Stock Code: 1504

TECO ELECTRIC & MACHINERY CO., LTD

GENERAL SHAREHOLDERS MEETING 2014

JUNE 23, 2014

AGENDA

Market Observation Post System: http://newmops.twse.com.tw
TECO website: http://www.teco.com.tw

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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7. Meeting adjourned

TECO Electric & Machinery Co., Ltd.

General Shareholders Meeting 2014

Agenda

Time: 09:00am, June 23, 2014 (Monday)
Place: 11 An Dong Road, Industrial Zone, Chung-Li, Taoyuan County
(TECO Chung-Li Plant)

1. Meeting called to order

2. Addresses by the Chairman.

3. Reports:
3.1 Business Report for 2013
3.2 Inspection Report of Audit Committee for 2013
3.3 Endorsements and guarantees to other parties and lending of capital
3.4 The status of corporate bonds issued

4. Ratification:
4.1 Business Report and Financial Statements for 2013
4.2 Distribution of 2013 Profits
4.3 Revise the utilization of proceeds of 1st unsecured corporate bond in 2013

5. Discussion:
5.1 Amendment to “Article of Incorporation”
5.2 Amendment to “Rules Governing Election of Directors”
5.3 Amendment to “Procedure for Acquisition or Disposal of Assets”

※ After discussion of each proposal, voting for all proposals of Ratification and Discussions 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 2013 (pages 10-11)

2. Inspection Report of Audit Committee for 2013 (page 12)

3. Endorsements and guarantees to other parties and lending of capital (page 31)

4. The status of corporate bonds issued (page 32)

Ratification

Proposal 1:
Business Report and Financial Statements for 2013 (proposed by the board of directors)

Explanatory note:

1. The Board of Directors entrusted certified public accountants Audrey Tseng and Albert Hsueh with Pricewaterhouse Coopers to audit and certify the Business Report and Financial Statements (includes Consolidated Financial Statements) for 2013, both of which were subsequently inspected by Audit Committee and are hereby submitted for ratification.

2. Please see pages 10-11 for the business report and pages 13-29 for the Auditors' Report and the Financial Statements.

Proposal 2:
Distribution of 2013 profits (proposed by the board of directors)

Explanatory note:

1. The company's retained earnings stood at NT$4,983,544,524 at the beginning of the period, which is translated to disposable earnings of NT$7,862,946,275 for the period, after making a number of adjustments, including deduction of NT$503,564,616 for IFRS adjustment, additional earnings of NT$81,577 from actuarial computation of gains and losses, after-tax net profit of 3,759,871,989 for 2013, and provision of NT$375,987,199 for legal reserve.

2. The Board of Directors proposed cash dividend of NT$1.1 per share for the distribution of 2013 profits.

3. Subject to the approval by the General Shareholders Meeting, it is proposed that the ex-dividend date and the distribution date shall be determined by the Board of Directors authorized to do so.

4. Please see page 30 for the detailed profit distribution plan.

<u>Proposal 3</u>:
Revise the utilization of proceeds of 1st unsecured corporate bond in 2013

Explanatory note:

1. To boost the efficacy of fund utilization, the company plans to revise the purpose of the 240 million RMB (US$40 million) fund raised from corporate bonds to use for “overseas investment.”

2. The change can create NT$27,332,000 RMB of benefit, from investment returns and interest saving, higher than original expectation, without any adverse effect on shareholders’ interest.

3. Plan for the fund utilization after the change follows:

(unit: thousand RMB)

Item	Before Modification	After Modification
Enriching Working Capital	300,000	60,000
Overseas Reinvestment	0	240,000 (note)
Total Capital	300,000	300,000

Note: USD$ 40 million equivalent RMB

Discussion

Proposal 1:

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

Explanatory note:

1. In line with the revised “Company Law,” passed by the Executive Yuan (the Cabinet) on Jan. 9, 2014, and the trend of corporate governance being pushed by the securities authorities, the company plans to revise the nomination system for directors, on the basis of article 192-1 of the Company Law.
2. Plan to remove the reference to “supervisor” in the passage concerning payout of supervisor compensation in the charter.
3. For the comparison between the revision and the original, please refer to pages 33-34 and page 56-65.

Proposal 2:

Amendment to “Rules Governing Election of Directors”

Explanatory note:

1. In line with the amendment to “Article of Incorporation”, plan to add nomination system for directors to the measures.
2. For the comparison between the revision and the original, please refer to pages 35 and page 70-71.

Proposal 3:

Amendment to “Procedure for Acquisition or Disposal of Assets”

Explanatory note:

1. In line with the revision of the criteria by the Financial Supervisory Commission (FSC), plan to revise the company’s “Procedure for Acquisition or Disposal of Assets”
2. For the comparison between the revision and the original, please refer to pages 36-54 and page 72-91.

※ The voting for above-mentioned proposals.

Extempore Motion(s)

Meeting Adjourned

Attachments

Business Report

Dear Shareholders,

In 2013, showed by the U.S.'s financial cliff and exit of QE (quantitative easing) monetary policy, the global economy recovered rather slowly. On the domestic front, with the depreciation of Japanese yen affecting its export performance, Taiwan's economic growth had some, but only slight improvement. Still, thanks to the concerted effort of our staff, the company managed to cash in on profit opportunities and scored net profits which were the highest in recent years.

A. Review of Business Performance in 2013

Analysis of the company's business performance in 2013 follows:

Unit: NT$ thousand

	2013	2012	Change
Net revenue	25,604,449	25,461,139	1%
Operating income	1,712,416	1,822,367	(6%)
Net profits	3,759,872	3,079,802	22%

For net revenue, large motors boasted brisk order reception and shipment, along with more construction service income, boosting net revenue. With consumption willingness being affected by a number of adverse factors, such as worse-than-expectation recovery and decrease in real salaries, sales of home appliances dropped. Overall speaking, the company's sales increased 1% compared to 2012, and consolidated income increased 16%.

For operating income, due to decrease in the share of higher-margin small motors and home appliances in the turnover driving down gross margin and increased expense from the second-generation national health insurance, plus write-back of higher amount of bad debts in 2012, operating income dropped by 6%.

For non-operating income, with the efforts on improving company's external investments over the past several years, the company's investment income from equity method investment, jumped by NT$800 million in 2013 over 2012, boosting net non-operating income. Overall speaking, the Company's net profit grew 22%.

Regarding R&D, in 2013, the company successfully developed a number of new products in 2013, including low-voltage auto motor, low-speed electric-car controller, inverter for small wind turbine, control technology for synchronization of multiple devices for inverter, in addition to obtaining "Taiwan Excellence Awards" for five items and 41 domestic and foreign patents.

B. Outline of 2014 Business Plan

The Cabinet-level Directorate General of Budget, Accounting, and Statistics (DGBAS) forecasts Taiwan's economic growth at 2.82% this year, higher than 2013, in line with the growth forecast made by major international economic forecast bodies. To fully capitalize on business opportunities to be induced by the growth, the company, on top of continuing to strengthen product competitiveness via cost reduction, will actively expand sales, mainly via rollout of new products.

For augmenting the nation's overall energy efficiency, the Ministry of Economic Affairs has publicized measures for subsidizing high-efficiency motors, which is expected to considerable boost sales of high-efficiency motors. The home appliances department will increase market share via rollout of series of premium inverter duty household air conditioners and VRF (variable refrigerant flow) air conditioners, on top of services with premium quality. General speaking, motor department and home-appliances department are expected to enjoy steady growth for domestic sales, thanks to robust domestic economy and rollout of new products.

Riding on the global energy-conservation and environmental-protection trend and the publication by Europe and Japan of the schedule requiring substitution of high-efficiency motors for low-efficiency ones, the company's motor department is actively soliciting orders, as a result of which the company's exports of high-efficiency motors are expected to score substantial growth. Meanwhile, the company is actively soliciting clients for its new products, including explosion proof motor, permanent-magnet motor and 510 series inverter. Expected growth momentum for America, the company's largest overseas market, and growing demand related to shale-oil exploitation in the U.S. will further boost the company's sales in the region. With the European economy expected to rebound, the company has established a warehouse in the region, which will facilitate solicitation of OEM (original equipment manufacturing) clients. Overall speaking, outlook for the company's export this year is rosy.

In sum, in response to the growth expectation for both domestic and international economy, the company will spare no effort in seeking growth for both sales and profits, on top of implementing norms of corporate governance for fulfillment of corporate social responsibility. In 2013, the company obtained, for the second year running, champion of the Award of Corporate Citizen for the traditional-industry category granted by the Commonwealth magazine, as well as second-star award for enterprise of well-being in Taipei city. In line with vision of "TECO Go Eco," the company will continue dedication to promoting environment-friendly products, so as to maximize shareholders' benefits and provide payback to shareholders and investing public for their long-term support to the company.

TECO Electric & Machinery Co., Ltd

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 2013 (include 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 2014

TECO Electric & Machinery Co., Ltd

Audit Committee Convener：Tain-Jy, Chen

Date: March 24, 2013

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of TECO Electric & Machinery Co., Ltd. as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related non-consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years ended December 31, 2013 and 2012. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We did not audit the financial statements of certain investee companies accounted for under the equity method. These investments amounted to $4,073,049,000, $3,918,389,000 and $6,584,704,000, constituting 7%, 7% and 11% of the related total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, the related credit investments balance amounted to $11,987,000, $8,594,000 and $4,955,000, all constituting 0% of the related total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and the comprehensive income amounted to $203,036,000 and $136,953,000, both constituting 5% of the comprehensive income for the years ended December 31, 2013 and 2012, respectively. The financial statements of these investee companies 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 non-consolidated financial statements and information disclosed in Note 13 relative to these investees, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the non-consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of TECO Electric & Machinery Co., Ltd. as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”.

