											
Legal reserve		-	-	349,413	-	(349,413)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,459,616)	-	-	-	(2,459,616)	-	(2,459,616)
Common shares issued for share conversion	6(20)	1,711,037	2,097,884	-	-	-	-	-	-	3,808,921	-	3,808,921
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	36,127	-	-	12,482	-	(12,482)	-	36,127	-	36,127
Transactions with non-controlling interest	4(3)	-	8,607	-	-	-	-	-	-	8,607	(8,607)	-
Changes in other non-controlling equity		-	-	-	-	-	-	-	-	-	(335,293)	(335,293)
Disposal of investment in equity instrument at fair value through other comprehensive income	6(3)(23)	-	-	-	-	272,075	-	(272,075)	-	-	-	-
Effect of changes in decrease in entities of associates	6(23)	-	-	-	-	(14,515)	9,909	14,515	-	9,909	-	9,909
Balance at December 31, 2021		\$ 21,387,966	\$ 9,529,520	\$ 7,374,048	\$ 3,640,779	\$ 19,712,565	(\$ 4,033,116)	\$ 32,113,711	(\$ 511,710)	\$ 89,213,763	\$ 6,448,168	\$ 95,661,931

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

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

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

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in current financial assets at fair value through profit or loss		(\$	2,228,000)	\$	-
Increase in current financial assets at fair value through other comprehensive income		(	2,446 )	(	76,684)
Increase in non-current financial assets at fair value through other comprehensive income	6(32)	(	143,856 )	(	20,800)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(3)		757,346		14,400
Decrease (Increase) in non-current financial assets at amortized cost	6(4)		89,298	(	104,274)
Increase in pledged and restricted bank and time deposits	6(1) and 8	(	211,646 )	(	45,818)
Increase in investments accounted for under the equity method and capital reduction to recover investment cost		(	208,146 )	(	26,449)
Proceeds from disposal of investments accounted for under the equity method			-		558
Acquisition of property, plant and equipment	6(8)(32)	(	795,821 )	(	667,913)
Proceeds from disposal of property, plant and equipment			62,585		40,348
Acquisition of intangible assets		(	70,416 )	(	74,978)
Increase in restricted by the legislation on repatriating offshore funds	6(12)	(	191,813 )	(	169,411)
Increase in other non-current assets		(	1,545,376 )	(	206,921)
Dividends received from investments of financial instruments			884,153		615,170
Net cash flows used in investing activities		(	3,604,138 )	(	722,772)

CASH FLOWS FROM FINANCING ACTIVITIES

(Decrease) increase in short-term loans	6(33)	(	774,135)		959,195
Proceeds from issuance of bonds payable	6(33)		-		5,000,000
Repayment of bonds	6(33)		-	(	3,000,000)
Increase (decrease) in long-term loans	6(33)		483,525	(	3,473,021)
Lease liabilities paid	6(9)(33)	(	538,703 )	(	523,774)
Acquisition of the Company's share by subsidiaries recognized as treasury shares	6(20)		-	(	190,147)
Cash dividends paid to non-controlling interests		(	226,923 )	(	200,997)
Proceeds from capital increase of non-controlling interests			-		700,000
Cash dividends paid	6(22)	(	2,459,616 )	(	1,918,798)
Net cash flows used in financing activities		(	3,515,852 )	(	2,647,542)
Exchange rate effect		(	118,380 )	(	830,642)
Net (decrease) increase in cash and cash equivalents		(	3,123,117)		1,285,889
Cash and cash equivalents at beginning of year			20,397,260		19,111,371
Cash and cash equivalents at end of year		\$	17,274,143	\$	20,397,260

TECO Electric & Machinery Co., Ltd.

Distribution of 2021 Profits

(In NT \$)

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

Notes:

1. Dividend per share this year is NT\$1.35 and all dividends distributed shall be cash dividend.
2. The profit distributed this period will be distributed from the distributable earnings received in 2021 first, and from the accumulated undistributed profits from previous years where there is a shortfall.
3. In the event of any change to the total number of outstanding shares, it is proposed that the Shareholders' Meeting grants the Chairman full authority to handle all relevant matters subject to the fixed payout rate mentioned above.

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

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

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

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

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

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

parties is expected to improve TECO's overall operating performance and provide positive financial benefits.

