

Stock Code: 1504



TECO ELECTRIC & MACHINERY CO., LTD

GENERAL SHAREHOLDERS MEETING 2023

MAY 24, 2023

# AGENDA

Time: 09:00am, May 24<sup>th</sup>, 2023

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.

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TECO Electric & Machinery Co., Ltd.

**General Shareholders Meeting 2023**

**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 2023

### Agenda

Held by means of: Physical shareholders meeting.

Time: 09:00am, May 24<sup>th</sup>, 2023(Wednesday)

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 2022
    - 3.2 Inspection Report of Audit Committee for 2022
    - 3.3 Remuneration Distribution to Employees and Directors for 2022
    - 3.4 Distribution of Cash Dividends from Profits in 2022
  4. Ratification
    - 4.1 Business Report and Financial Statements for 2022
    - 4.2 Distribution of 2022 Profits
  5. Discussion
    - 5.1 Amendment to “Articles of Incorporation”
    - 5.2 Plan to remove the restrictions on non-competition obligation of Board of Directors
- ※ 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 2022  
Note: please see p.10~p.17 for business report for 2022
2. Inspection Report of Audit Committee for 2022  
Note: please see p.18 for Inspection Report of Audit Committee for 2022
3. Remuneration distribution to employees and directors for 2022

### **Explanatory note:**

In 2022, income before tax is NT\$ 4,116,341 thousand, and remuneration to employees is proposed to be NT\$ 282,848 thousand, whilst remuneration to directors is proposed to be NT\$ 79,526 thousand. The remuneration would be distributed in cash.

4. Distribution of cash dividends from profits in 2022

### **Explanatory note:**

- a. In accordance with Article 27 of the Articles of Incorporation, the Board of Directors is authorized to propose the distribution of profits, in which the cash dividend shall be distributed after the board of directors is authorized to resolve and report to the shareholders' meeting.
- b. The board of directors distributed Cash dividend of NT\$ 3,208,194,924 from 2022 profit to shareholders at NT\$1.5 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.

## **Ratification**

### **Proposal 1:**

Business Report and Financial Statements for 2022 (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 Financial Statements (includes Consolidated Financial Statements) for 2022, and submitted with Business Report to Audit Committee for review and issuance of Inspection Report on record.
2. Please see pages 10~17 for the business report and pages 19~45 for the Auditors' Report and the Financial Statements.

### **Proposal 2:**

Distribution of 2022 profits (proposed by the board of directors)

#### **Explanatory note:**

1. Distribution of 2022 profits was resolved by the Board of Directors and audited by Audit Committee.
2. Please see page 46 for the detailed profit distribution plan.

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## **Discussion**

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### **Proposal 1:**

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

#### **Explanatory note:**

1. In order to meet the needs of the Energy Bureau of the Ministry of Economic Affairs for future energy-saving business, strengthen the company's ability to compete for energy-saving business, and apply to join the " Taiwan Energy Service Association ", etc., it is planned to add "IG03010 Energy Technical Services " as the company's business item.
2. For the comparison between the revision and the original, as well as current version, please refer to page 47 and page 50~61 .

### **Proposal 2:**

Plan to remove the restrictions on non-competition obligation of Board of Directors (proposed by the board of directors)

#### **Explanatory note:**

1. According to article 209-1 of the Company Act, the company proposes to remove the restrictions on non-competition obligation of current directors of the Board.
2. For the details of removal of the restrictions on non-competition obligation of Board of Directors, please refer to pages 48.

※ Results of voting for the discussion matters above:

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**Extempore Motion(s)**

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**Meeting Adjourned**

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## **Attachments**

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1. Business Report for 2022 on pages 10~17
2. Inspection Report of Audit Committee for 2022 on page 18
3. Financial Statements and Auditors' Report for 2022 on page 19~45
4. Distribution of 2022 Profits on page 46
5. The comparison between the revision and the original of "Articles of Incorporation" on page 47
6. Details of removal of the restrictions on non-competition obligation of Board of Directors on page 48

## **Business Report**

Dear shareholders:

The global economy was confronted with multiple challenges in 2022. It was originally expected to enter the post-epidemic period and will usher in the global economic recovery. However, as the outbreak of the Russia-Ukraine war sparked price hikes of energy, food, and raw materials and impact of China's rigorous lockdown in Q2 on the global supply chain and subsequent rampant infections triggered by abrupt lifting of restrictive measures dampened production and consumption, multiple adverse factors which fueled inflation, leading to accelerated interest-rate hike in the U.S. and Europe, sharp currency devaluation against the greenback, global credit tightening, and financial market fluctuation.

As a critical component of the global supply chain, Taiwan was faced with demand decline in Europe, the U.S., and China under the global inflationary pressure, leading to economic downturn in Q4, following growth in the first three quarters. Meanwhile soaring energy prices also sparked investments and demands for energy conservation and green energy in both public and private sectors. With whole-year growth rate reaching 2.43%, Taiwan was still among best performing economies in the world.

### **A. Review of 2022 business performance**

#### **a. Results from implementing 2022 strategic development plan**

The company focuses on the three major fields of electromechanical system, energy, and air conditioning: 1. For “Green Mechatronics”, the company possesses the two core capabilities of energy-conservation renovation and EV’s powertrain, enabling development of high-performance products and solutions for industrial and electric vehicle; 2. For “Intelligence Energy”, the company focuses on renewable energy and IDC(Internet Data Center) engineering project; 3. For “Air & Intelligent Life”, the company's products boasts Internet access, monitoring software, and energy saving.

In 2022, the company reaped abundant results in green-energy engineering projects, including turnkey engineering for Hailong onshore step-down substations, boosting

the company champion of onshore substation engineering for offshore wind-power. In "Intelligence Energy", the company focused on renewable energy-related engineering, for which it has secured orders worth over NT\$11 billion, as well as orders for various IDC engineering projects, plus plan to tap turnkey IDC (General Contract) engineering market in Southeast Asia. In solar power, TECO has built its own facilities totaling 10.4 MW in capacity, with total orders exceeding 15 MW in scale. In energy storage, in addition to materialization of Power conditioning system (PCS) indigenous production, backed by its abundant track record for energy-storage systems and technological team for EMS integration, it has obtained orders for constructing the energy storage facilities of state-run TaiPower Company and private sector, with the scale of orders having topped 130 MW.

In EV's powertrain, besides the installation of dedicated motor production lines in Taiwan and Wuxi, China, a new Indian factory is scheduled for completion in Q2, 2023 and enters into trial production. Meanwhile after the passage of whole-vehicle test, TPower + 250 kW powertrain is slated for mass production in 2023. Under the "e-bus DMIT pilot plan" of the Ministry of Transportation and Communications, the powertrain will be adopted by major Taiwanese e-bus makers. Several domestic automakers have installed TECO's TPower 130 kW powertrain in their logistics e-trucks, scheduled for mass production in Q2, 2023, following completion of prototype and performance test. The company has also set sights on growing e-commercial vehicle markets in North America and India.

As for digital transformation, backed by the foundation of group's digital warehousing, the company has been promoting factory's war room, for visualized monitoring and management of changes in such indicators as production costs, delivery, and inventory, in addition of integration of operation data of affiliates worldwide for firm grip on their key operational information and rapid response to market changes, thereby forging a resilient management strength. Meanwhile, for information security, introduce such mechanisms as intrusion prevention system (IPS), malicious-email screening, and data backup, so as to minimize management risk.