PricewaterhouseCoopers, Taiwan

March 24, 2014

The accompanying non-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 non-consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012	
	Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 2,560,050	4	$ 2,792,719	5	$ 2,613,623	4
1110	Financial assets at fair value through profit or loss - current	6(2)	5,355	-	9,713	-	1,818	-
1150	Notes receivable, net	6(4)(5)	223,550	-	387,112	1	500,305	1
1160	Notes receivable - related parties	7	431,628	1	429,773	1	420,677	1
1170	Accounts receivable, net	6(5)	1,926,211	3	1,663,231	3	1,579,632	3
1180	Accounts receivable - related parties	6(8) and 7	2,033,521	3	2,018,634	3	2,882,635	5
1190	Receivables from customers on construction contracts	6(7)	744,268	1	1,012,848	2	1,758,997	3
1200	Other receivables		28,376	-	86,241	-	51,986	-
1210	Other receivables - related parties	6(8) and 7	849,167	2	790,932	1	796,716	1
130X	Inventories	6(6)	3,340,885	6	3,492,637	6	3,842,917	7
1410	Prepayments		36,476	-	35,336	-	44,848	-
1470	Other current assets	6(1) and 8	321,353	1	226,943	-	267,811	-
11XX	**Current Assets**		12,500,840	21	12,946,119	22	14,761,965	25
	Non-current assets							
1523	Available-for-sale financial assets - noncurrent	6(3)	5,204,652	9	5,953,543	10	5,345,765	9
1550	Investments accounted for under the equity method	6(8)	35,563,399	60	32,333,023	56	32,608,954	55
1600	Property, plant and equipment	6(9) and 7	3,592,858	6	3,600,750	6	3,635,054	6
1760	Investment property - net	6(10)	1,920,727	3	1,957,648	3	2,016,873	3
1840	Deferred income tax assets	6(28)	729,762	1	893,558	2	1,017,723	2
1900	Other non-current assets	6(11)	269,148	-	223,422	1	183,621	-
15XX	**Non-current assets**		47,280,546	79	44,961,944	78	44,807,990	75
1XXX	**Total assets**		$ 59,781,386	100	$ 57,908,063	100	$ 59,569,955	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(12)	$ -	-	$ -	-	$ 39,060	-
2120	Financial liabilities at fair value through profit or loss - current	6(13)	1,163	-	2,212	-	661	-
2150	Notes payable		17,235	-	191,867	-	224,286	-
2160	Notes payable - related parties	7	127,626	-	29,683	-	39,734	-
2170	Accounts payable		3,475,462	6	3,681,442	6	3,940,635	7
2180	Accounts payable - related parties	7	1,494,651	3	1,114,013	2	1,307,107	2
2190	Payables to customers on construction contracts	6(7)	217,274	-	277,275	1	1,063,010	2
2200	Other payables	6(30)	2,397,308	4	2,179,773	4	2,025,036	4
2220	Other payables - related parties	7	247,851	-	212,821	1	110,378	-
2230	Current income tax liabilities	6(28)	193,387	-	156,002	-	156	-
2250	Provisions for liabilities - current		84,750	-	87,752	-	53,701	-
2300	Other current liabilities		259,053	1	188,022	-	217,438	-
21XX	**Current Liabilities**		8,515,760	14	8,120,862	14	9,021,202	15
	Non-current liabilities							
2530	Corporate bonds payable	6(14)	1,475,700	3	2,902,653	5	-	-
2540	Long-term borrowings	6(15)	4,399,586	7	7,198,924	13	11,948,671	20
2570	Deferred income tax liabilities	6(28)	778,921	1	762,277	1	751,559	1
2600	Other non-current liabilities	6(16)	1,747,985	3	1,748,658	3	1,757,822	3
25XX	**Non-current liabilities**		8,402,192	14	12,612,512	22	14,458,052	24
2XXX	**Total Liabilities**		16,917,952	28	20,733,374	36	23,479,254	39
	Equity							
	Share capital	6(18)						
3110	Common stock		19,646,374	33	18,471,209	32	18,375,519	31
3140	Advance receipts for share capital		380,555	1	19,760	-	12,500	-
	Capital surplus	6(19)						
3200	Capital surplus		7,493,180	12	5,881,995	9	5,746,161	9
	Retained earnings	6(20)						
3310	Legal reserve		4,629,663	8	4,333,193	8	4,054,872	7
3320	Special reserve		3,737,786	6	3,737,786	7	3,737,786	6
3350	Unappropriated retained earnings		8,238,933	14	6,697,545	12	5,764,461	10
	Other equity interest	6(21)						
3400	Other equity interest		(941,494)	(1)	(1,645,960)	(3)	(1,279,759)	(2)
3500	Treasury stocks	6(8)(18)	(321,563)	(1)	(320,839)	(1)	(320,839)	-
3XXX	**Total equity**		42,863,434	72	37,174,689	64	36,090,701	61
	Commitments and Contingent Liabilities	9						
	Subsequent Events	11						
	Total liabilities and equity		$ 59,781,386	100	$ 57,908,063	100	$ 59,569,955	100

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31 2013 AMOUNT	%	2012 AMOUNT	%
4000	**Sales revenue**	6(22) and 7	$ 25,604,449	100	$ 25,461,139	100
5000	**Operating costs**	6(6)(16)(20)(26)(27) and 7	(20,344,940)	(80)	(20,170,940)	(79)
5900	**Net operating margin**		5,259,509	20	5,290,199	21
5910	Unrealized profit from sales	7	(520,178)	(2)	(443,013)	(2)
5920	Realized profit from sales		443,013	2	372,691	1
5950	**Net operating margin**		5,182,344	20	5,219,877	20
	Operating expenses	6(16)(20)(26)(27) and 7				
6100	Selling expenses		(2,017,435)	(8)	(2,055,056)	(8)
6200	General & administrative expenses		(619,161)	(2)	(550,965)	(2)
6300	Research and development expenses		(833,332)	(3)	(791,489)	(3)
6000	**Total operating expenses**		(3,469,928)	(13)	(3,397,510)	(13)
6900	**Operating profit**		1,712,416	7	1,822,367	7
	Non-operating income and expenses					
7010	Other income	6(2)(10)(13)(23) and 7	404,394	2	392,843	2
7020	Other gains and losses	6(3)(24)	(41,416)	-	(39,369)	-
7050	Finance costs	6(25)	(113,631)	(1)	(124,492)	(1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under the equity method	6(8)	2,182,780	8	1,377,013	5
7000	**Total non-operating income and expenses**		2,432,127	9	1,605,995	6
7900	**Profit before income tax**		4,144,543	16	3,428,362	13
7950	Income tax expense	6(28)	(384,671)	(2)	(348,560)	(1)
8200	**Profit for the year**		$ 3,759,872	14	$ 3,079,802	12
	Other comprehensive income					
8310	Currency translation differences of foreign operations	6(21)	$ 57,538	-	($ 404,833)	(1)
8325	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(3)(21)	(351,936)	(1)	794,746	3
8360	Actuarial loss on defined benefit plan	6(16)	(1,837)	-	-	-
8380	Total share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under the equity method	6(21)	1,004,254	4	(794,740)	(3)
8399	Income tax relating to the components of other comprehensive income	6(28)	(3,472)	-	38,626	-
8300	**Other comprehensive income for the year**		$ 704,547	3	($ 366,201)	(1)
8500	**Total comprehensive income for the year**		$ 4,464,419	17	$ 2,713,601	11
	Basic earnings per share	6(29)				
9750	**Total basic earnings per share**		$	2.01	$	1.69
9850	**Total diluted earnings per share**		$	2.00	$	1.68

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Capital			Retained Earnings			Other equity interest			
	Notes	Common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total equity
For the Year Ended December 31, 2012											
Balance at January 1, 2012		$ 18,375,519	$ 12,500	$ 5,746,161	$ 4,054,872	$ 3,737,786	$ 5,764,461	$ -	($ 1,279,759)	($ 320,839)	$ 36,090,701
Appropriations of 2011 net income (Note)	6(20)										
Legal reserve		-	-	-	278,321	-	(278,321)	-	-	-	-
Cash dividends		-	-	-	-	-	(1,661,072)	-	-	-	(1,661,072)
Exercise of employee stock options	6(17)(18)	95,690	7,260	25,734	-	-	-	-	-	-	128,684
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	-	-	-	-	(207,325)	-	-	-	(207,325)
Issurance of stock options embedded in convertible bonds	6(14)	-	-	110,100	-	-	-	-	-	-	110,100
Profit for the year		-	-	-	-	-	3,079,802	-	-	-	3,079,802
Other comprehensive income for the year	6(21)	-	-	-	-	-	-	(366,207)	794,746	-	428,539
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for under the equity method	6(21)	-	-	-	-	-	-	-	(794,740)	-	(794,740)
Balance at December 31, 2012		$ 18,471,209	$ 19,760	$ 5,881,995	$ 4,333,193	$ 3,737,786	$ 6,697,545	($ 366,207)	($ 1,279,753)	($ 320,839)	$ 37,174,689
For the Year Ended December 31, 2013											
Balance at January 1, 2013		$ 18,471,209	$ 19,760	$ 5,881,995	$ 4,333,193	$ 3,737,786	$ 6,697,545	($ 366,207)	($ 1,279,753)	($ 320,839)	$ 37,174,689
Appropriations of 2012 net income (Note)	6(20)										
Legal reserve		-	-	-	296,470	-	(296,470)	-	-	-	-
Cash dividends		-	-	-	-	-	(1,922,095)	-	-	-	(1,922,095)
Exercise of employee stock options	6(17)(18)	83,810	28,960	21,374	-	-	-	-	-	-	134,144
Common stock converted from corporate bonds	6(14)(18)	1,091,355	331,835	1,576,810	-	-	-	-	-	-	3,000,000
Effect of changes in the net equity of associates and joint ventures accounted for under the equity method		-	-	140	-	-	-	-	-	-	140
Differences between the price for acquisition or disposal of subsidiaries and carrying amount	6(8)	-	-	12,861	-	-	-	-	-	-	12,861
Net income for the year		-	-	-	-	-	3,759,872	-	-	-	3,759,872
Other comprehensive income for the year	6(21)	-	-	-	-	-	(1,837)	54,066	(351,936)	-	(299,707)
Shares of other comprehensive income of subsidiaries, associates and joint ventures account for under the equity method	6(21)	-	-	-	-	-	1,918	-	1,002,336	-	1,004,254
Treasury stock acquired through acquisition of subsidiaries	6(8)(18)	-	-	-	-	-	-	-	-	(724)	(724)
Balance at December 31, 2013		$ 19,646,374	$ 380,555	$ 7,493,180	$ 4,629,663	$ 3,737,786	$ 8,238,933	($ 312,141)	($ 629,353)	($ 321,563)	$ 42,863,434

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		$ 4,144,543	$ 3,428,362
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net gain on financial assets at fair value through profit or loss	6(2)(24)	(36,033)	(27,050)
Net (gain) loss on financial liabilities at fair value through profit or loss	6(13)(24)	(1,049)	2,212
Reversal of allowance for doubtful accounts	6(5)	(8,565)	(86,686)
Provision for decline in value of inventories	6(6)	74,106	31,728
Interest revenue	6(23) and 7	(45,974)	(12,672)
Interest expense	6(25)	98,299	107,375
Dividend income	6(23)	(70,866)	(70,730)
Impairment loss	6(24)	-	92,000
Gain on disposal of investments	6(24)	(172,241)	(272,991)
Share of profit of subsidiaries, associates and joint ventures accounted for under the equity method	6(8)	(2,182,780)	(1,377,013)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(9)(10)(24)(26)	421,255	409,860
Foreign exchanges loss of corporate bonds payable	6(14)	18,600	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current	6(2)	40,391	19,155
Notes receivables	6(4)	163,981	127,193
Notes receivables-related parties	7	(1,855)	(9,096)
Accounts receivable	6(5)	(185,841)	41,553
Accounts receivable- related parties	7	(18,016)	864,543
Receivables from customers on construction contract	6(7)	268,580	746,149
Other receivables		57,723	(34,113)
Other receivables - related parties	7	(102,476)	50,025
Inventories	6(6)	77,646	318,552
Prepayments		(1,140)	9,512
Other current asset		(105,259)	40,983
Other non-current assets		(2,573)	-
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss-current	6(13)	-	(661)
Notes payable		(174,632)	(32,419)
Notes payable-related parties	7	97,943	(10,051)
Accounts payable		(205,980)	(259,193)
Accounts payable-related parties	7	380,638	(193,094)
Payables to customers on construction contract	6(7)	(60,001)	(785,735)
Other payables	6(30)	182,631	120,844
Other payables- related parties	7	35,030	102,443
Provisions for liabilities		(3,002)	34,051
Other current liabilities		71,031	(29,416)
Other non-current liabilities		(673)	(9,164)
Cash provided by generated from operations		2,753,441	3,336,456
Interest received		46,116	12,530
Dividend received		505,191	458,136
Payment of interest		(41,737)	(90,959)
Payment of income tax		(160,251)	(22,430)
Net cash provided by operating activities		3,102,760	3,693,733