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

TECO is mainly engaged in various types of machinery and equipment, power generation, power distribution equipment, and electrical appliances, which are used in data centers, renewable energy (including offshore wind power) and energy storage, comprehensive development projects, public works and transportation engineering, medical biotechnology and plants, etc. The copper wire, power cable, communication cable, and stainless steel produced by Walsin Lihwa are widely used in infrastructures such as power transmission, telecommunication networks, transportation, and industrial production. Both companies have their own niches and market segments in product categories and sales channels. The strategic alliance will help both companies enhance their respective areas of expertise. In the future, customer marketing and production lines will complement each other through the integration of the Groups' resources and cross-marketing, providing the customers of both companies with more diverse and complete products and services. This will increase market recognition and brand value, and the companies will gain more opportunities to work with major international companies, thereby improving overall competitive advantage. Since 2021, through the existing mature technology and products of TECO's Automation and Intelligent System Business, it will be able to assist Walsin Lihwa's production business process transformation and intelligent production technology upgrade, TECO's energy engineering and electromechanical products division plan to cooperate with Walsin Lihwa's solar energy/energy storage business unit for energy and power storage engineering businesses, and maintain steady growth with closer cooperation. On the whole, this share swap alliance will help TECO and the business of both parties to improve, and many benefits are expected to promote good business performance after the share swap cooperation.

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

The strategic alliance between TECO and Walsin Lihwa has established a close cooperative relationship through share exchange instead of mergers and

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

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

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

Proposed Revision	Current Clauses	Note
<p>Chapter 3 Shareholders’ Meeting Article 10 The Company will have two types of shareholders meetings:</p> <ol style="list-style-type: none"> 1. General shareholder meeting to be convened within six months after the end of each fiscal year; and 2. Extraordinary shareholders meeting to be convened where necessary. <p>The convention of the above shareholders meetings will be notified to the shareholders 30 days prior to the meeting date of the general shareholders meeting and 15 days prior to the meeting date of the extraordinary shareholders meeting.</p> <p>The shareholders’ meeting of preferred shares may be convened in accordance with relevant laws whenever necessary.</p> <p>The shareholders’ meeting can be convened by means of video conference or other methods promulgated by the central competent authority.</p>	<p>Chapter 3 Shareholders’ Meeting Article 10 The Company will have two types of shareholders meetings:</p> <ol style="list-style-type: none"> 3. General shareholder meeting to be convened within six months after the end of each fiscal year; and 4. Extraordinary shareholders meeting to be convened where necessary. <p>The convention of the above shareholders meetings will be notified to the shareholders 30 days prior to the meeting date of the general shareholders meeting and 15 days prior to the meeting date of the extraordinary shareholders meeting.</p> <p>The shareholders’ meeting of preferred shares may be convened in accordance with relevant laws whenever necessary.</p>	<p>In accordance with the Article 172-2 of the Company Act, the Company revised the relevant provisions concerning the convening of shareholders' meetings by video conference or by other means as announced by the central competent authority.</p>
<p>Article 30 These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows: (Omitted) The fifty-eighth amendment on May 11, 2020. The fifty-ninth amendment on May 20, 2022. It took effect after the approval of shareholders’ meeting.</p>	<p>Article 30 These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows: (Omitted) The fifty-eighth amendment on May 11, 2020. It took effect after the approval of shareholders’ meeting.</p>	<p>Add the date and number of times of this amendment.</p>

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

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

		<p>valuation reports or reasonableness opinions in accordance with the provisions of these Regulations, which does not refer to the audit of financial reports, the wording of "audit" in Subparagraph 2 of Paragraph 2 is therefore amended to be "perform".</p> <p>3. With reference to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the appropriateness and reasonableness of information sources and parameters in the letters and Valuation Standards of Accounting Research and Development Foundation of the Republic of China, the wording in Subparagraph 3 and Subparagraph 4 of Paragraph 2 is amended accordingly for practical purposes.</p>
--	--	--