**b. R&D achievements and cutting-edge product development**

In 2022, the company reaped abundant R&D results, as evidenced by 12 items

winning 31st Taiwan Excellence Awards, including silver award for "Intelligent Mobile Collaborative Robot". The company successfully developed cutting-edge products in the fields of energy conservation, emission reduction, intelligence and automation, including "high-power motor-gearbox integrated powertrain" for application in e-bus and e-truck; "large bipolar rigid-axis inverter duty smart motor", "IE5 ultra-high efficiency energy-saving permanent-magnet motor", "ultra-high performance smart drive control system for cooling tower", "high power-density energy-saving matrix inverter", and "smart logistics solution: smart precision positioning and navigational system for forklift" for industrial application, etc.

c. 2022 financial status, implementation of business plan and profit analysis

1. Consolidated Financial Statements

Unit: NT\$1,000

	2022	2021	Growth rate
Sales revenue	58,315,216	51,248,387	13.8%
Operating profit	5,073,654	3,760,718	34.9%
Profit for the period	3,992,010	5,502,191	-27.4%

The company's Sales revenue grew 13.8% in 2022, thanks mainly to the growth of electromechanical products and engineering projects. Electromechanical products scored 14.7% growth, due to sharp sales growth of affiliates, resulting from recovering demands in North America and Europe and booming business of high-efficiency energy-saving motors, inverters, and energy-saving systems, sparked by carbon neutrality and green energy policy of various governments. Meanwhile, revenue of engineering projects and equipment jumped 43.1%, due to successive execution of various engineering projects related to renewable energy, energy storage, and IDC. Revenue of home appliances and air conditioners remained flat for the second year in a row.

Operating profit rose 34.9%, thanks mainly to the contribution of electromechanical products, whose prices were hiked, price drop of commodity and NT dollar's depreciation against the U.S. dollar in the second half, and result of cost-reduction effort, and effective control of operating expenses.

Profit for the period dropped 27.4%, due mainly to valuation change of financial assets in Non-operating income and expenses.

## 2. Parent Company Only

Unit: NT\$1,000

	2022	2021	Growth rate
Sales revenue	27,229,403	23,258,398	17.1%
Operating profit	1,845,542	1,357,228	36.0%
Profit for the year	3,457,667	5,013,134	-31.0%

Sales revenue upped 17.1%, as revenue from electromechanical products advanced 12%, thanks to shipment to North America and Europe expanded in both volume and value, and revenue from engineering projects revenue soared 49%, thanks to successive execution of engineering projects related to renewable energy, energy storage, and IDC.

Operating profit leapt 36%, thanks mainly to price hikes of electromechanical products, and price drop of commodity and NT dollar's depreciation in the second half, plus higher production efficiency resulting from automated and smart production, adjustment of product mix, cost-cutting measures boosting gross margin, and significant effect of operating-expense control during the pandemic.

Profit for the year declined 31%, mainly thanks to valuation change of financial assets in Non-operating income and expenses and valuation loss of financial assets held by subsidiaries under equity method.

### d. Financial strategy and results

With main businesses focusing on R&D, production, and sales of industrial products, the company belongs to mature industry and thus has embraced the principle of stable operation in financial strategy for a long time. Based on general consideration of business plan, capital expenditure, need of working capital, and returns for shareholders, the company plans cash flow in a precision manner and proper financial structure every year.

Table 1

Year	Profit for the period (NT\$ mm)	Net cash flow adequacy ratio %	Current ratio %	Debt ratio %
2020	3,811	134.73	233.41	36.01
2021	5,502	126.64	213.81	29.98
2022	3,992	117.78	222.11	31.82

Thanks to its stable cash flows from operating activities, as well as stable and sustainable operating strategy, Taiwan Ratings Corporation granted the company "twA" (Stable) credit rating starting 2012, enabling the company to secure financing at lower interest rates, slashing financing cost. Taiwan Rating has upgraded the credit rating to "twA+" (Stable) since 2015, highlighting the company business credit standing and increasing its bargain power and flexibility of funding raising.

#### B. Summary of 2023 business plan

Given the adverse factors of global inflation, slackening demands, and inventory adjustment for the post-pandemic global economy, the Cabinet-level Directorate General of Budget, Accounting, and Statistics predicts that Taiwan's economy will grow 2.12% in 2023. To maintain revenue growth, the company will take advantage of demands concerning energy conservation and carbon abatement and tap new business opportunities related to energy transformation and electrification.

#### Key points of 2023 operating strategy and business growth plan

##### a. Growth plan of existing business

In Green Mechatronic Solution, sales of inverters and energy conservation solutions are expected to benefit from production of shale-oil, electrification of conveyance equipment and waste-heat recovery, sparked by various countries' carbon neutrality policy, including the U.S., which has pledged to reach the goal by 2050. Taiwan also aims to attain net zero emission by 2050, a goal expected to spur industrial investments in energy conservation, energy storage, integrated smart system. With motor being an energy-intensive equipment, TECO has been offering end customers with overall energy-saving and carbon-abatement renovation plan and feasible solutions, an effort which has made major inroads into the Taiwanese and Chinese markets, especially in high carbon-emission fields, especially in iron & steel,

papermaking and petrochemical industry. In the U.S. market, in addition to electrification of step-up stations for oil & gas pipelines and cogeneration systems for iron & steel and petrochemical industry, the company has also a firm grip on business opportunities related to E-Skid, green transportation, and hydrogen energy to boost revenue.

In Intelligence Energy, given popularity of 5G/big data/cloud-end services, TECO, backed by its outstanding technology, expects to continue enjoying robust growth in IDC engineering business, both on the domestic front and abroad, aiming to double orders from new customers/markets in 2023, on top of its total order intake exceeding 170 MW. In 2023, the company plans to further tap engineering opportunities of offshore substations for offshore wind farm, as well as related demands for gas insulated switchgear(GIS), spare generators, and offshore and onshore "E-house" solutions, the latest in collaboration with ABB. The company also expects to score robust growth in order intake and revenue related to renewable energy and energy storage, as the Taiwanese aims to boost the share of renewable energy in power generation to 20% by 2025, up from 2022's 8.6%, the latter representing 36% growth.

Air and Intelligent Life business group will continue focusing on provision of full-field smart air conditioning and energy management, contributing to the materialization of new life of ESG carbon-neutrality, and rollout of variable-frequency freezers for use by food factory and home-delivery low-temperature logistics plants. In technology strategy, it will provide AI freezing air-conditioning energy-conserving system, upgrade food safety and flexible cooling-power maneuvering with refrigerant quantum technology, and roll out changeable multi-temperature layer refrigerated chamber, in order to bolster revenue growth.

#### b. Strategic development plan

In line with its vision of "energy conservation, emission reduction, intelligence, and automation," the company's development strategy will center on the three major axes of green-energy creation and storage, foray into potential markets connected with the government's New Southbound Policy, and establishment of North American and Indian supply chains, to inject fresh momentum for corporate growth.