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31 2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other receivables-related parties	7	$ 44,241	($ 44,241)
Dcrease (increase) in pledged demand and fixed deposits	8	10,849	(115)
Proceeds from disposal of available-for-sale financial assets - non-current		569,196	164,277
Increase in available-for-sale financial assets -non-current		-	(150,000)
Proceeds from disposal of investments accounted for under the equity method		5,479	363,460
Increase in investments accounted for under the equity method		(393,751)	(183,168)
Proceeds from disposal of property, plant and equipment		26,638	2,975
Acquisition of property, plant and equipment	6(9)(10)(30)	(377,396)	(305,561)
Increase in deferred expenses	6(11)	(61,088)	(42,472)
(Increase) decrease in refundable deposits	6(11)	(29,408)	6,403
Net cash used in investing activities		(205,240)	(188,442)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term loans	6(12)	-	(39,060)
Proceeds from issuance of bonds payable	6(14)	1,457,100	2,995,000
Decrease in long-term loans	6(15)	(2,799,338)	(4,749,747)
Exercise of employee stock options	6(17)(18)	134,144	128,684
Cash dividend paid	6(20)	(1,922,095)	(1,661,072)
Net cash used in financing activities		(3,130,189)	(3,326,195)
(Decrease) increase in cash and cash equivalents		(232,669)	179,096
Cash and cash equivalents at beginning of year		2,792,719	2,613,623
Cash and cash equivalents at end of year		$ 2,560,050	$ 2,792,719

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As described in Notes 4(3) and 6(10) to the consolidated financial statements, we did not audit the financial statements of certain consolidated subsidiaries and investee companies accounted for under the equity method. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants. The statements of these subsidiaries reflect total assets of $2,159,308,000, $2,205,303,000 and $5,661,726,000, constituting 3%, 3% and 8% of the consolidated total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and total operating revenues of $2,559,800,000 and $2,451,323,000, both constituting 5% of consolidated total operating revenues for the years ended December 31, 2013 and 2012, respectively. These investments accounted for under the equity method of $3,914,336,000, $3,698,279,000 and $ 3,577,157,000, all constituted 5% of total consolidated assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, the credit balance of investments accounted for under equity method of $19,878,000, $33,563,000 and $4,721,000, all constituted 0% of total consolidated assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and the share of profit of associates and joint ventures accounted for under the equity method of $182,785,000 and $130,310,000, constituted 4% and 5% of the consolidated comprehensive income for the years ended December 31, 2013 and 2012, respectively.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of TECO Electric & Machinery Co., Ltd. and subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012, in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2013 and 2012, and have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

March 24, 2014

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 report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

	Assets	Notes	December 31, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1) and 8	$ 14,908,571	19	$ 13,178,775	18	$ 11,602,770	16
1110	Financial assets at fair value through profit or loss - current	6(2) and 8	348,455	-	152,882	-	198,334	-
1125	Available-for-sale financial assets - current	6(3) and 8	984,570	1	516,105	1	200,874	-
1147	Bond investments without active markets - current	6(4)	106,630	-	280,930	-	9,906	-
1150	Notes receivable, net	6(5)(6) and 8	1,124,336	2	1,163,129	2	1,239,636	2
1160	Notes receivable - related parties	7	38,865	-	7,128	-	14,474	-
1170	Accounts receivable, net	6(6) and 8	8,695,223	11	7,495,723	10	6,765,242	10
1180	Accounts receivable - related parties	7	575,626	1	776,630	1	415,095	1
1190	Receivables from customers on construction contracts	6(8)	879,132	1	1,065,843	2	1,807,984	3
1200	Other receivables		203,041	-	244,294	-	215,578	-
1210	Other receivables - related parties	7	397,370	1	381,150	1	350,827	-
130X	Inventories	6(7) and 8	11,193,424	15	10,761,437	15	11,069,910	16
1410	Prepayments		369,807	1	326,313	-	324,858	-
1460	Non-current assets held for sale - net	6(9)	58,662	-	73,673	-	-	-
1470	Other current assets	8	959,643	1	603,719	1	605,343	1
11XX	**Current Assets**		40,843,355	53	37,027,731	51	34,820,831	49
	Non-current assets							
1523	Available-for-sale financial assets - non-current	6(3) and 8	10,779,025	14	11,030,914	15	11,144,890	16
1550	Investments accounted for under the equity method	6(10) and 8	5,019,511	7	4,768,049	7	4,851,715	7
1600	Property, plant and equipment	6(12), 8 and 9	15,132,587	20	14,544,940	20	14,870,955	21
1760	Investment property - net	6(13)	2,299,151	3	2,198,444	3	2,218,200	3
1780	Intangible assets	6(34) and 9	320,236	-	74,087	-	90,629	-
1840	Deferred income tax assets	6(32)	1,358,641	2	1,267,498	2	1,272,297	2
1900	Other non-current assets	6(14) and 8	1,137,547	1	1,294,401	2	1,266,747	2
15XX	**Non-current assets**		36,046,698	47	35,178,333	49	35,715,433	51
1XXX	**Total assets**		$ 76,890,053	100	$ 72,206,064	100	$ 70,536,264	100

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

	Liabilities and Equity	Notes	December 31, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(15) and 8	$ 2,916,614	4	$ 2,915,595	4	$ 1,653,930	2
2120	Financial liabilities at fair value through profit or loss - current	6(16)	1,476	-	2,855	-	1,305	-
2150	Notes payable		352,872	1	228,119	-	248,530	-
2160	Notes payable - related parties	7	16,923	-	1,180	-	8,000	-
2170	Accounts payable		7,558,564	10	7,336,642	10	7,378,020	11
2180	Accounts payable - related parties	7	79,410	-	196,807	-	187,582	-
2190	Payables to customers on construction contracts	6(8)	243,436	-	313,710	1	1,102,051	2
2200	Other payables		4,639,317	6	4,182,011	6	3,614,382	5
2230	Current income tax liabilities	6(32)	510,856	1	372,322	1	314,194	-
2250	Provisions for liabilities - current		274,428	-	75,833	-	88,644	-
2300	Other current liabilities	6(18)(19)	3,389,880	4	2,056,965	3	1,732,612	3
21XX	**Current Liabilities**		19,983,776	26	17,682,039	25	16,329,250	23
	Non-current liabilities							
2530	Corporate bonds payable	6(17)	1,475,700	2	2,902,653	4	-	-
2540	Long-term borrowings	6(18) and 8	4,498,266	6	7,905,912	11	11,973,030	17
2550	Provisions for liabilities - non-current		165,929	-	105,794	-	140,856	-
2570	Deferred income tax liabilities	6(32)	1,911,053	2	1,720,753	2	1,760,054	3
2600	Other non-current liabilities	6(10)(19)(20)	2,131,355	3	2,603,223	4	2,610,388	4
25XX	**Non-current liabilities**		10,182,303	13	15,238,335	21	16,484,328	24
2XXX	**Total Liabilities**		30,166,079	39	32,920,374	46	32,813,578	47
	Equity attributable to owners of parent							
	Share capital	6(22)						
3110	Common stock		19,646,374	26	18,471,209	26	18,375,519	26
3140	Advance receipts for share capital		380,555	-	19,760	-	12,500	-
	Capital surplus	6(23)						
3200	Capital surplus		7,493,180	9	5,881,995	7	5,746,161	8
	Retained earnings	6(21)(24)(32)						
3310	Legal reserve		4,629,663	6	4,333,193	6	4,054,872	6
3320	Special reserve		3,737,786	5	3,737,786	5	3,737,786	5
3350	Unappropriated retained earnings		8,238,933	11	6,697,545	9	5,764,461	8
	Other equity interest	6(25)						
3400	Other equity interest		(941,494)	(1)	(1,645,960)	(2)	(1,279,759)	(2)
3500	Treasury stocks	6(22) and 8	(321,563)	-	(320,839)	-	(320,839)	-
31XX	**Equity attributable to owners of the parent**		42,863,434	56	37,174,689	51	36,090,701	51
36XX	**Non-controlling interest**		3,860,540	5	2,111,001	3	1,631,985	2
3XXX	**Total equity**		46,723,974	61	39,285,690	54	37,722,686	53
	Commitments and Contingent Liabilities	9						
	Subsequent Events	11						
	Total liabilities and equity		$ 76,890,053	100	$ 72,206,064	100	$ 70,536,264	100

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			For the years ended December 31			
			2013		2012	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(26) and 7	$ 56,618,537	100	$ 48,730,193	100
5000	**Operating costs**	6(7)(20)(24)(30)(31) and 7	(43,137,921)	(76)	(37,272,745)	(76)
5900	**Net operating margin**		13,480,616	24	11,457,448	24
5910	Unrealized profit from sales		(10,329)	-	(14,439)	-
5920	Realized profit from sales		14,439	-	6,952	-
5950	**Net operating margin**		13,484,726	24	11,449,961	24
	Operating expenses	6(20)(24)(30)(31)				
6100	Selling expenses		(4,317,858)	(8)	(3,542,855)	(7)
6200	General & administrative expenses		(2,994,129)	(5)	(2,785,013)	(6)
6300	Research and development expenses		(1,547,145)	(3)	(1,293,035)	(3)
6000	**Total operating expenses**		(8,859,132)	(16)	(7,620,903)	(16)
6900	**Operating profit**		4,625,594	8	3,829,058	8
	Non-operating income and expenses					
7010	Other income	6(4)(13)(27) and 7	858,150	2	831,385	2
7020	Other gains and losses	6(2)(13)(16)(28)	3,532	-	(141,738)	-
7050	Finance costs	6(12)(29)	(251,706)	-	(209,757)	(1)
7060	Share of profit of associates and joint ventures accounted for under the equity method	6(10)	167,914	-	99,794	-
7000	**Total non-operating income and expenses**		777,890	2	579,684	1
7900	**Profit before income tax**		5,403,484	10	4,408,742	9
7950	Income tax expense	6(32)	(1,226,228)	(2)	(1,082,296)	(2)
8200	**Profit for the year**		$ 4,177,256	8	$ 3,326,446	7