<p>Article 7</p> <p>4. Appraisal report on real property or other fixed asset (Omitted)</p> <p>4.3 If the appraisal conducted by the professional appraiser runs into either of the following conditions, except the appraisal value of the acquired assets is higher than the trading value or the appraisal value of the disposed assets is lower than the trading value, subsequent handling by certified public accountant should be sought for as well as its opinion with respect to the reasons accounting for the price difference and the acceptability of the transaction price:</p> <p>4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value.</p> <p>4.3.2 The amount difference among the appraised values as a result of the appraisals conducted by two or more professional appraiser's amounts to 10% or more of the transaction value.</p>	<p>Article 7</p> <p>4. Appraisal report on real property or other fixed asset (Omitted)</p> <p>4.3 If the appraisal conducted by the professional appraiser runs into either of the following conditions, except the appraisal value of the acquired assets is higher than the trading value or the appraisal value of the disposed assets is lower than the trading value, subsequent handling by certified public accountant in accordance with the No. 20 Statement of Financial Accounting Standards published by Accounting Research and Development Foundation (ARD Foundation) should be sought for as well as its opinion with respect to the reasons accounting for the price difference and the acceptability of the transaction price:</p> <p>4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value.</p> <p>4.3.2 The amount difference among the appraised values as a result of the appraisals conducted by two or more professional appraiser's amounts to 10% or more of the transaction value.</p>	<p>Considering that Article 6 has been amended and revised to require external experts to issue opinions in accordance with the self-discipline standards of their respective trade associations, which has already covered the procedures for CPAs to issue opinions, therefore, it is deleted accordingly.</p>
<p>Article 8</p> <p>Procedure for acquisition or disposal of marketable securities</p> <p>4. Expert opinion</p> <p>4.1 For acquisition or disposal of marketable securities, the company should obtain the audited or reviewed financial statement of the target companies as the</p>	<p>Article 8</p> <p>Procedure for acquisition or disposal of marketable securities</p> <p>4. Expert opinion</p> <p>4.1 For acquisition or disposal of marketable securities, the company should obtain the audited or reviewed financial statement of the target companies as the</p>	<p>Considering that Article 6 has been amended and revised to require external experts to issue opinions in accordance with the self-discipline standards of their respective trade</p>

<p>reference for transaction price, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million, certified public accountant's opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens, except in cases where there is an active public quote on the subject securities or where the subject securities belong to any of the following:</p> <p>(Omitted)</p>	<p>reference for transaction price, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million, certified public accountant's opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens. In case CPA needs to adopt the report of experts, auditing criteria No. 20 publicized by Accounting Research and Development Foundation should be followed, except in cases where there is an active public quote on the subject securities or where the subject securities belong to any of the following:</p> <p>(Omitted)</p>	<p>associations, which has already covered the procedures for CPAs to issue opinions, therefore, it is deleted accordingly.</p>
<p>Article 9</p> <p>2. Evaluation and procedure of operation Acquisition or disposal of real property or its right-of-use asset from a related party, or acquires r 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:</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</p>	<p>Article 9</p> <p>2. Evaluation and procedure of operation Acquisition or disposal of real property or its right-of-use asset from a related party, or acquires r 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:</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</p>	<p>To amend the provisions that material related party transactions shall be performed upon approval of the shareholders' meeting so as to strengthen the management of related party transactions and protect the rights of minority shareholders of public companies to express their opinions on the transactions between the Company and related parties.</p> <p>In addition,</p>

<p>as the transaction counterpart.</p> <p>2.3 Acquiring real property or its right-of-use asset from related parties, the evaluation materials regarding the acceptability of the proposed terms of transaction produced pursuant to paragraphs .1 and 3.4 of this Article.</p> <p>2.4 The acquisition date and the transaction price at which the related party acquired the subject real property and the related party's transaction counterpart in that transaction and the relationship between them.</p> <p>2.5 Forecast on the statement of receipts and disbursements of cash within one year from the month of the proposed contract signing date, and an evaluation of the necessity of the proposed transaction and the acceptability of the application of the relevant funds.</p> <p>2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article9.</p> <p>2.7 The restrictions and other important arrangements on the transaction.</p> <p>If the company or its subsidiary that is not a domestic public company has the transaction mentioned in the preceding paragraph, and the transaction amount is more than 10% of the total assets of the company, the materials listed in the preceding paragraph shall be submitted to the shareholders' meeting for approval before signing the</p>	<p>as the transaction counterpart.</p> <p>2.3 Acquiring real property or its right-of-use asset from related parties, the evaluation materials regarding the acceptability of the proposed terms of transaction produced pursuant to paragraphs .1 and 3.4 of this Article.</p> <p>2.4 The acquisition date and the transaction price at which the related party acquired the subject real property and the related party's transaction counterpart in that transaction and the relationship between them.</p> <p>2.5 Forecast on the statement of receipts and disbursements of cash within one year from the month of the proposed contract signing date, and an evaluation of the necessity of the proposed transaction and the acceptability of the application of the relevant funds.</p> <p>2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article9.</p> <p>2.7 The restrictions and other important arrangements on the transaction.</p>	<p>considering the overall business planning needs of the public companies and their subsidiaries, or between their subsidiaries, the proviso is made to release such transactions between companies from the resolution of the shareholders' meeting.</p>
---	---	--