1. Energy creation and storage: Develop technology for producing core equipment of PV power devices and energy storage facilities, as a prelude to solar-plus-storage, then combine of energy management system and central-control information exchange platform, eventually develop into a comprehensive virtual green-power operator.
2. New southbound market: Focus on promotion of optimized product mix covering power, mining, e-vehicle, and HVAC, in addition to deployment in local sales services and supply chain.
3. Establishment of North American and Indian supply chain: Plan to set up motor factories in India and Mexico in 2023, to augment delivery and cost competitiveness.

Meanwhile in strategic development of technology, the company plans to develop PCS (power conditioning system) and high-voltage charging technology, as an offshoot of medium-voltage inverter, in 2023.

In terms of digital transformation, to intensify global integrated operation, it plans to introduce TOS/EQS operating logistics automation system and cloud-end digital collaboration system, for applications in project team collaboration, corporate information entry, and mobile offices in stages to augment productivity. Meanwhile, to intensify innovative AI data applications in design, quotation, and supply chain, to quicken production-sales linkage, shorten cycle time, and raise delivery punctuality.

#### c. Sustainable development

The company has been recognized by international sustainability evaluation institutions in three consecutive years and included in DJSI Emerging Markets Index and S&P Global Sustainability Yearbook, thanks to its outstanding performance in innovative management, talent cultivation, and supply chain management, the only enterprise included in the Electrical Components & Equipment category of DJSI Emerging Markets Index.

Under the pledge of "10-year 50% emission reduction," TECO has aimed to halve emission by 2030, according to which it will kick off global production base emission reduction plan this year, including inauguration of expanding PV power devices at its



factory premises worldwide, so as to enhance the group's share of renewable-energy consumption, on top of establishment of sustainable supply chain, via assistance for smart and medium enterprises to conduct greenhouse-gas inventory and emission reduction. The company will launch internal carbon price system this year, in the hope of spurring employees to actively carry out carbon abatement plan and imprint net zero emission concept in their minds deeply. In social engagement, to have the concept of energy conservation and emission reduction to take root in our society, the company holds "Green Innovation Competition" for high and elementary school students, in the hope of implanting earth sustainability idea among them. The company has also organized International Competition for Net Zero Emission Technology" for college students, encouraging engagement in R&D on emission reduction technology and passing on the mission of net zero emission sustainability. Moreover, the company holds "TECO Award" for outstanding Taiwan figures in science/technology and humanity, for their contribution to build a progressive society with equal emphasis on both fields.

In conclusion, the company will continue to uphold the concept of sustainable operations and implement corporate governance standards to create a sustainable working environment for employees, provide services in line with ESG value to customers, and bring the best interests to shareholders

Chairman: Sophia Chiu

President: Thomas Fann

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 2022 (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 2023

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Wei-Chi Liu

Date: March 15<sup>th</sup>, 2023

**TECO ELECTRIC & MACHINERY CO., LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2022 AND 2021**

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For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

## 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, 2022 and 2021, 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, 2022 and 2021, 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 Standards on Auditing of Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Emphasis of matter – Retrospective restatement of the parent company only financial statements for the year ended December 31, 2021***

On March 16, 2022, we have audited and expressed an unqualified opinion plus the Other matter section on the parent company only financial statements of Teco Electric & Machinery Co., Ltd. as at and for the year ended December 31, 2021. As described in Notes 4(33) and 6(30) of the financial statements, the Company engaged in a short-form merger with the subsidiary, Teco Smart Technologies Co., Ltd., on October 1, 2022. In accordance with the Accounting Research and Development Foundation Interpretation 101-301, the subsidiary was considered as consolidated at the beginning and shall retrospectively restate the parent company only financial statements for the year ended December 31, 2021. Our opinion is not modified in respect of the Company's restated parent company only financial statements for the year ended December 31, 2021.

***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 2022 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\$4,141,796 thousand and NT\$3,875,845 thousand, both constituting 4% of the related total assets as of December 31, 2022 and 2021, and the comprehensive income amounting to NT\$245,915 thousand and NT\$256,818 thousand, constituting (4%) and 1% of the total comprehensive income for the years then ended, respectively.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



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

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Wu, Yu-Lung

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Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2023