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	2013 AMOUNT	2013 %	2012 AMOUNT	2012 %
	Other comprehensive income					
8310	Currency translation differences of foreign operations	6(25)	$ 71,229	-	($ 526,599)	(1)
8325	Unrealized gain on valuation of available-for-sale financial assets	6(25)	692,905	1	1,453	-
8360	Actuarial gain on defined benefit plan		4,375	-	-	-
8370	Share of other comprehensive income of associates and joint ventures accounted for under the equity method	6(10)(25)	8,998	-	4,017	-
8399	Income tax relating to the components of other comprehensive income	6(32)	(3,472)	-	38,626	-
8300	**Other comprehensive income for the year**		$ 774,035	1	($ 482,503)	(1)
8500	**Total comprehensive income for the year**		$ 4,951,291	9	$ 2,843,943	6
	Profit (loss), attributable to:					
8610	Owners of the parent		$ 3,759,872	7	$ 3,079,802	6
8620	Non-controlling interest		417,384	1	246,644	1
			$ 4,177,256	8	$ 3,326,446	7
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 4,464,419	8	$ 2,713,601	6
8720	Non-controlling interest		486,872	1	130,342	-
			$ 4,951,291	9	$ 2,843,943	6
	Earnings per share	6(33)				
9750	**Total basic earnings per share**		$ 2.01		$ 1.69	
9850	**Total diluted earnings per share**		$ 2.00		$ 1.68	

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
		Share Capital			Retained Earnings			Other equity interest					
	Notes	Common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
For the Year Ended December 31, 2012													
Balance at January 1, 2012		$ 18,375,519	$ 12,500	$ 5,746,161	$ 4,054,872	$ 3,737,786	$ 5,764,461	$ -	($ 1,279,759)	($ 320,839)	$ 36,090,701	$ 1,631,985	$ 37,722,686
Appropriations of 2011 net income (Note)	6(24)												
Legal reserve		-	-	-	278,321	-	(278,321)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,661,072)	-	-	-	(1,661,072)	-	(1,661,072)
Exercise of employee stock options	6(21)(22)	95,690	7,260	25,734	-	-	-	-	-	-	128,684	-	128,684
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	-	-	-	-	(207,325)	-	-	-	(207,325)	-	(207,325)
Issuance of stock options embedded in convertible bonds	6(17)	-	-	110,100	-	-	-	-	-	-	110,100	-	110,100
Change of non-controlling interests		-	-	-	-	-	-	-	-	-	-	348,674	348,674
Profit for the year	6(24)	-	-	-	-	-	3,079,802	-	-	-	3,079,802	246,644	3,326,446
Other comprehensive income for the year	6(25)	-	-	-	-	-	-	(366,207)	6	-	(366,201)	(116,302)	(482,503)
Balance at December 31, 2012		$ 18,471,209	$ 19,760	$ 5,881,995	$ 4,333,193	$ 3,737,786	$ 6,697,545	($ 366,207)	($ 1,279,753)	($ 320,839)	$ 37,174,689	$ 2,111,001	$ 39,285,690
For the Year Ended December 31, 2013													
Balance at January 1, 2013		$ 18,471,209	$ 19,760	$ 5,881,995	$ 4,333,193	$ 3,737,786	$ 6,697,545	($ 366,207)	($ 1,279,753)	($ 320,839)	$ 37,174,689	$ 2,111,001	$ 39,285,690
Appropriations of 2012 net income (Note)	6(24)												
Legal reserve		-	-	-	296,470	-	(296,470)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,922,095)	-	-	-	(1,922,095)	-	(1,922,095)
Exercise of employee stock options	6(21)(22)	83,810	28,960	21,374	-	-	-	-	-	-	134,144	-	134,144
Common stock converted from corporate bonds	6(17)(22)	1,091,355	331,835	1,576,810	-	-	-	-	-	-	3,000,000	-	3,000,000
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	-	140	-	-	-	-	-	-	140	-	140
Differences between the price for acquisition or disposal of subsidiaries and carrying amount		-	-	12,861	-	-	-	-	-	-	12,861	-	12,861
Change of non-controlling interests		-	-	-	-	-	-	-	-	-	-	1,262,667	1,262,667
Profit for the year	6(24)	-	-	-	-	-	3,759,872	-	-	-	3,759,872	417,384	4,177,256
Other comprehensive income for the year	6(25)	-	-	-	-	-	81	54,066	650,400	-	704,547	69,488	774,035
Treasury stock acquired through acquisition of subsidiaries	6(22)	-	-	-	-	-	-	-	-	(724)	(724)	-	(724)
Balance at December 31, 2013		$ 19,646,374	$ 380,555	$ 7,493,180	$ 4,629,663	$ 3,737,786	$ 8,238,933	($ 312,141)	($ 629,353)	($ 321,563)	$ 42,863,434	$ 3,860,540	$ 46,723,974

Note: For the years ended December 31, 2012 and 2011, directors' and supervisors' remuneration amounting to $106,729 and $100,196, respectively, and employees' bonus amounting to $240,141 and $202,327, respectively, have been deducted from the consolidated statements of comprehensive income.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		$ 5,403,484	$ 4,408,742
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net gain on financial assets at fair value through profit or loss	6(2)(28)	(68,411)	(42,563)
Net gain (loss) on financial liabilities at fair value through profit or loss	6(16)(28)	(1,379)	2,855
Reversal of allowance for doubtful accounts	6(6)	(53,383)	(183,354)
Provision for decline in value of inventories	6(7)	171,276	27,415
Interest revenue	6(27)	(137,926)	(74,934)
Interest expense	6(29)	251,706	209,757
Depreciation and amortization	6(12)(13)(30)	1,442,378	1,416,787
Gain on disposal of investments	6(28)	(308,907)	(458,797)
Gain on disposal of property, plant and equipment	6(12)(28)	(60,187)	(56,947)
Gain on associates and joint ventures accounted for under the equity method	6(10)	(167,914)	(99,794)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current	6(2)	(127,162)	153,399
Notes receivable	6(5)	236,440	157,141
Notes receivable - related parties	7	(31,737)	7,381
Accounts receivable	6(6)	(860,674)	154,269
Accounts receivable - related parties	7	201,004	(59,485)
Receivables from customers on constructions contract	6(8)	186,711	742,141
Other receivables		41,253	(28,716)
Other receivables-related parties	7	(16,220)	(37,339)
Inventories	6(7)	(217,862)	1,388,393
Prepayments		(43,494)	25,440
Other current assets		(177,725)	77,506
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss - current	6(16)	-	(1,305)
Notes payable		(14,916)	(49,588)
Notes paypale - related parties	7	15,743	(6,820)
Accounts payable		45,827	(1,094,324)
Accounts payable - related parties	7	(127,301)	7,786
Payables to customers on construction contract	6(8)	(70,274)	(788,341)
Other payables		344,859	379,553
Provisions for liabilities		247,633	(47,873)
Other current liabilities	6(19)	1,253,160	71,873
Other non-current liabilities	6(19)	(551,623)	(7,165)
Cash provided by generated from operations		6,804,379	6,193,093
Interest received	6(27)	137,926	74,934
Dividend received	6(27)	543,221	460,261
Interest paid	6(29)	(252,382)	(210,089)
Income tax paid	6(32)	(992,009)	(893,901)
Net cash provided by operating activities		6,241,135	5,624,298

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31 2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in available-for-sale financial assets - current	6(3)	($ 632,449)	($ 400,030)
Decrease (increase) in bond investments without active market	6(4)	174,300	(271,024)
Increase in pledged demand and fixed deposits	8	(118,576)	(10,439)
Acquisition of subsidiary	6(35)	46,290	429,546
Proceeds from disposal of available-for-sale financial assets - non-current	6(3)	1,666,730	1,268,377
Acquisition of available-for-sale financial assets - non-current	6(3)	(655,688)	(847,157)
Increase in investments accounted for under the equity method	6(10)	(164,200)	(104,400)
Acquisition of property, plant and equipment	6(12)	(797,726)	(695,794)
Proceeds from disposal of property, plant and equipment	6(12)	142,695	95,236
Acquisition of intangible assets		(33,590)	(139,939)
Decrease (increase) in restricted assets	8	94,967	(2,813)
Decrease (increase) in other non-current assets	6(14)	132,319	(20,271)
Net cash used in investing activities		(144,928)	(698,708)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term loans	6(15)	(128,672)	51,683
Proceeds from issuance of bonds payable	6(17)	1,457,100	2,995,000
Payments of long-term loans	6(18)	(5,496,288)	(5,567,118)
Proceeds from long-term loans	6(18)	2,000,000	1,500,000
Exercise of employee stock options	6(21)	134,144	128,684
Cash dividends paid	6(24)	(1,922,095)	(1,661,072)
Net cash used in financing activities		(3,955,811)	(2,552,823)
Exchange rate effect		(410,600)	(796,762)
Increase in cash and cash equivalents		1,729,796	1,576,005
Cash and cash equivalents at beginning of year		13,178,775	11,602,770
Cash and cash equivalents at end of year		$ 14,908,571	$ 13,178,775

TECO Electric & Machinery Co., Ltd.

Distribution of 2013 Profits

(In NT $)

Item	Amount
Accumulated undistributed profit as of the beginning of the period	4,982,544,524
Less: IFRS adjustment (Note 1)	(503,564,616)
Accumulated undistributed earnings after adjustment at beginning	4,478,979,908
Add: Retained earnings after adjustment (Note 2)	81,577
Accumulated undistributed earnings after adjustment	4,479,061,485
Net Profit after tax in 2013	3,759,871,989
Total distributable earnings	7,862,946,275
Profit available for distribution for the period	
Profit-sharing to shareholders	2,202,962,175
(Dividend per share)	1.1
Undistributed profit as of the end of 2013	5,659,984,100
Note： 1. Please refer to the note “ First-time Adoption of International Financial Reporting Standards” in 2014 Non-Consolidated Financial Statement 2.Defined Pension Obligation actuarial gains and losses 3. Employee Bonus: NT$ 304,549,631 Remuneration to Directors and Supervisors: NT$ 135,355,392	

Notes:

1. Dividend per share in 2013 is NT$1.1 and all dividends distributed this year shall be cash dividend.
2. The profit distributed this period will be distributed from the earnings received in 2013 available for distribution and, in case of a shortfall, from the accumulated undistributed profits from previous years where there is a shortfall.
3. In case of any change to the above allocation without prejudice to the proposed earning per share to the shareholders due to TECO’s buy-back of its own shares or transfer or de-registration of treasury stocks thereby affects the outstanding number of issued shares, the Chairman will be authorized to handle the relevant issues.

TECO Electric & Machinery Co., Ltd.

Endorsement and Guarantee to Other Parties and Lending of Capital

(In NT Thousands)

Guarantee / Borrower	As of December 31, 2013		
	Value of guarantee provided	Lending of Capital	Total
GD TECO Taiwan Co., Ltd.	100,000	0	100,000
TECO International Investment Co., Ltd.	100,000	0	100,000
Straits Construction Investment Co. Ltd.	398,059	0	398,059
Others	225,901	0	225,901
Total	823,960	0	823,960

TECO Electric & Machinery Co., Ltd.