<p>transaction contract and making payments. However, the transaction between the company and its subsidiaries, or between its subsidiaries, is not limited to this.</p> <p>The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to the <u>shareholders' meeting</u> and board of directors for approval and the auditing committee for acknowledgement can be excluded.</p>	<p>The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to the board of directors for approval and the auditing committee for acknowledgement can be excluded.</p>	
<p>Article 11</p> <p>4. Expert evaluation report on membership or intangible assets</p> <p>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>Article 11</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, who shall act in accordance with the No. 20 Statement of Auditing Standards published by the ARD Foundation.</p>	<p>Considering that Article 6 has been amended and revised to require external experts to issue opinions in accordance with the self-discipline standards of their respective trade associations, which has already covered the procedures for CPAs to issue opinions, therefore, it is deleted accordingly.</p>
<p>Article 15</p> <p>1. Matters which should be reported for public disclosure and the relevant standards (omitted)</p> <p>except for these transactions:</p> <p>1.7.1 The transaction is the purchase or sale of domestic government bonds or foreign government bonds with a</p>	<p>Article 15</p> <p>1. Matters which should be reported for public disclosure and the relevant standards (omitted)</p> <p>except for these transactions:</p> <p>1.7.1 The transaction is the purchase or sale of domestic government bonds.</p>	<p>1. It is also exempted from public announcement and reporting for purchase and sale of foreign government bonds with a credit rating not lower the</p>

<p>credit rating not lower the sovereign rating of the Republic of China._</p> <p>1.7.2 Professional investors, who trade in securities at stock exchanges or business outlets of securities firms, or subscribe foreign government bonds or common corporate bonds and common financial bonds without stock right (excluding subordinated bonds), or subscription to of redemption of securities investment trust funds or futures trust funds, purchase or repurchase index investment securities on the domestic primary market , security brokers who subscribe to securities out of the need for underwriting business or in the capacity as a assisting or recommending security firm for share listing on the Emerging Stock Market, according to the regulations of the Taipei Exchange(over-the-counter market)</p> <p>1.7.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements. Subscription to and redemption of domestic money-market funds issued by Securities Investment Trust Enterprises.</p>	<p>1.7.2 Professional investors, who trade in securities at stock exchanges or business outlets of securities firms, or subscribe to common corporate bonds and common financial bonds without stock right (excluding subordinated bonds), or subscription to of redemption of securities investment trust funds or futures trust funds on the domestic primary market , security brokers who subscribe to securities out of the need for underwriting business or in the capacity as a assisting or recommending security firm for share listing on the Emerging Stock Market, according to the regulations of the Taipei Exchange(over-the-counter market)</p> <p>1.7.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements. Subscription to and redemption of domestic money-market funds issued by Securities Investment Trust Enterprises.</p>	<p>sovereign rating of the Republic of China.</p> <p>2. Professional investors who subscribe for foreign government bonds, purchase or repurchase index investment securities in the primary market may also be exempted from public announcement and reporting.</p>
<p>Article 19 This Procedure was established on 11 August 1989 and subsequently amended as follows: (omitted) the eleventh amendment on 14 June 2019. <u>and the twelfth amendment on 20 May 2022.</u></p>	<p>Article 19 This Procedure was established on 11 August 1989 and subsequently amended as follows: (omitted) and the eleventh amendment on 14 June 2019.</p>	<p>Add the date and number of times of this amendment.</p>

Appendices

1. Articles of Incorporation on page 60-70
2. Rules Governing Shareholders' Meeting on page 71-74
3. Procedure for Acquisition or Disposal of Assets on pages 75-93
4. Shareholding of All Directors on page 94
5. Notes on page 95

TECO Electric & Machinery Co., Ltd.

Articles of Incorporation

(Summary Translation)

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

Chapter 1 General Provisions

Article 1

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

Article 2

The scope of business of this Company is as follows:

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

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

Article 3

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

Article 4

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

Article 5

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

Chapter 2 Capital stocks

Article 6

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

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

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

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

Article 6-1

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

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

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

Article 6-2

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

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

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

Article 6-3

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

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

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

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

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

Article 7

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

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

Article 8

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

Article 9

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

Chapter 3 Shareholders' Meeting

Article 10

The Company will have two types of shareholders meetings:

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

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

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

Article 11

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

Article 12

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

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

Article 13

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

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

Article 14

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

Chapter 4 Board of Directors

Article 15

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

At least 3 of the aforementioned directors are independent directors.

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

Article 16

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

Article 17

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

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

Article 18

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

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

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

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

Article 19

The function of the Board of Directors is to

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

Article 20

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

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

Article 21

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

Chapter 5 Audit Committee

Article 22

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

Chapter 6 Managerial officers

Article 23

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

Article 24

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

Chapter 7 Accounting

Article 25

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

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

Article 26

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

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

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

Article 27

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

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

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

Chapter 8 Supplemental Provisions

Article 28

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

Article 29

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

Article 30

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

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

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

TECO Electric & Machinery Co., Ltd.