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

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

TECO ELECTRIC & MACHINERY CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

			December 31, 2022		December 31, 2021			
					(Restated)			
			AMOUNT	%	AMOUNT	%		
Assets			Notes					
Current assets								
1100	Cash and cash equivalents	6(1) and 8	\$	804,916	1	\$	253,997	-
1140	Current contract assets			2,112,996	2		2,322,233	2
1150	Notes receivable, net	6(4)		269,696	-		234,769	
1160	Notes receivable - related parties	7		573,028	1		380,157	-
1170	Accounts receivable, net	6(4)		1,976,266	2		2,541,096	2
1180	Accounts receivable - related parties	7		1,578,608	2		1,566,175	2
1200	Other receivables			96,669	-		103,827	-
1210	Other receivables - related parties	6(6) and 7		550,186	1		606,262	1
130X	Inventories, net	6(5)		3,396,654	3		3,473,507	3
1410	Prepayments			86,056	-		54,990	-
1470	Other current assets	6(1) and 8		476,536	-		987,070	1
11XX	Total current assets			11,921,611	12		12,524,083	11
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)		2,155,192	2		2,322,450	2
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		16,091,157	16		11,759,402	11
1550	Investments accounted for under equity method	6(6)		63,565,377	64		77,120,718	70
1600	Property, plant and equipment, net	6(7) and 7		2,724,752	3		3,089,295	3
1755	Right-of-use assets	6(8) and 7		121,532	-		38,076	-
1760	Investment property, net	6(9)		2,365,935	2		2,103,867	2
1780	Intangible assets	6(10)		27,189	-		19	-
1840	Deferred income tax assets	6(27)		573,483	1		892,486	1
1900	Other non-current assets	6(1)(11) and 8		132,280	-		483,320	-
15XX	Total non-current assets			87,756,897	88		97,809,633	89
1XXX	Total assets		\$	99,678,508	100	\$	110,333,716	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021		
					(Restated)		
			AMOUNT	%	AMOUNT	%	
Current liabilities							
2100	Short-term borrowings	6(12)	\$	-	-	\$ 545,307	1
2120	Current financial liabilities at fair value through profit or loss	6(13)		3,845	-	-	-
2130	Current contract liabilities	6(21)		1,145,375	1	979,210	1
2150	Notes payable			57,919	-	56,069	
2160	Notes payable - related parties	7		64,712	-	76,417	-
2170	Accounts payable			4,180,733	4	3,989,754	4
2180	Accounts payable - related parties	7		1,347,033	2	1,425,978	1
2200	Other payables			3,001,050	3	2,888,766	3
2220	Other payables - related parties	7		168,513	-	180,182	-
2230	Current income tax liabilities	6(27)		408,383	1	266,473	-
2250	Provisions for liabilities - current			92,691	-	105,744	-
2280	Current lease liabilities	6(8) and 7		91,479	-	11,532	-
2320	Long-term liabilities, current portion	6(14)		-	-	1,000,000	1
2399	Other current liabilities, others			193,896	-	155,316	-
21XX	Total current liabilities			10,755,629	11	11,680,748	11
Non-current liabilities							
2530	Corporate bonds payable	6(14)		5,000,000	5	5,000,000	4
2540	Long-term borrowings	6(15)		1,350,000	2	2,000,000	2
2550	Provisions for liabilities - non-current			106,678	-	-	-
2570	Deferred income tax liabilities	6(27)		1,234,836	1	1,087,468	1
2580	Non-current lease liabilities	6(8) and 7		8,467	-	1,294	-
2600	Other non-current liabilities	6(16)		1,197,964	1	1,350,443	1
25XX	Total non-current liabilities			8,897,945	9	9,439,205	8
2XXX	Total liabilities			19,653,574	20	21,119,953	19
Equity							
	Share capital	6(17)					
3110	Common stock			21,387,966	21	21,387,966	20
	Capital surplus	6(18)					
3200	Capital surplus			9,575,822	9	9,529,520	8
	Retained earnings	6(19)					
3310	Legal reserve			7,899,057	8	7,374,048	7
3320	Special reserve			3,640,779	4	3,640,779	3
3350	Unappropriated retained earnings			19,680,601	20	19,712,565	18
	Other equity interest	6(20)					
3400	Other equity interest			18,352,419	19	28,080,595	25
3500	Treasury stocks	6(6)(17)	(	511,710)	( 1)	( 511,710)	-
3XXX	Total equity			80,024,934	80	89,213,763	81
	Significant contingent liabilities and unrecognized contract commitments	9					
	Significant events after the balance sheet date	11					
3X2X	Total liabilities and equity		\$	99,678,508	100	\$ 110,333,716	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, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2022		2021	
					(Restated)	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(21) and 7		\$ 27,229,403	100	\$ 23,258,398	100
5000 Operating costs	6(5)(16)(26) and 7	(	22,204,807)	( 82)	( 18,971,202)	( 81)
5900 Net operating margin			5,024,596	18	4,287,196	19
5910 Unrealized profit from sales	7	(	411,132)	( 1)	( 375,720)	( 2)
5920 Realized profit from sales			375,720	1	450,133	2
5950 Net operating margin			4,989,184	18	4,361,609	19
Operating expenses	6(16)(26), 7 and 12(2)					
6100 Selling expenses		(	2,006,530)	( 7)	( 1,882,448)	( 8)
6200 General and administrative expenses		(	595,895)	( 2)	( 561,417)	( 2)
6300 Research and development expenses		(	542,554)	( 2)	( 567,739)	( 3)
6450 Expected credit impairment losses			1,337	-	7,223	-
6000 Total operating expenses		(	3,143,642)	( 11)	( 3,004,381)	( 13)
6900 Operating profit			1,845,542	7	1,357,228	6
Non-operating income and expenses						
7100 Interest income	6(22) and 7		9,890	-	2,848	-
7010 Other income	6(3)(9)(23) and 7		991,812	3	919,830	4
7020 Other gains and losses	6(2)(13)(24) and 7	(	481,909)	( 2)	( 261,124)	( 1)
7050 Finance costs	6(8)(25) and 7	(	73,251)	-	( 71,014)	-
7070 Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(6)		1,824,257	7	3,407,981	14
7000 Total non-operating income and expenses			2,270,799	8	3,998,521	17
7900 Profit before income tax			4,116,341	15	5,355,749	23
7950 Income tax expense	6(27)	(	658,674)	( 2)	( 342,615)	( 1)
8200 Profit for the year		\$	3,457,667	13	\$ 5,013,134	22
Other comprehensive income						
Other comprehensive income that will not be reclassified to profit or loss						
8311 Other comprehensive income (loss), before tax, actuarial losses on defined benefit plans	6(16)	\$	56,332	-	( \$ 20,206)	-
8316 Unrealised gains and losses on valuation of investments measured at fair value through other comprehensive income	6(3)(20)		4,190,884	15	1,304,003	5
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(	15,632,304)	( 57)	( 20,709,937)	( 89)
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(	11,385,088)	( 42)	( 21,993,734)	( 94)
Other comprehensive income (loss) that will be reclassified to profit or loss						
8361 Currency translation differences of foreign operations	6(20)		1,910,986	7	( 1,159,046)	( 5)
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(27)	(	331,321)	( 1)	( 133,697)	( 1)
8360 Components of other comprehensive loss that will be reclassified to profit or loss			1,579,665	6	( 1,025,349)	( 4)
8300 Other comprehensive (loss) income for the year		( \$	9,805,423)	( 36)	( \$ 20,968,385)	( 90)
8500 Total comprehensive (loss) income for the year		( \$	6,347,756)	( 23)	( \$ 25,981,519)	( 112)
Earnings per share (in dollars)	6(28)					
9750 Basic earnings per share		\$	1.64		\$ 2.38	
9850 Diluted earnings per share		\$	1.64		\$ 2.38	

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, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings			Other equity interest		Treasury stocks	Total equity
				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>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(20)	-	-	-	-	( 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(19)									
Legal reserve		-	-	349,413	-	( 349,413 )	-	-	-	-
Cash dividends		-	-	-	-	( 2,459,616 )	-	-	-	( 2,459,616 )
Common shares issued for share conversion	6(17)	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(20)	-	-	-	-	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
<u>2022</u>										
Balance at January 1, 2022		\$ 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
Profit for the year		-	-	-	-	3,457,667	-	-	-	3,457,667
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	66,771	1,579,665	( 11,451,859 )	-	( 9,805,423 )
Total comprehensive income (loss)		-	-	-	-	3,524,438	1,579,665	( 11,451,859 )	-	( 6,347,756 )
Appropriations of 2021 earnings	6(19)									
Legal reserve		-	-	525,009	-	( 525,009 )	-	-	-	-
Cash dividends		-	-	-	-	( 2,887,375 )	-	-	-	( 2,887,375 )
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	46,302	-	-	-	-	-	-	46,302
Disposal of investments in equity instruments at fair value through other comprehensive income	6(20)	-	-	-	-	( 144,018 )	-	144,018	-	-
Balance at December 31, 2022		\$ 21,387,966	\$ 9,575,822	\$ 7,899,057	\$ 3,640,779	\$ 19,680,601	(\$ 2,453,451 )	\$ 20,805,870	(\$ 511,710 )	\$ 80,024,934