The Status of Corporate Bonds Issued

2013/04/30

Bonds	Third issue of Domestic Unsecured Convertible Bond 2012	First Unsecured Corporate Bond 2013
Listed Stock Ticker / Abbreviation	15043 / TECO 3	F01401/13TECO1
Reason for Issue	Pay back bank loan	Enrich working capital
Issue Date	2012/07/12	2013/05/20
Expiration Date	2015/07/12	2016/05/20
Par Value (Thousand)	NT$ 100	NT$ 100
Coupon Rate	0%	3.0%
Total Issue Amount (Thousand)	NT$ 3,000,000	RMB$ 300,000
Amount Already Be Converted (Thousand)	NT$ 3,000,000	N/A
Convertible Corporate Bonds Shares Change (Thousand)	142,319	N/A
Outstanding Balance (Thousand)	0	RMB$ 300,000
Underwriting Institution	Fubon Securities Co., Ltd.	HSBC Bank (Taiwan) Limited

TECO Electric & Machinery Co., Ltd.

Comparison of Current Provision and Proposed Amendment to Articles of Incorporation

Current Provision	Proposed Amendment	Note
Article 15 The Board of Directors of the Company will be formed by 15 Directors to be elected from among the shareholders with disposing capacity. The Director each will serve a term of office of three years and is eligible for re-election. Three of the aforementioned directors are independent directors. Candidates for <u>independent</u> directors are nominated, according article 192-1 of the Company Law.	**Article 15** The Board of Directors of the Company will be formed by 15 Directors to be elected from among the shareholders with disposing capacity. The Director each will serve a term of office of three years and is eligible for re-election. Three of the aforementioned directors are independent directors. Candidates for ~~independent~~ 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.	※According to the draft revision of the “Company Law,” passed by the Executive Yuan on Jan. 9, 2014, and policy of the securities regulator in promoting corporate governance, the Company has revised the nomination system for directors.

Current Provision	Proposed Amendment	Note
Article 26 The profit of the Company as of the final accounting each year shall be appropriated in the following order to 1-4 (omission) 5. Pay not more than 5% of the balance as of the application provided in subparagraphs 1 to 4 to Directors and Supervisors as remuneration. 6-8 (omission) The Company is in a stably growing industry with investments made in developing businesses. 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, special earning reserve, remuneration to the Directors and Supervisors (which shall not be more than 5%), and profit sharing to employees (which shall not be more than 10%). Not more than 50% and not less than 5% of the earnings distributed to the shareholders shall be distributed in cash dividend.	**Article 26** The profit of the Company as of the final accounting each year shall be appropriated in the following order to 1-4 (omission) 5. Pay not more than 5% of the balance as of the application provided in subparagraphs 1 to 4 to Directors ~~and Supervisors~~ as remuneration. 6-8 (omission) The Company is in a stably growing industry with investments made in developing businesses. 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, special earning reserve, remuneration to the Directors ~~and Supervisors~~ (which shall not be more than 5%), and profit sharing to employees (which shall not be more than 10%). Not more than 50% and not less than 5% of the earnings distributed to the shareholders shall be distributed in cash dividend.	Based on the status of the organization, the company has revised the list of targets for payout of earnings after the settlement of final accounts.
Article 29 These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows: ……(omission) The fifty-fourth amendment was on June 15, 2012. It will take effect after the approval of shareholders' meeting.	**Article 29** These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows: ……(omission) The fifty-fourth amendment was on June 15, 2012. The fifty-fifth amendment was on June 23, 2014. It will take effect after the approval of shareholders' meeting.	※ Addition of the date for the current revision

TECO Electric & Machinery Co., Ltd.

Comparison of Current Provision and Proposed Amendment to Rules Governing Election of Directors

Current Provision	Proposed Amendment	Note
Article 2 Except as otherwise provided by the Article of Incorporation of the Company, each share of the Company held shall have the same number of votes as the number of the directors to be elected, which may be for one and the same candidate or distributed for a plural number of candidates.	**Article 2** <u>Candidates nomination system is adopted for election of the directors of the Company.</u> Except as otherwise provided by the Article of Incorporation of the Company, each share of the Company held shall have the same number of votes as the number of the directors to be elected, which may be for one and the same candidate or distributed for a plural number of candidates.	Add candidates nomination system, in accordance with the revision of the "Article of Incorporation"
Article 12 These Rules were adopted by the shareholders meeting of 14 April 1974. The first amendment to these Rules was adopted by the shareholders meeting of 31 May 2002. The second amendment to these Rules was adopted by the shareholders meeting of 13 June 2008. The third amendment to these Rules was adopted by the shareholders meeting of 10 June 2011.	**Article 12** These Rules were adopted by the shareholders meeting of 14 April 1974. The first amendment to these Rules was adopted by the shareholders meeting of 31 May 2002. The second amendment to these Rules was adopted by the shareholders meeting of 13 June 2008. The third amendment to these Rules was adopted by the shareholders meeting of 10 June 2011. <u>The fourth amendment to these Rules was adopted by the shareholders meeting of 23 June 2014.</u>	Addition of the date for the current revision

TECO Electric & Machinery Co., Ltd.

Comparison of Current Provision and Proposed Amendment to Procedure for Acquisition or Disposal of Assets

Current Provision	Proposed Amendment	Note
Article 3 Scope of assets 1. The term *marketable securities* include investments in stocks, government bond, corporate bond, financial debenture, mutual fund securities, depository receipts, share warrant certificates, beneficiary securities, asset-back securities and so on. 2. Real property (including inventory of construction business) and other fixed assets. 3. Membership. 4. Intangible assets, including, patent, copyright, trademark, franchise and so on. 5. Credit claims in financial institutions (including accounts receivable, foreign exchange discount, lending, overdue receivables). 6. Derivatives. 7. Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or assignment of shares. 8. Other important assets.	**Article 3** Scope of assets 1. The term *marketable securities* include investments in stocks, government bond, corporate bond, financial debenture, mutual fund securities, depository receipts, share warrant certificates, beneficiary securities, asset-back securities and so on. 2. Real property (including land, house & construction, investment real assets, land utilization right and inventory of construction business) and ~~other fixed assets~~ equipments. 3. Membership. 4. Intangible assets, including, patent, copyright, trademark, franchise and so on. 5. Credit claims in financial institutions (including accounts receivable, foreign exchange discount, lending, overdue receivables). 6. Derivatives. 7. Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or assignment of shares. 8. Other important assets.	In line with the revision of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," the company includes, land, houses and buildings, realty investment, and land utilization right into the scope in the definition of real assets.
Article 4 Definition 1. *Derivatives* means the forward contracts, options contracts, futures contracts, hedge margin contracts, swaps contracts, and compound contracts of the combination of the above the value of which is derived from assets, interest rates, exchange rate, indices or other interests. Forward contracts do not include	**Article 4** Definition 1. *Derivatives* means the forward contracts, options contracts, futures contracts, hedge margin contracts, swaps contracts, and compound contracts of the combination of the above the value of which is derived from assets, interest rates, exchange rate, indices or other interests. Forward contracts do not include insurance contracts,	Some revision of text has been made, in accordance with article 156 of the Company Law, thereby making the determination of related parties and subsidiaries conform to regulations of IFRS

insurance contracts, performance guaranty contracts, after-sale service contracts, long-term leases and long-term purchase (sale) contracts. 2. *Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or assignment of shares* means the assets acquired from or disposed of as a result of a merger, spin-off or acquisition conducted in accordance with the Business Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws, or the stocks of another company acquired by issuing new shares pursuant to the sixth paragraph of Article 156 of the Company Act. 3. A *related party* means the party defined in the No. 6 Statement of Financial Accounting Standards published by the Accounting Research And Development Foundation (hereinafter "ARD Foundation"). 4. A *subsidiary* means the company defined in the No. 5 and the No. 7 Statement of Financial Accounting Standards published by the ARD Foundation. 5. A *professional appraiser* means real property appraisers or any other service which is legally authorized to appraise real property and other fixed assets for business. 6. *Date of occurrence* means the transaction contracting	performance guaranty contracts, after-sale service contracts, long-term leases and long-term purchase (sale) contracts. 2. *Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or assignment of shares* means the assets acquired from or disposed of as a result of a merger, spin-off or acquisition conducted in accordance with the Business Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws, or the stocks of another company acquired by issuing new shares pursuant to the ~~sixth~~ eighth paragraph of Article 156 of the Company Act. 3. A related party *& subsidiary* means the party defined in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers ~~in the No. 6 Statement of Financial Accounting Standards published by the Accounting Research And Development Foundation (hereinafter "ARD Foundation")~~. ~~4. A *subsidiary* means the company defined in the No. 5 and the No. 7 Statement of Financial Accounting Standards published by the ARD Foundation.~~ 4. A *professional appraiser* means real property appraisers or any other service which is legally authorized to appraise real property and ~~other fixed assets~~ equipments for business.	

date, payment date, the entrusted transaction closing date, transfer date, board resolution date or other date on which the transaction counterpart and the transaction value may be sufficiently ascertained, whichever is earlier. Notwithstanding, where the investment must be approved by the competent authority in advance, the date of occurrence shall mean the earlier of the above date applicable and the date of approval by the competent authority. 7. *PRC investment* means the investment made in the People's Republic of China in accordance with the Regulations Governing Approval of Investments or Technical Cooperation Conducted in the People's Republic of China prescribed by the Investment Commission, Ministry of Economic Affairs. 8. *Within one year* means the year counted backward from the date of acquisition of disposal of the asset in issue, excluding the items which have been publicly disclosed. 9. The *most recent certified financial statements* means the latest financial statements certified or audited by a certified public accountant and duly published immediately before the acquisition or disposal of assets in issue.	5. *Date of occurrence* means the transaction contracting date, payment date, the entrusted transaction closing date, transfer date, board resolution date or other date on which the transaction counterpart and the transaction value may be sufficiently ascertained, whichever is earlier. Notwithstanding, where the investment must be approved by the competent authority in advance, the date of occurrence shall mean the earlier of the above date applicable and the date of approval by the competent authority. 6. *PRC investment* means the investment made in the People's Republic of China in accordance with the Regulations Governing Approval of Investments or Technical Cooperation Conducted in the People's Republic of China prescribed by the Investment Commission, Ministry of Economic Affairs. 7. *Within one year* means the year counted backward from the date of acquisition of disposal of the asset in issue, excluding the items which have been publicly disclosed. 8. The *most recent certified financial statements* means the latest financial statements certified or audited by a certified public accountant and duly published immediately before the acquisition or disposal of assets in issue.	
Article 7 Procedure for acquisition or disposal of real property or other fixed assets	**Article 7** Procedure for acquisition or disposal of real property or ~~other fixed assets~~ equipments	Some revision of text has been made to conform to regulations of