Rules Governing Shareholders' Meetings

(Summary Translation)

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

Article 1

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

Article 2

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

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

Article 3

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

Article 4

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

Article 5

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

Article 6

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

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

Article 7

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

Article 8

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

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

Article 9

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

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

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

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

Article 10

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

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

Article 11

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

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

Article 12

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

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

Article 13

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

Article 14

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

Article 15

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

Article 16

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

Article 17

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

Article 18

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

Article 19

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

Article 20

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

Article 21

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

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

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

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

TECO Electric & Machinery Co., Ltd.

Procedure 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 subjection 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 inspecting 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 completeness, accuracy, 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 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 in accordance with the No. 20 Statement of Financial Accounting Standards published by Accounting Research and Development Foundation (ARD Foundation) should be sought for as well as its opinion with respect to the reasons accounting for the price difference and the acceptability of the transaction price:
 - 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. In case CPA needs to adopt the report of experts, auditing criteria No. 20 publicized by Accounting Research and Development Foundation should be followed, except in cases where there is an active public quote on the subject securities or where the subject securities belongs 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.

The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to the board of directors for approval and the auditing committee for acknowledgement can be excluded.

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, who shall act in accordance with the No. 20 Statement of Auditing Standards published by the ARD Foundation.

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.
 - 1.7.2 Professional investors, who trade in securities at stock exchanges or business outlets of securities firms, or subscribe to common corporate bonds and common financial bonds without stock right (excluding subordinated bonds), or subscription to or redemption of securities investment trust funds or futures trust funds on the domestic primary market, security brokers who subscribe to securities out of the need for underwriting business or in the capacity as a assisting or recommending security firm for share listing on the Emerging Stock Market, according to the regulations of the ROC Greta Market (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;
and the eleventh amendment on 14 June 2019.

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

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

Period of suspension of share transfer: March 22nd 2022 ~ May 20th 2022

Title	Name	Date elected (yy.mm.dd)	Term of office	Shareholding when elected		Number of shares held recorded in the shareholders roster as of the date of suspension of share transfer	
				Number of shares held	%	Number of shares held	%
Chairman	Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy Chiu	20210723	3yrs	31,991,364	1.50%	31,991,364	1.50%
Director	Tong Ho Global Investment Co., Ltd Representative: Cheng-Tsung Huang (Note 2)	20210723	3yrs	2,240,262	0.10%	2,240,262	0.10%
Director	Show-Shoun Chou	20210723	3yrs	0	0	10,000	0
Director	Ho Yuan International Investment Co., Ltd. Representative: Pen-Ching Cheng	20210723	3yrs	23,467,000	1.10%	45,701,000	2.14%
Director	Yinge Int. Inv. Co., Ltd Representative: Li-Chong Huang	20210723	3yrs	14,454,698	0.68%	22,554,698	1.05%
Director	Creative Sensor Inc. Representative: Johnson Hou(Note 3)	20210723	3yrs	77,519,000	3.62%	77,519,000	3.62%
Director	Song-Ren Fang	20210723	3yrs	0	0	0	0
Independent Director	Wei-Chi Liu	20210723	3yrs	0	0	0	0
Independent Director	Hsieh-Hsing Huang	20210723	3yrs	0	0	0	0
Independent Director	Li-Chen Lin	20210723	3yrs	0	0	0	0
Independent Director	Shiang-Chung Chen	20210723	3yrs	0	0	0	0
Total number of shares held by all Directors (Repeaters are counted as a single account)				149,672,324	7.00%	180,016,324	8.41%

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

Note 2: The representative of Tong Ho Global Investment Co., Ltd changed from Mao-Hsiung Huang to Cheng-Tsung Huang on October 1st 2021.

Note 3: The representative of Creative Sensor Inc. changed from Yu-Ren Huang to Johnson Hou on December 30th 2021.

TECO Electric & Machinery Co., Ltd.

Notes

1. Impact on Company's business performance, EPS and ROI from the stock grant proposed by Shareholders Meeting: Not applicable.
2. Information on proposals submitted to the shareholders' meeting
 - a. According to article 172-1 of the Company Law, shareholders with over 1% holding of total shares issued can submit only one written proposal, containing up to 300 words, to shareholders' meeting.
 - b. Shareholders can put forth proposals to the shareholders' meeting during March 11th -22nd (till 4:30pm), 2022, which had been posted on the Market Observation Post System of the Taiwan Stock Exchange, according to law.
 - c. The company didn't receive any proposal from shareholders during the period.
3. Information on nomination submitted to the shareholders' meeting: Not applicable.