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before tax		\$	4,116,341	\$	5,355,749
Adjustments					
Adjustments to reconcile profit (loss)					
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(24)		143,577	(	340,478 )
Net loss on financial liabilities at fair value through profit or loss	6(13)(24)		17,281		852
Expected credit impairment gain	12(2)	(	1,337 )	(	7,223 )
Interest income	6(22)	(	9,890 )	(	2,848 )
Interest expense	6(25)		70,880		69,077
Dividend income	6(23)	(	616,443 )	(	499,979 )
Impairment loss	6(24)		-		7,388
Loss on disposal of investments	6(24)		-		3,481
Changes in unrealized gain from downstream sales			35,412	(	74,413 )
Share of profit of associates and joint ventures accounted for under the equity method	6(6)	(	1,824,257 )	(	3,407,981 )
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(7)(8)(9)(24)(26)		413,615		424,604
Changes in operating assets and liabilities					
Changes in operating assets					
Current contract assets			209,237	(	1,100,822 )
Notes receivable		(	34,927 )	(	104,155 )
Notes receivable - related parties		(	192,871 )	(	119,375 )
Accounts receivable			568,840	(	434,503 )
Accounts receivable - related parties		(	4,984 )	(	210,003 )
Other receivables			7,158	(	12,902 )
Other receivables - related parties			56,076		9,247
Inventories			76,853	(	620,540 )
Prepayments		(	31,066 )		31,176
Other current assets		(	77,878 )		117,592
Financial assets at fair value through profit or loss - non-current			23,681		185,134
Changes in operating liabilities					
Financial liabilities at fair value through profit or loss - current		(	13,436 )	(	852 )
Current contract liabilities			166,165	(	79,719 )
Notes payable			1,850		50,042
Notes payable - related parties		(	11,705 )	(	38,790 )
Accounts payable			190,979		417,148
Accounts payable - related parties		(	78,945 )		542,205
Other payables			139,051		243,080
Other payables - related parties		(	11,669 )		1,631
Provisions for liabilities - current		(	13,053 )		7,156
Provisions for liabilities - non-current			106,678		-
Other current liabilities			38,580		34,767
Other non-current liabilities		(	104,467 )	(	92,996 )
Cash inflow generated from operations			3,355,326		352,750
Interest received	6(22)		9,890		2,848
Dividends received			1,776,932		1,939,580
Payment of interest		(	73,811 )	(	69,259 )
Payment of income tax		(	381,714 )	(	203,550 )
Net cash flows from operating activities			4,686,623		2,022,369

(Continued)

#### CASH FLOWS FROM INVESTING ACTIVITIES

Decrease in other receivables - related parties - financing	7	\$	-	\$	98,722
Decrease in restricted bank deposit	8		588,412		-
Increase in non-current financial assets at fair value through other comprehensive income		(	140,871 )		-
Increase in investments accounted for under equity method		(	118,377 )	(	230,304 )
Proceeds from disposal of property, plant and equipment			-		7,214
Acquisition of property, plant and equipment	6(7)(29)	(	225,570 )	(	248,883 )
Increase in deferred expenses		(	36,826 )	(	11,869 )
(Increase) decrease in refundable deposits		(	7,425 )		8,510
Decrease (increase) in bank deposit under the regulation governing the management, utilization, and taxation of repatriated offshore funds	6(11)		361,224	(	191,813 )
Dividends received			616,443		499,979
Proceeds from disposal of investments accounted for under the equity method			10,875		5,869
Decrease (increase) in other non-current assets			16,557	(	749 )
Net cash flows from (used in) investing activities			<u>1,064,442</u>	(	<u>63,324</u> )

#### CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in short-term loans		(	545,307 )	(	721,853 )
Repayment of bonds	6(14)	(	1,000,000 )		-
(Decrease) increase in long-term loans		(	650,000 )		820,000
Cash dividends paid	6(19)	(	2,887,375 )	(	2,459,616 )
Acquisition of intangible assets		(	34,527 )		-
Lease liabilities paid		(	82,937 )	(	86,148 )
Net cash flows used in financing activities		(	<u>5,200,146</u> )	(	<u>2,447,617</u> )
Net increase (decrease) in cash and cash equivalents			550,919	(	488,572 )
Cash and cash equivalents at beginning of year			<u>253,997</u>		<u>742,569</u>
Cash and cash equivalents at end of year		\$	<u>804,916</u>	\$	<u>253,997</u>

**TECO ELECTRIC & MACHINERY CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
December 31, 2022 AND 2021**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.



## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

### ***Introduction***

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

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

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our

audit of the Group's 2022 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 thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

***Revenue existence 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 green mechatronic solution business group amounted to NT\$30,801,040 thousand, representing 53% of the consolidated total sales revenue for the year ended December 31, 2022. Aside from domestic sales in Taiwan, the customers of green mechatronic solution business group are from America, Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue existence 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\$2,859,697 thousand and NT\$2,597,098 thousand, both constituting 2% of the consolidated total assets as at December 31, 2022 and 2021, respectively, and total operating revenues amounted to NT\$3,163,153 thousand and NT\$2,940,496 thousand, constituting 5% and 6% of consolidated total operating revenues for the years then ended, respectively. The investments accounted for under the equity method amounted to NT\$2,406,380 thousand and NT\$2,377,144 thousand, both constituting 2% of consolidated total assets as of December 31, 2022 and 2021, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$194,811 thousand and NT\$132,837 thousand, both constituting less than 1% of consolidated total assets as of December 31, 2022 and 2021, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT(\$212,320) thousand and NT\$202,511 thousand, constituting (3%) and 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 emphasis of matter and other matter section on the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2022 and 2021.

### ***Responsibilities of management and those charged with governance for the***

## ***consolidated financial statements***

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

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

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

## ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control.

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

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

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

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

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Wu, Yu-Lung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2023

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Chou, Chien-Hung

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' review 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.

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**TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 21,156,796	17	\$ 17,274,143	13
1110	Current financial assets at fair value through profit or loss	6(2)	31,790	-	2,312,233	2
1120	Current financial assets at fair value through other comprehensive income	6(3)	761,573	1	1,064,454	1
1140	Current contract assets		2,316,064	2	2,319,092	2
1150	Notes receivable, net	6(5) and 8	1,039,556	1	996,956	1
1160	Notes receivable - related parties	7	101	-	4,201	-
1170	Accounts receivable, net	6(5)	10,049,783	8	9,926,625	7
1180	Accounts receivable - related parties	7	301,997	-	274,873	-
1200	Other receivables		326,141	-	420,113	-
1210	Other receivables - related parties	7	86,927	-	118,561	-
130X	Inventories, net	6(6)	12,895,287	10	12,252,098	9
1410	Prepayments		496,418	-	515,811	-
1470	Other current assets	6(1) and 8	854,988	1	1,854,511	1
11XX	Total current assets		50,317,421	40	49,333,671	36
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	3,271,436	3	4,538,374	3
1517	Non-current financial assets at fair value through other comprehensive income	6(3) and 8	33,765,890	27	45,160,394	33
1535	Non-current financial assets at amortised cost, net	6(4) and 8	115,909	-	392,232	-
1550	Investments accounted for under the equity method	6(7) and 7	3,911,876	3	3,478,685	3
1600	Property, plant and equipment, net	6(8) and 8	19,131,777	15	17,402,116	13
1755	Right-of-use assets	6(9) and 8	6,735,166	5	6,776,467	5
1760	Investment property, net	6(10)	2,966,896	2	2,828,899	2
1780	Intangible assets	6(11)	4,668,399	4	4,439,567	3
1840	Deferred income tax assets	6(30)	1,198,512	1	1,417,175	1
1900	Other non-current assets	6(1)(12) and 8	519,828	-	844,870	1
15XX	Total non-current assets		76,285,689	60	87,278,779	64
1XXX	Total assets		\$ 126,603,110	100	\$ 136,612,450	100

(Continued)

**TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>					
2100	Short-term borrowings	6(14) and 8	\$ 1,751,344	1	\$ 2,042,697	2
2120	Current financial liabilities at fair value through profit or loss	6(15)	4,144	-	-	-
2130	Current contract liabilities	6(24)	2,199,362	2	1,490,821	1
2150	Notes payable		784,357	1	1,021,039	1
2160	Notes payable - related parties	7	434	-	6,154	-
2170	Accounts payable		9,077,048	7	9,268,228	7
2180	Accounts payable - related parties	7	48,756	-	78,999	-
2200	Other payables	6(16)	5,994,197	5	5,544,765	4
2230	Current income tax liabilities	6(30)	852,683	1	646,719	-
2250	Provisions for liabilities - current		340,961	-	320,207	-
2280	Current lease liabilities		531,318	-	503,953	-
2320	Long-term liabilities, current portion	6(17)(18) and 8	228,159	-	1,491,683	1
2399	Other current liabilities, others		841,157	1	658,746	1
21XX	<b>Total current liabilities</b>		<u>22,653,920</u>	<u>18</u>	<u>23,074,011</u>	<u>17</u>
	<b>Non-current liabilities</b>					
2530	Corporate bonds payable	6(17)	5,000,000	4	5,000,000	4
2540	Long-term borrowings	6(18) and 8	3,427,355	3	3,603,574	2
2550	Provisions for liabilities - non-current		237,477	-	115,391	-
2570	Deferred income tax liabilities	6(30)	2,432,283	2	2,350,403	2
2580	Non-current lease liabilities		4,541,089	4	4,558,141	3
2600	Other non-current liabilities	6(7)(19)	1,992,487	1	2,248,999	2
25XX	<b>Total non-current liabilities</b>		<u>17,630,691</u>	<u>14</u>	<u>17,876,508</u>	<u>13</u>
2XXX	<b>Total liabilities</b>		<u>40,284,611</u>	<u>32</u>	<u>40,950,519</u>	<u>30</u>
	<b>Equity attributable to owners of parent</b>					
	Share capital	6(20)				
3110	Common stock		21,387,966	17	21,387,966	16
	Capital surplus	6(21)				
3200	Capital surplus		9,575,822	7	9,529,520	7
	Retained earnings	6(22)				
3310	Legal reserve		7,899,057	6	7,374,048	5
3320	Special reserve		3,640,779	3	3,640,779	3
3350	Unappropriated retained earnings		19,680,601	16	19,712,565	14
	Other equity interest	6(23)				
3400	Other equity interest		18,352,419	14	28,080,595	20
3500	Treasury stocks	6(20)	( 511,710)	-	( 511,710)	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>80,024,934</u>	<u>63</u>	<u>89,213,763</u>	<u>65</u>
36XX	Non-controlling interest	6(34)	6,293,565	5	6,448,168	5
3XXX	<b>Total equity</b>		<u>86,318,499</u>	<u>68</u>	<u>95,661,931</u>	<u>70</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 126,603,110</u>	<u>100</u>	<u>\$ 136,612,450</u>	<u>100</u>

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



TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(9)(10)(24) and 7	\$	58,315,216	100	\$ 51,248,387	100
5000 Operating costs	6(6)(8)(9)(19)(29)					
	and 7	(	45,129,917)	( 77)	( 39,812,612)	( 78)
5900 Net operating margin			13,185,299	23	11,435,775	22
5910 Unrealized (loss) profit from sales		(	9,351)	-	( 8,354)	-
5920 Realized profit from sales			8,354	-	9,518	-
5950 Net operating margin			13,184,302	23	11,436,939	22
Operating expenses	6(8)(9)(19)(29)					
6100 Selling expenses		(	4,412,306)	( 8)	( 4,028,985)	( 8)
6200 General and administrative expenses		(	2,496,464)	( 4)	( 2,529,546)	( 5)
6300 Research and development expenses		(	1,144,263)	( 2)	( 1,112,911)	( 2)
6450 Expected credit impairment losses	12(2)	(	57,615)	-	( 4,779)	-
6000 Total operating expenses		(	8,110,648)	( 14)	( 7,676,221)	( 15)
6900 Operating profit			5,073,654	9	3,760,718	7
Non-operating income and expenses						
7100 Interest income	6(4)(25)		233,077	-	127,351	-
7010 Other income	6(3)(10)(26) and 7		1,544,357	3	1,421,682	3
7020 Other gains and losses	6(2)(9)(13)(15)(27)	(	1,415,579)	( 3)	849,898	2
7050 Finance costs	6(9)(28)	(	203,963)	-	( 203,602)	-
7060 Share of profit of associates and joint ventures accounted for under the equity method	6(7)		190,279	-	195,831	-
7000 Total non-operating income and expenses			348,171	-	2,391,160	5
7900 Profit before income tax			5,421,825	9	6,151,878	12
7950 Income tax expense	6(30)	(	1,429,815)	( 2)	( 649,687)	( 1)
8200 Profit for the period		\$	3,992,010	7	\$ 5,502,191	11

(Continued)

**TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
	<b>Other comprehensive income</b>					
	<b>Other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive loss, before tax, actuarial losses on defined benefit plans		\$ 94,741	- (\$	27,172)	-
8316	Unrealized losses and gains on valuation of investments measured at fair value through other comprehensive income	6(3)	( 11,822,766)	( 20)	22,629,456	44
8320	Share of other comprehensive (loss) 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		( 12,277)	- (	6,876)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	( 2,982)	- (	84,107)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		( 11,743,284)	( 20)	22,511,301	44
	<b>Other comprehensive income that will be reclassified to profit or loss</b>					
8361	Currency translation differences of foreign operations	6(23)	1,916,975	3 (	1,159,131)	( 2)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(30)	( 311,456)	( 1)	122,289	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		1,605,519	2 (	1,036,842)	( 2)
8300	<b>Other comprehensive (loss) income for the period</b>		( \$ 10,137,765)	( 18)	\$ 21,474,459	42
8500	<b>Total comprehensive (loss) income for the period</b>		( \$ 6,145,755)	( 11)	\$ 26,976,650	53
	Profit attributable to:					
8610	Owners of the parent		\$ 3,457,667	6	\$ 5,013,134	10
8620	Non-controlling interest		534,343	1	489,057	1
			<u>\$ 3,992,010</u>	<u>7</u>	<u>\$ 5,502,191</u>	<u>11</u>
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		( \$ 6,347,756)	( 11)	\$ 25,981,519	51
8720	Non-controlling interest		202,001	-	995,131	2
			<u>( \$ 6,145,755)</u>	<u>( 11)</u>	<u>\$ 26,976,650</u>	<u>53</u>
	Earnings per share (in dollars)					
9750	Basic earnings per share	6(31)	\$	1.64	\$	2.38
9850	Diluted earnings per share		\$	1.64	\$	2.38