1. Evaluation and procedure of operation Acquisition or disposal of real property and other fixed assets by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of fixed assets. 2. Procedure for determining the terms of transaction and approval of transaction 2.1 The terms and transaction price of the acquisition or disposal of real property shall be determined by reference to, among others, the posted current value, appraised value, and the actual transaction price of other real property located nearby. Transactions with a value of less than TWD50 million may precede with the approval of the President. Transactions with a value of between TWD50 million and TWD100 million each may proceed with the approval of the Chairman of the Board of Directors and shall be reported to the immediately subsequent meeting of the Board of Directors. Transactions with a value of over TWD100 million must be approved by the Board of Directors in advance. 2.2 Acquisition or disposal of other fixed assets shall be conducted by way of issuing request for proposal, price competition under restricted tendering, and price negotiation under single tendering or bidding. The approval thereof shall be in accordance with the Schedule of Functions and Authority compiled pursuant to the relevant bylaws of the Company.	1. Evaluation and procedure of operation Acquisition or disposal of real property and other fixed assets by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of ~~fixed assets~~ equipments. 2. Procedure for determining the terms of transaction and approval of transaction 2.1 The terms and transaction price of the acquisition or disposal of real property shall be determined by reference to, among others, the posted current value, appraised value, and the actual transaction price of other real property located nearby. Transactions with a value of less than TWD50 million may precede with the approval of the President. Transactions with a value of between TWD50 million and TWD100 million each may proceed with the approval of the Chairman of the Board of Directors and shall be reported to the immediately subsequent meeting of the Board of Directors. Transactions with a value of over TWD100 million must be approved by the Board of Directors in advance. 2.2 Acquisition or disposal of ~~other fixed assets~~ equipments shall be conducted by way of issuing request for proposal, price competition under restricted tendering, and price negotiation under single tendering or bidding. The approval thereof shall be in accordance with the Schedule of Functions and Authority compiled pursuant to the relevant bylaws of the	IFRS

2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes. 3. Unit in charge of execution of transaction Upon approval of the proposed acquisition or disposal of real property or other fixed assets pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof. 4. Appraisal report on real property or other fixed asset Where the transaction value of the acquisition or disposal of real property or other fixed asset amounts to 20% or more of the paid-in capital of the Company or TWD300 million or more, an appraisal report produced by a professional appraiser must be obtained before the date the fact happens in accordance with the following, except in cases where the transaction counterpart is a government agency, or the transaction is an entrusted construction project on a self-owned land or	Company. 2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes. 3. Unit in charge of execution of transaction Upon approval of the proposed acquisition or disposal of real property or ~~other fixed assets~~ <u>equipments</u> pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof. 4. Appraisal report on real property or ~~other fixed asset~~ <u>equipments</u> Where the transaction value of the acquisition or disposal of real property or other fixed asset amounts to 20% or more of the paid-in capital of the Company or TWD300 million or more, an appraisal report produced by a professional appraiser must be obtained before the date the fact happens in accordance with the following, except in	

a leased land, or the objects to be acquired or disposed of is machinery equipment for business purpose. 4.1 Where the transaction price shall be determined by reference to any restricted, designated price or special price for whatever special reason, the transaction and all subsequent changes to the terms thereof (if any) must be submitted to the Board of Directors for approval in advance. 4.2 Where the transaction value amounts to TWD1 billion or more, the appraisal shall be conducted by two or more professional appraisers. 4.3 If the appraisal conducted by the professional appraiser runs into either of the following conditions, except the appraisal value of the acquired assets is higher than the trading value or the appraisal value of the disposed assets is lower than the trading value, subsequent handling by certified public accountant in accordance with the No. 20 Statement of Financial Accounting Standards published by ARD Foundation should be sought for as well as its opinion with respect to the reasons accounting for the price difference and the acceptability of the transaction price: 4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value. 4.3.2 The amount difference among the appraised values as a result of the appraisals conducted by two or more professional appraiser's amounts to 10% or more of the transaction value. 4.4 The appraisal report date and the date of creation of the	cases where the transaction counterpart is a government agency, or the transaction is an entrusted construction project on a self-owned land or a leased land, or the objects to be acquired or disposed of is ~~machinery~~ equipment for business purpose. 4.1 Where the transaction price shall be determined by reference to any restricted, designated price or special price for whatever special reason, the transaction and all subsequent changes to the terms thereof (if any) must be submitted to the Board of Directors for approval in advance. 4.2 Where the transaction value amounts to TWD1 billion or more, the appraisal shall be conducted by two or more professional appraisers. 4.3 If the appraisal conducted by the professional appraiser runs into either of the following conditions, except the appraisal value of the acquired assets is higher than the trading value or the appraisal value of the disposed assets is lower than the trading value, subsequent handling by certified public accountant in accordance with the No. 20 Statement of Financial Accounting Standards published by ~~ARD Foundation~~ Accounting Research and Development Foundation (ARD Foundation) should be sought for as well as its opinion with respect to the reasons accounting for the price difference and the acceptability of the transaction price: 4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value. 4.3.2 The amount difference among the appraised values as a	Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).

transaction contract conducted by professional appraiser must not be apart for more than 3 months. Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought. 4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or certified public accountant's opinion. 5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.	result of the appraisals conducted by two or more professional appraiser's amounts to 10% or more of the transaction value. 4.4 The appraisal report date and the date of creation of the transaction contract conducted by professional appraiser must not be apart for more than 3 months. Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought. 4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or certified public accountant's opinion. 5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.	
Article 8 4. Expert opinion 4.1 For acquisition or disposal of marketable securities, the company should obtain the audited or reviewed financial statement of the target companies as the reference for transaction price, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million, certified public accountant's opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens. In case CPA needs to adopt the report of experts, auditing criteria No. 20 publicized by Accounting	**Article 8** 4. Expert opinion 4.1 For acquisition or disposal of marketable securities, the company should obtain the audited or reviewed financial statement of the target companies as the reference for transaction price, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million, certified public accountant's opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens. In case CPA needs to adopt the report of experts, auditing criteria No. 20 publicized by Accounting Research and	

Research and Development Foundation should be followed, except in cases where there is an active public quote on the subject securities or where the subject securities belongs to any of the following: 4.1.1 securities obtained on contribution of cash capital to the establishment of an entity by promoters or by placement. 4.1.2 securities issued at par value on the legal capital increase of an invested company. 4.1.3 securities issued on the cash capital increase of a 100%-owned invested company. 4.1.4 securities traded on the stock exchange, Over-the-Counter Market or on the GreTai Securities Market. 4.1.5 government bonds or bonds with re-purchase, re-sale agreements. 4.1.6 domestic or offshore mutual funds 4.1.7 corporate securities listed on the stock exchange or traded on the GreTai Securities Market to be acquired or disposed off pursuant to the Regulations Governing Purchase of Listed Securities by Tender Offer or by Auction of the Taiwan Stock Exchange Corporation or the GreTai Securities Market. 4.1.8 stocks of public companies issued on cash capital increase but not under private placement 4.1.9 the request for purchase of which was submitted prior to the establishment of the mutual fund as provided in the first paragraph of Article 11 of the Securities Investment Trust and Consulting Act and the Order of 1 November 2004 issued by the FSC (ref. Jin-Guan-Si-Tze No. 0930005249). 4.1.10 newly purchased or re-purchased domestic private equity, the scope of investment of which is identical with that of publicly raised mutual funds except the investment strategy	Development Foundation should be followed, except in cases where there is an active public quote on the subject securities or where the subject securities belongs to any of the following: 4.1.1 securities obtained on contribution of cash capital to the establishment of an entity by promoters or by placement. 4.1.2 securities issued at par value on the legal capital increase of an invested company. 4.1.3 securities issued on the cash capital increase of a 100%-owned invested company. 4.1.4 securities traded on the stock exchange, Over-the-Counter Market or on the GreTai Securities Market. 4.1.5 government bonds or bonds with re-purchase, re-sale agreements. 4.1.6 domestic or offshore mutual funds 4.1.7 corporate securities listed on the stock exchange or traded on the GreTai Securities Market to be acquired or disposed off pursuant to the Regulations Governing Purchase of Listed Securities by Tender Offer or by Auction of the Taiwan Stock Exchange Corporation or the GreTai Securities Market. 4.1.8 stocks of public companies issued on cash capital increase but not under private placement 4.1.9 the request for purchase of which was submitted prior to the establishment of the mutual fund as provided in the first paragraph of Article 11 of the Securities Investment Trust and Consulting Act and the Order of 1 November 2004 issued by the ~~FSC~~ Financial Supervisory Commission (ref. Jin-Guan-Si-Tze No. 0930005249). 4.1.10 newly purchased or re-purchased domestic private equity, the scope of investment of which is identical with that of publicly raised mutual funds except the investment strategy	Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC)

with respect to securities credit trading and position of the un-covered products relating to the securities as indicated in the relevant trust agreement	with respect to securities credit trading and position of the un-covered products relating to the securities as indicated in the relevant trust agreement	
Article 9 2. Evaluation and procedure of operation Acquisition or disposal of real property from a related party, or acquires or disposes non-property assets with related parties and the trading value exceeds 20% of the company's paid-in capital, 10% of total assets, or NT$300 million, must be approved by the Board of Directors based on the materials on the following matters and ratified by the Audit Committee in advance to sign the transaction contract and make payment: 2.1 The purpose, necessity and anticipated efficacy of the proposed acquisition or disposal of assets. 2.2 The reason for selecting the related party in issue as the transaction counterpart. 2.3 Acquiring real property from related parties, the evaluation materials regarding the acceptability of the proposed terms of transaction produced pursuant to paragraphs 3.1 and 3.4 of this Article. 2.4 The acquisition date and the transaction price at which the related party acquired the subject real property and the related party's transaction counterpart in that transaction and the relationship between them. 2.5 Forecast on the statement	**Article 9** 2. Evaluation and procedure of operation Acquisition or disposal of real property from a related party, or acquires or disposes non-property assets with related parties and the trading value exceeds 20% of the company's paid-in capital, 10% of total assets, or NT$300 million, must be approved by the Board of Directors based on the materials on the following matters and ratified by the Audit Committee in advance to sign the transaction contract and make payment: 2.1 The purpose, necessity and anticipated efficacy of the proposed acquisition or disposal of assets. 2.2 The reason for selecting the related party in issue as the transaction counterpart. 2.3 Acquiring real property from related parties, the evaluation materials regarding the acceptability of the proposed terms of transaction produced pursuant to paragraphs 3.1 and 3.4 of this Article. 2.4 The acquisition date and the transaction price at which the related party acquired the subject real property and the related party's transaction counterpart in that transaction and the relationship between them. 2.5 Forecast on the statement of receipts and disbursements of cash within one year from	

of receipts and disbursements of cash within one year from the month of the proposed contract signing date, and an evaluation of the necessity of the proposed transaction and the acceptability of the application of the relevant funds. 2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article 9. 2.7 The restrictions and other important arrangements on the transaction. The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to the board of directors for approval and the auditing committee for acknowledgement can be excluded. The opinion expressed by the Independent Directors each at the relevant meeting of the Board of Directors convened for discussing according to the previous two items, transaction proposed pursuant to the preceding paragraph shall be sufficiently considered. Opposition or qualified opinion expressed by the Independent Director shall be clearly indicated in the minutes of the relevant meeting of the Board of Directors. The board of directors could authorize the chairperson to make decision for acquiring from, or disposing with, related	the month of the proposed contract signing date, and an evaluation of the necessity of the proposed transaction and the acceptability of the application of the relevant funds. 2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article 9. 2.7 The restrictions and other important arrangements on the transaction. The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to the board of directors for approval and the auditing committee for acknowledgement can be excluded. The opinion expressed by the Independent Directors each at the relevant meeting of the Board of Directors convened for discussing according to the previous two items, transaction proposed pursuant to the preceding paragraph shall be sufficiently considered. Opposition or qualified opinion expressed by the Independent Director shall be clearly indicated in the minutes of the relevant meeting of the Board of Directors. The board of directors could authorize the chairperson to make decision for acquiring from, or disposing with, related parties ~~machinery~~ equipment whose value falls within a certain scope.	Some revision of text has been made to conform to regulations of IFRS

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<td>parties machinery equipment whose value falls within a certain scope.