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, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
		Retained Earnings					Other equity interest					
		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
	Notes											
For the six-month period ended June 30, 2016												
Balance at January 1, 2022		\$ 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
Appropriation 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		-	8,607	-	-	-	-	-	-	8,607	( 8,607 )	-
Changes in other non-controlling interest		-	-	-	-	-	-	-	-	-	( 335,293 )	( 335,293 )
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(23)	-	-	-	-	272,075	-	( 272,075 )	-	-	-	-
Effect of changes in decrease in entities of associates		-	-	-	-	( 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
For the year ended December 31, 2022												
Balance at January 1, 2022		\$ 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
Profit for the year		-	-	-	-	3,457,667	-	-	-	3,457,667	534,343	3,992,010
Other comprehensive income (loss) for the year	6(23)	-	-	-	-	66,771	1,579,665	( 11,451,859 )	-	( 9,805,423 )	( 332,342 )	( 10,137,765 )
Total comprehensive (loss) income		-	-	-	-	3,524,438	1,579,665	( 11,451,859 )	-	( 6,347,756 )	202,001	( 6,145,755 )
Appropriations of 2021 earnings	6(22)											
Legal reserve		-	-	525,009	-	( 525,009 )	-	-	-	-	-	-
Cash dividends declared		-	-	-	-	( 2,887,375 )	-	-	-	( 2,887,375 )	-	( 2,887,375 )
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	50,247	-	-	-	-	-	-	50,247	-	50,247
Transactions with non-controlling interest	4(3)	-	( 3,945 )	-	-	-	-	-	-	( 3,945 )	3,945	-
Changes in other non-controlling equity		-	-	-	-	-	-	-	-	-	( 360,549 )	( 360,549 )
Disposal of investments in equity instrument at fair value through other comprehensive income	6(3)(23)	-	-	-	-	( 144,018 )	-	144,018	-	-	-	-
Balance at December 31, 2022		\$ 21,387,966	\$ 9,575,822	\$ 7,899,057	\$ 3,640,779	\$ 19,680,601	( \$ 2,453,451 )	\$ 20,805,870	( \$ 511,710 )	\$ 80,024,934	\$ 6,293,565	\$ 86,318,499

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, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31		
		Notes	<div>2022</div>	<div>2021</div>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax			\$ 5,421,825	\$ 6,151,878
Adjustments				
Adjustments to reconcile profit (loss)				
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(27)		1,131,130	( 1,643,837 )
Net loss on financial liabilities at fair value through profit or loss	6(15)(27)		17,381	2,638
Provision for decline in value of inventories	6(6)		117,060	177,816
Expected credit impairment losses (gains)	12(2)		57,615	4,779
Interest income	6(25)	( 233,077 )	( 127,351 )	
Dividend income	6(26)	( 1,128,492 )	( 884,153 )	
Interest expense	6(28)		203,963	203,602
Depreciation and amortization	6(8)(9)(10)(29)		1,803,446	1,802,195
Loss on disposal of investments	6(27)		-	3,097
Gain on disposal of property, plant and equipment	6(27)		4,241	2,387
Impairment loss	6(8)(13)(27)		-	367,190
Share of profit of associates and joint ventures accounted for under the equity method	6(7)	( 190,279 )	( 195,831 )	
Changes in operating assets and liabilities				
Changes in operating assets				
Current contract assets			3,028	( 866,890 )
Notes receivable		( 39,367 )		175,504
Notes receivable - related parties			782	8,063
Accounts receivable		( 220,887 )	( 1,048,247 )	
Accounts receivable - related parties			21,792	49,738
Other receivables			93,972	( 137,928 )
Other receivables - related parties			31,634	( 46,101 )
Inventories		( 760,249 )	( 2,802,666 )	
Prepayments			19,393	145,336
Other current assets			163,662	73,340
Current financial assets at fair value through profit or loss			124,559	557,742
Changes in operating liabilities				
Current contract liabilities			708,541	( 3,110 )
Notes payable		( 236,682 )		680,367
Notes payable - related parties		( 5,720 )	( 48,894 )	
Accounts payable		( 191,180 )		1,758,360
Accounts payable - related parties		( 30,243 )	( 34,056 )	
Other payables			476,149	707,037
Provisions for liabilities			142,840	( 103,690 )
Other current liabilities			182,410	( 65,646 )
Other non-current liabilities		( 316,127 )		219,223
Cash inflow generated from operations			7,373,120	4,691,744
Interest received	6(25)		233,077	127,351
Dividend received			138,348	87,747
Interest paid		( 129,170 )	( 133,202 )	
Income tax paid		( 1,237,746 )	( 696,332 )	
Net cash flows from operating activities			6,377,629	4,077,308

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Decrease in current financial assets at fair value through profit or loss		\$	72,526	\$	37,945
Increase in current financial assets at fair value through other comprehensive income			-	(	2,446 )
Increase in non-current financial assets at fair value through other comprehensive income	6(32)	(	384,617 )	(	143,856 )
Proceeds from disposal of current financial assets at fair value through profit or loss	6(2)		2,219,166	(	2,228,000 )
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(3)		209,316		757,346
Decrease in non-current financial assets at amortized cost	6(4)		276,323		89,298
Decrease (increase) in pledged and restricted bank and time deposits	6(1) and 8		1,197,085	(	211,646 )
Acquisition of property, plant and equipment	6(8)(32)	(	2,904,793 )	(	2,308,743 )
Proceeds from disposal of property, plant and equipment			24,409		62,585
Acquisition of intangible assets		(	108,408 )	(	70,416 )
Decrease (increase) in restricted due to the legislation on repatriating			361,224	(	191,813 )
Increase in other non-current assets		(	36,182 )	(	32,454 )
Dividends received from investments of financial instruments			1,128,492		884,153
Increase in investments accounted for under the equity method and capital reduction to recover investment cost		(	319,818 )	(	208,146 )
Net cash flows from (used in) investing activities			<u>1,734,723</u>	(	<u>3,566,193 )</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>					
Decrease in short-term loans	6(33)	(	291,353 )	(	774,135 )
Repayment of bonds	6(33)	(	1,000,000 )		-
(Decrease) increase in long-term loans	6(33)	(	439,742 )		483,525
Lease liabilities paid	6(9)(33)	(	570,981 )	(	538,703 )
Cash dividends paid to non-controlling interests		(	404,738 )	(	226,923 )
Cash dividends paid	6(22)	(	2,887,375 )	(	2,459,616 )
Net cash flows used in financing activities		(	<u>5,594,189 )</u>	(	<u>3,515,852 )</u>
Exchange rate effect			<u>1,364,490</u>	(	<u>118,380 )</u>
Net increase (decrease) in cash and cash equivalents			3,882,653	(	3,123,117 )
Cash and cash equivalents at beginning of year			<u>17,274,143</u>		<u>20,397,260</u>
Cash and cash equivalents at end of year		\$	<u>21,156,796</u>	\$	<u>17,274,143</u>

# TECO Electric & Machinery Co., Ltd.

## Distribution of 2022 Profits

(In NT \$)

Item	Amount
Accumulated undistributed profit as of the beginning of the period	16,300,179,941
Add: Net Profit after tax in 2022	3,457,667,395
Less: Disposal of financial assets at fair value through other comprehensive income.	(144,017,953)
Less: Actuarial Losses	66,771,525
Less : Legal Reserve	(338,042,097)
<b>Total distributable earnings</b>	<b>19,342,558,811</b>
Profit available for distribution for the period:	
Profit-sharing to shareholders	3,208,194,924
(Dividend per share)	1.5
<b>Undistributed profit as of the end of 2021</b>	<b>16,134,363,887</b>
Note :	

Notes:

1. Dividend per share this year is NT\$1.5 and all dividends distributed shall be cash dividend.
2. The profit distributed this period will be distributed from the distributable earnings received in 2022 first, and from the accumulated undistributed profits from previous years where there is a shortfall.
3. 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.