3. Evaluation of acceptability of the transaction cost

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

3.5.1-3.5.3(omission)

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

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

3.6.1 The related party has acquired the subject real property by inheritance or as a gift.
3.6.2 Over five years has lapsed since the related party signed the contract</td>
<td>3. Evaluation of acceptability of the transaction cost

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

3.5.1-3.5.3(omission)

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

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

3.6.1 The related party has acquired the subject real property by inheritance or as a gift.
3.6.2 Over five years has lapsed since the related party signed the contract on</td>
<td>Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).

Adjustment is made, in accordance with the revision of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies,” since entrustment of related parties for realty constructions, either on own</td>
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on acquisition of the subject real property. 3.6.3 The related party acquired the subject real property under a signed joint construction contract with its related party.	acquisition of the subject real property. 3.6.3 The related party acquired the subject real property under a signed joint construction contract with its related party <u>or entrustment of related parties for realty constructions, either on own land or leased land</u>.	land or leased land, is similar to the contract for cooperative realty constructions.
Article 11 4. Expert evaluation report on membership or intangible assets Where the transaction value of the acquisition or disposal of membership or intangible asset by the Company amounts to 20% of the paid-in capital of the Company or TWD300 million, the opinion of a certified public accountant on the acceptability of the proposed transaction price should be sought for before the date the fact happens, who shall act in accordance with the No. 20 Statement of Auditing Standards published by the ARD Foundation	**Article 11** 4. Expert evaluation report on membership or intangible assets <u>Except the transaction with government,</u> where the transaction, value of the acquisition or disposal of membership or intangible asset by the Company amounts to 20% of the paid-in capital of the Company or TWD300 million, the opinion of a certified public accountant on the acceptability of the proposed transaction price should be sought for before the date the fact happens, who shall act in accordance with the No. 20 Statement of Auditing Standards published by the ARD Foundation	Adjustment is made, in accordance with the revision of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” which removes the need for solicitation of opinions of certified public accountants on reasonableness of prices for sales of assets by government organizations, due to unlikelihood of price manipulation, since such sales must be made via public bidding or pricing competition, according to regulations
Article 13 1. Principle and policy of transaction 1.2 Operational or hedging strategy: The Company’s demand for foreign currency to meet the calls for purchases of imported materials and machinery equipment shall be	**Article 13** 1. Principle and policy of transaction 1.2 Operational or hedging strategy: The Company’s demand for foreign currency to meet the calls for purchases of imported materials and ~~machinery~~ equipment shall be hedged by	Textual adjustment is made, in line with the implementation of IFRS.

hedged by buying forward foreign exchange and receipts of foreign currency from exports shall be hedged by selling forward foreign exchange. 3. Internal audit policy 3.2 The internal audit personnel shall, by the end of February the following year, submit the internal audit report and the annual internal audit inspection report to the FSC and report the correction of irregularities (if any) to the FSC by the end of May the following year. 5. Principles of supervision and control of derivatives transactions by the Board of Directors 5.1 The Board of Directors shall appoint high-ranking managerial officers to oversee and control the risks from derivatives transactions from time to time according to the following principles: 5.1.1 Suitability of the current risk management measures and the compliance of the Company's procedure for derivatives transactions should be evaluated on a regular basis. 5.1.2 Necessary measures shall be taken upon finding of any irregularity with respect to the transaction and profit (loss) from the transaction. Such finding must be reported to the Board of Directors immediately and the relevant opinion expressed by the Independent Director shall be heard at the relevant meeting. 5.2 Performance consistency of derivatives transactions with the relevant operation policy and the acceptability limit of	buying forward foreign exchange and receipts of foreign currency from exports shall be hedged by selling forward foreign exchange. 3. Internal audit policy 3.2 The internal audit personnel shall, by the end of February the following year, submit the internal audit report and the annual internal audit inspection report to the ~~FSC~~ Financial Supervisory Commission and report the correction of irregularities (if any) to the ~~FSC~~ Financial Supervisory Commission by the end of May the following year. 5. Principles of supervision and control of derivatives transactions by the Board of Directors 5.1 The Board of Directors shall appoint high-ranking managerial officers to oversee and control the risks from derivatives transactions from time to time according to the following principles: 5.1.1 Suitability of the current risk management measures and the compliance of the Company's procedure for derivatives transactions should be evaluated on a regular basis. 5.1.2 Necessary measures shall be taken upon finding of any irregularity with respect to the transaction and profit (loss) from the transaction. Such finding must be reported to the Board of Directors immediately and the relevant opinion expressed by the Independent Director shall be heard at the relevant meeting. 5.2 Performance consistency of derivatives transactions with the relevant operation policy	Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).

risks must be evaluated on a regular basis. 5.3 Where the relevant personnel have been authorized pursuant to the procedure for derivatives transactions to handle the transaction, the transaction shall be reported to the Board of Directors after the transaction. 5.4 The Company shall maintain a derivatives transactions record book in which the type, value, date of the relevant resolution adopted by the meeting of the Board of Directors, and the matters subject to evaluation provided in paragraphs 4.2, 5.1 and 5.2 of this Article of each transaction shall be indicated in detail for reference.	and the acceptability limit of risks must be evaluated on a regular basis. 5.3 Where the relevant personnel have been authorized pursuant to the procedure for derivatives transactions to handle the transaction, the transaction shall be reported to Board of Directors <u>up to date</u> after the transaction. 5.4 The Company shall maintain a derivatives transactions record book in which the type, value, date of the relevant resolution adopted by the meeting of the Board of Directors, and the matters subject to evaluation provided in paragraphs 4.2, 5.1 and 5.2 of this Article of each transaction shall be indicated in detail for reference.	Set schedule for submission to the board of directors, in accordance with the revision of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"
Article 14 2. Other matters for attention 2.1 Date of convention of the relevant meeting of the Board of Directors: Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the merger, spin-off or acquisition shall convene the meeting of the board of directors and the shareholders meeting on the same day to adopt the resolution on the matters in connection with the proposed merger, spin-off or acquisition. Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the assignment of shares shall convene the meeting of the board of directors on the same day. Companies participating in the	**Article 14** 2. Other matters for attention 2.1 Date of convention of the relevant meeting of the Board of Directors: Except as otherwise provided by law or there being any special factor which has been approved by the ~~FSC~~ <u>Financial Supervisory Commission</u>, companies participating in the merger, spin-off or acquisition shall convene the meeting of the board of directors and the shareholders meeting on the same day to adopt the resolution on the matters in connection with the proposed merger, spin-off or acquisition. Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the assignment of shares shall convene the meeting of the board of directors on the same day.	Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).

merger, spin-off, acquisition or assignment of shares whose stocks are traded on the stock exchange or the over-the-counter market shall maintain complete written record on the following materials and keep the same for a term of five years. 2.1.1-2.1.3 (omission) Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall each, within two days from the date following the adoption of the relevant resolution by the meeting of their Board of Directors, make a report online of the information provided in subparagraphs 1 and 2 of the preceding paragraph in the required form and substance to the FSC. Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall enter into the relevant agreement with companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are not traded on the stock exchange or the over-the-counter market (if any) and make the report provided in the two preceding paragraphs.	Companies participating in the merger, spin-off, acquisition or assignment of shares whose stocks are traded on the stock exchange or the over-the-counter market shall maintain complete written record on the following materials and keep the same for a term of five years. 2.1.1-2.1.3 (omission) Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall each, within two days from the date following the adoption of the relevant resolution by the meeting of their Board of Directors, make a report online of the information provided in subparagraphs 1 and 2 of the preceding paragraph in the required form and substance to the ~~FSC~~ Financial Supervisory Commission. Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall enter into the relevant agreement with companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are not traded on the stock exchange or the over-the-counter market (if any) and make the report provided in the two preceding paragraphs.	Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).
Article 15 1. Matters which should be reported for public disclosure and the relevant standards 1.1 Acquisition of real property, or disposal of properties with, related parties, or acquisition of non-property assets from, or disposal of non-property assets with, related parties with the trading value	**Article 15** 1. Matters which should be reported for public disclosure and the relevant standards 1.1 Acquisition of real property, or disposal of properties with, related parties, or acquisition of non-property assets from, or disposal of non-property assets with, related parties with the trading value exceeding 20% of	

exceeding 20% of the company's paid-in capital or 10% of total assets, or NT$300 million. However, trading in government bonds or bonds with repurchase or reverse repurchase agreement is not included. 1.2 Merger, spin-off, acquisition or assignment of shares. 1.3 The amount of loss incurred from the derivatives transaction exceeds the limit on loss from all contracts or the relevant individual contract provided in the relevant handling procedure. 1.4 Assets transactions or disposals of credit claims in financial institutions or investment in PRC other than those provided in the preceding three subparagraphs, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million each, except for these transactions: 1.4.1 The transaction is the purchase or sale of government bonds. 1.4.2 The transaction is for investment purposes only of securities traded on local or foreign stock exchange or over-the-counter market. 1.4.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements. 1.4.4 The subject asset to be acquired or disposed of is machinery equipment for business use and the transaction counterpart is a non-related party and the transaction value is less than TWD500 million. 1.4.5 The subject real property	the company's paid-in capital or 10% of total assets, or NT$300 million. However, trading in government bonds or bonds with repurchase or reverse repurchase agreement and subscription or redemption of domestic money-market funds are not included. 1.2 Merger, spin-off, acquisition or assignment of shares. 1.3 The amount of loss incurred from the derivatives transaction exceeds the limit on loss from all contracts or the relevant individual contract provided in the relevant handling procedure. 1.4 Assets transactions or disposals of credit claims in financial institutions or investment in PRC other than those provided in the preceding three subparagraphs, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million each, except for these transactions: 1.4.1 The transaction is the purchase or sale of government bonds. 1.4.2 The transaction is for investment purposes only of securities traded on local or foreign stock exchange or over-the-counter market or obtaining of securities by securities firms on the primary market 1.4.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements. Subscription to and redemption of domestic money-market funds 1.4.4 The subject asset to be acquired or disposed of is ~~machinery~~ equipment for business use and the transaction counterpart is a non-related party and the transaction value is less than TWD500 million.	Exempt the need for publication of investments in domestic monetary-market funds, since they are for the purpose of obtaining stable interest income, in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" Obtaining of securities by securities firms on the primary market is excluded, since it is a regular business act, in accordance with the suggestion of the Financial Supervisory Commission. Subscription to and redemption of domestic money-market funds is excluded, due to low risk. Textual adjustment is made, in line with the implementation of IFRS.