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

<b>Proposed Revision</b>	<b>Current Clauses</b>	<b>Note</b>
<b>Article 2</b> The scope of business of this Company is as follows: 1. C805050 Manufacture of industrial plastic products; (Omitted) 60. IF01010 Inspection and repair of firefighting safety equipment services; <u>61. IG03010 Energy Technical Services;</u> <u>62. E606010 Testing and inspection of electrical equipment services;</u> <u>63. JE01010 Leasing services;</u> <u>64. ZZ99999 Other businesses not prohibited or restricted legally except those with special permit.</u>	<b>Article 2</b> The scope of business of this Company is as follows: 1. C805050 Manufacture of industrial plastic products; (Omitted) 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.	1. In order to meet the needs of the Government for future energy-saving business and strengthen the company's ability to compete for energy-saving business, plan to add “Energy Technical Services” related business item. 2. Adjust the serial number of the business item in accordance with the code of the Ministry of Economic Affairs
<b>Article 30</b> These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows: (Omitted) The fifty-ninth amendment on May 20, 2022. The sixtieth amendment on May 24, 2023. It took effect after the approval of shareholders' meeting.	<b>Article 30</b> These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows: (Omitted) The fifty-ninth amendment on May 20, 2022. It took effect after the approval of shareholders' meeting.	Add the date and number of times of this amendment.

Details of removal of the restrictions on non-competition obligation of Board of Directors

Name	Serve concurrently
Tong Ho Global Investment Co., Ltd. Representative: Cheng-Tsung Huang	Chairman of Sen Yeh Construction Co., Ltd. Independent Director of Aurotek Corporation
Yinge Int. Inv. Co., Ltd. Representative: Li-Chong Huang	Director of Ta Hong Machinery Co., Ltd.
Creative Sensor Inc. Representative: Jack Hou	Executive Vice President/ Director of Universal Cement Corporation Director of Sheng Yuan Inv. Co., Ltd. Director of UCC Investment Inc. Director of Li Yong Development Co., Ltd. Director of Kaohsiung Pier Transportation Inc. Director of UNEO Incorporated President/Director of Huanchung Cement International Corporation Director of Darzhen Venture Corporation Director of Lio Ho Machine Works Ltd. Managing Director of Universal Readymixed Concrete Industry Inc. Director of Universal Real Estate Development Company Director of Tainan Ready Mixed Concrete Industrial Inc. Director of Times Square International Holding Company Director of Times Square International Hotel Corporation Director of Prince Housing & Development Corp. Director of CHC Resources Corporation Director of Tainan Spinning Co., Ltd. Director of Nantex Industry Co., Ltd. Director of Grand Bills Finance Corporation
Song-Ren Fang	Chairman of Quantek Inc. Chairman of Darwin System Technology Corporation Chairman of Darwin Venture Management Corporation Chairman of Darhe Venture Corporation Chairman of Darhan Investment Corporation Chairman of Darlung Asset Management Corporation Chairman of Darzhen Venture Corporation Chairman of Darjun Venture Corporation Director of Jhenfutai Investment Corporation Chairman of Darhe II Venture Corporation Chairman of Affluent Asset Management Corporation Director of Linhsin Investment Corporation Director of Leta Investment Corporation Director of Darjun Asset Management Corporation Director of GTM Holding Investment Corporation Independent Director of Sciencetech Corporation Director of Teco Image System Co., Ltd. Director of Macronix International Co., Ltd.



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## **Appendices**

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1. Articles of Incorporation on page 50-61
2. Rules Governing Shareholders' Meeting on page 62-65
3. Shareholding of All Directors on page 66
4. Notes on page 67

# 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.

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

**Article 11**

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

**Article 12**

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

**Article 13**

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

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



**Article 14**

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

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

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

At least 3 of the aforementioned directors are independent directors.

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

**Article 16**

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

**Article 17**

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

**Article 18**

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

If the Director is for whatever reason unable to attend the meeting of the Board of 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 or profit distribution or loss make-up plan

### **Article 26**

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

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

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

**Article 27**

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

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

**Chapter 8 Supplemental Provisions****Article 28**

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

**Article 29**

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

**Article 30**

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

The first amendment on 25 January 1957;  
The second amendment on 1 September 1958;  
The third amendment on 27 March 1960;  
The fourth amendment on 31 March 1962;  
The fifth amendment on 14 July 1962;  
The sixth amendment on 25 April 1964;  
The seventh amendment on 26 March 1966;  
The eighth amendment on 27 May 1966;  
The ninth amendment on 15 April 1967;  
The tenth amendment on 23 March 1968;  
The eleventh amendment on 30 May 1969;  
The twelfth amendment on 24 October 1969;  
The thirteenth amendment on 20 February 1971;  
The fourteenth amendment on 10 May 1971;  
The fifteenth amendment on 12 May 1972;  
The sixteenth amendment on 16 April 1973;  
The seventeenth amendment on 2 June 1973;  
The eighteenth amendment on 14 April 1974;  
The nineteenth amendment on 18 April 1975;

The twentieth amendment on 26 March 1976;  
The twenty-first amendment on 16 April 1977;  
The twenty-second amendment on 21 April 1978;  
The twenty-third amendment on 20 October 1978;  
The twenty-fourth amendment on 19 April 1979;  
The twenty-fifth amendment on 28 March 1980;  
The twenty-sixth amendment on 18 April 1981;  
The twenty-seventh amendment on 27 March 1982;  
The twenty-eighth amendment on 28 March 1983;  
The twenty-ninth amendment on 28 March 1984;  
The thirtieth amendment on 28 March 1985;  
The thirty-first amendment on 28 March 1986;  
The thirty-second amendment on 28 March 1987;  
The thirty-third amendment on 28 March 1988;  
The thirty-fourth amendment on 28 March 1989;  
The thirty-fifth amendment on 28 March 1999;  
The thirty-sixth amendment on 7 May 1991;  
The thirty-seventh amendment on 8 May 1992;  
The thirty-eighth amendment on 7 May 1993;  
The thirty-ninth amendment on 28 April 1994;  
The fortieth amendment on 6 May 1995;  
The forty-first amendment on 11 May 1996;  
The forth-second amendment on 24 May 1997;  
The forty-third amendment on 15 May 1998;  
The forty-fourth amendment on 21 April 2000;  
The forty-fifth amendment on 15 May 2001;  
The forty-sixth amendment on 31 May 2002;  
The forty-seventh amendment on 6 June 2003;  
The forty-eighth amendment on 11 June 2004;  
The forty-ninth amendment on 27 May 2005;  
The fiftieth amendment on 15 June 2006;  
The fifty-first amendment on 13 June 2008;  
The fifty-second amendment on June 19, 2009;  
The fifty-third amendment on June 10, 2011;  
The fifty-fourth amendment was on June 15, 2012;  
The fifty-fifth amendment was on June 23, 2014;  
The fifty-sixth amendment was on June 16, 2016;  
The fifty-seventh amendment was on June 14, 2019;  
The fifty-eighth amendment was on May 11, 2020.  
The fifty-ninth amendment was on May 20, 2022  
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. 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 26<sup>th</sup> 2023 ~ May 24<sup>th</sup> 2023

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	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%	50,420,000	2.36%
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: Jack Hou (Note 2)	20210723	3yrs	77,519,000	3.62%	61,489,000	2.87%
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%	168,705,324	7.88%

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 Creative Sensor Inc. changed from Johnson Hou to Jack Hou on December 22<sup>nd</sup> 2022.

## 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 Act, 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 17<sup>th</sup> - 27<sup>th</sup> (till 4:30pm), 2023, 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.