is to be acquired or disposed of by the construction business division of the Company for construction use and the transaction counterpart is a non-related party and the transaction value is less than TWD500 million. 1.4.6 The subject real property to be acquired is a building is to be constructed on a self-owned land, leased land, jointly constructed and shared by units, jointly constructed and shared by percentage, jointly constructed and sold by units and the anticipated transaction value is less than TWD500 million. 1.5 The transaction value provided in previous paragraph 1.5 above shall be calculated as follows, where *within one year* means within the year immediately preceding the date of occurrence of the proposed transaction, excluding the items which have been publicly disclosed. 1.5.1 The value of each transaction. 1.5.2 The total value of the property of the same nature acquired from or transferred to the same transaction counterpart within one year. 1.5.3 The total value of the real property under the same development project acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately). 1.5.4 The total value of the	1.4.5 The subject real property is to be acquired or disposed of by the construction business division of the Company for construction use and the transaction counterpart is a non-related party and the transaction value is less than TWD500 million. 1.4.6 The subject real property to be acquired is a building is to be constructed on a self-owned land, leased land, jointly constructed and shared by units, jointly constructed and shared by percentage, jointly constructed and sold by units and the anticipated transaction value is less than TWD500 million. 1.5 The transaction value provided in previous paragraph 1.5 above shall be calculated as follows, where within one year means within the year immediately preceding the date of occurrence of the proposed transaction, excluding the items which have been publicly disclosed. 1.5.1 The value of each transaction. 1.5.2 The total value of the property of the same nature acquired from or transferred to the same transaction counterpart within one year. 1.5.3 The total value of the real property under the same development project acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately). 1.5.4 The total value of the same specific securities acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately). <u>1.6 The calculation for 10% of total assets, as referred in the handling procedure, is based</u>	After the implementation of IFRS, filing is

same specific securities acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately). 3. Procedure for making public disclosure 3.1 The Company shall cause the relevant information publicly disclosed on the website designated by the FSC. 3.2-3.4 (omission) 3.5 In the event of any of the following after submitting the public disclosure report in accordance with the preceding paragraph, the Company shall, within two days following the occurrence of such event, publicly disclose the relevant information on the website designated by the FSC: 3.5.1-3.5.3 (omission)	<u>on the sum of assets included in recent alone-basis financial reports, formulated according to the "Regulations Governing the Preparation of Financial. For stocks without par value or with par value other than NT$10, the calculation of 20% of paid-in capital for transaction value, as referred in the procedure, is based on 10% of the owner's equity of the parent firm.</u> 3. Procedure for making public disclosure 3.1 The Company shall cause the relevant information publicly disclosed on the website designated by the ~~FSC~~ <u>Financial Supervisory Commission</u> 3.2-3.4 (omission) 3.5 In the event of any of the following after submitting the public disclosure report in accordance with the preceding paragraph, the Company shall, within two days following the occurrence of such event, publicly disclose the relevant information on the website designated by the ~~FSC~~ <u>Financial Supervisory Commission</u>: 3.5.1-3.5.3 (omission)	made mainly in the form of consolidated financial report but risks for the acquiring or disposal of assets are still born by company which carries out the move. In line with the revision of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," the company specifies that the calculation of 10% of total assets is the sum of assets included in alone-basis financial reports released by the company recently. It is specified that stocks without par value or with par value other than NT$10 are include in the owner's equity of the parent firm. Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).
Article 19 This Procedure was established on 11 August 1989 and subsequently amended as	**Article 19** This Procedure was established on 11 August 1989 and subsequently amended as follows:	Addition of the date for the current revision

follows: (omission)	(omission) and the ninth amendment on 23 June 2014.	

Appendices

1. Articles of Incorporation on pages 56-65.
2. Rules Governing Shareholders' Meeting on pages 66-69.
3. Rules Governing Election of Directors on pages 70-71.
4. Procedure for Acquisition or Disposal of Assets on pages 72-91.
5. Impact on TECO's business performance, EPS and ROI from the stock grant proposed by Shareholders Meeting on page 92.
6. Shareholding of Directors on page 93.

TECO Electric & Machinery Co., Ltd.

Articles of Incorporation

Chapter 1 General Provisions

Article 1
The Company is incorporated in accordance with the Company Act and is named TECO Electric & Machinery Co., Ltd.

Article 2
The scope of business of this Company is as follows:
1. C805050 Manufacture of industrial plastic products;
3. 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. CC01110 Manufacture of computers and the peripheral thereof;
16. CD01010 Manufacture of boats and the parts thereof;
17. CD01020 Manufacture of rail cars and the parts thereof;
18. CD01030 Manufacture of automobiles and the parts thereof;
19. CD01040 Manufacture of motorbikes and the parts thereof;
20. CD01060 Manufacture of aircrafts and the parts thereof;
21. CE01010 Manufacture of general instruments;
22. CE01030 Manufacture of optical instruments;
23. E501011 Services regarding water utilities as contractor;
24. E502010 Installation of fuel pipes;
25. E599010 Engineering of pipe lines;
26. E601010 Service regarding electrical appliance as contractor;
27. E601020 Installation of electrical appliance;
28. E602011 Engineering of refrigerating, air-conditioning equipment;
29. E603010 Installation of cables;
30. E603040 Installation of firefighting safety equipment;
31. E603050 Engineering of automatic control equipment;
32. E603080 Installation of traffic signs;
33. E603090 Installation of illuminating equipment;
34. E604010 Installation of machines;
35. E605010 Installation of computer equipment;
36. F106010 Wholesale of hardware;
37. F106030 Wholesale of tooling;
38. F108031 Wholesale of medical devices
39. F114080 Wholesale of rail cars and the parts thereof;
40. F117010 Wholesale of fire-fighting safety equipment;
41. F119010 Wholesale of electrical materials;
42. F206010 Retail sale of hardware;

43. F206030 Retail sale of tooling;
44. F206040 Retail sale of water equipment and relevant materials;
45. F208031 Retail sale of medical devices;
46. F213040 Retail sale of precision instruments;
47. F218010 Retail sale of software application;
48. F401010 International trade;
49. F501060 Restaurant services;
50. G801010 Warehousing services;
51. H701010 Development and leasing of residential and business buildings;
52. I103060 Management consulting services;
53. I301010 Information application services;
54. I301020 Data-processing services;
55. I301030 Supply of electronic information services;
56. IF01010 Inspection and repair of firefighting safety equipment services;
57. IF02010 Testing and inspection of electrical equipment services;
58. JE01010 Leasing services;
59. 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.

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.

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; and
2. Extraordinary shareholders meeting to be convened where necessary.

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.

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 15 Directors to be elected from among the shareholders with disposing capacity. The Director each will serve a term of office of three years and is eligible for re-election.

Three of the aforementioned directors are independent directors. Candidates for independent directors are nominated, according article 192-1 of the Company Law.

Article 16
The Directors shall elect five from among themselves to act as the Managing Directors who shall then elect from among themselves the Chairman and Vice Chairman of the Company. 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. 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 also for any reason unable to perform the chairperson's functions at the meeting, the Chairman shall appoint one from among the Managing Directors to act on his/her behalf. In the absence of such appointment, the Managing Directors shall elect one from among themselves to act on behalf.

At least one of the nominated Managing Directors shall be an independent director, and no less than one fifth of the total number of Managing Directors.

Article 17
The Chairman will convene and preside the meetings of the Board of Directors except the first meeting of every new term of offence which shall be convened by the Director who was elected with the highest number of votes at the relevant election. 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. Absent such appointment, the Managing Directors shall elect one from among themselves to act instead of the Chairman at the meeting.

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 Audit Committee for inspection and, thereafter, the Shareholders Meeting for ratification:

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

Article 26
The profit of the Company as of the final accounting each year shall be appropriated in the following order to

1. Pay taxes.
2. Make up accumulated loss from previous years.
3. Set aside 10% thereof in legal reserve.
4. Set aside or reverse special earnings reserve in accordance with the requirements prescribed by the competent authority
5. Pay not more than 5% of the balance as of the application provided in subparagraphs 1 to 4 to Directors and Supervisors as remuneration.
6. Pay profit sharing to the employees which shall not exceed 10% of the balance net of the reserved amounts provided in subparagraphs 1 to 4. Profit sharing to employees in stock and in cash will be in accordance with the ratio stock dividend from the reversed retained earning and cash dividend to the shareholders. Where there is no capital increase from capitalization of the retained earnings or where the capital increase proposed is not ratified or approved by the shareholders meeting or the competent authority, all profit sharing will be paid in cash.
7. The balance net of the above and the retained earnings from the previous year combined will be distributed to shareholders according to their percentage of shareholding or retained.
8. Conditions and method of profit-sharing in stock to eligible employees shall be determined by the Board of Directors.

The Company is in a stably growing industry with investments made in developing businesses. 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, special earning reserve, remuneration to the Directors and Supervisors (which shall not be more than 5%), and profit sharing to employees (which shall not be more than 10%). Not more than 50% and not less than 5% of the earnings distributed to the shareholders shall be distributed in cash dividend.

Chapter 8 Supplemental Provisions

Article 27
The rules governing the organization of the Company shall be prescribed by the Board of Directors.

Article 28
Matters not provided herein shall be in accordance with the Company Act and the relevant laws and regulations.

Article 29
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; and
The fifty-fourth amendment was on June 15, 2012.

It will take effect after the approval of shareholders' meeting.

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

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.
Rules Governing Election of Directors

Article 1
The election of the directors of the Company shall be in accordance with these Rules.

Article 2
Except as otherwise provided by the Article of Incorporation of the Company, each share of the Company held shall have the same number of votes as the number of the directors to be elected, which may be for one and the same candidate or distributed for a plural number of candidates.

Article 3
The chairperson of the election shall appoint a number of voting supervisors and ballots counters before the election begins.

Article 4

The directors of the Company will be elected by the relevant shareholders meeting from among those who have disposing capacity. The number of directors elected shall be in accordance with the Articles of Incorporation of the Company according to the number of votes represented by the ballots won. The independent directors and non-independent directors shall be elected at the same election with the number of independent directors elect and that of the general directors elect counted separately. The election of the independent directors shall be in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and the relevant rules, laws and regulations. Where there are two or more candidates who have each won equal number of votes and the number of vacancies to fill is less than such candidates, the elect shall be determined by drawing lot. Those who are not present at the meeting shall be represented by the chairperson to draw the lot.

Article 5
Except as otherwise approved by the competent authority, the number of the directors of the Company who run into either of the following relationships among themselves must be less than one half of the total number of directors:

1. Spouse; or
2. Relatives of the second degree.

For elected directors who run counter to the aforementioned regulation, those gaining the support of fewer voting rights should be disqualified.

Article 6
The ballots shall be produced and prepared by the Board of Directors; each ballot shall bear the number of the attendance card and the number of votes it represents.

Article 7
The voting shareholder shall indicate in the ballot the account name and shareholder account number of the candidate voted if he or she is a shareholder, and the name and the national identification card number or passport number of the candidate voted if he or she is not a shareholder. However, where the candidate voted is a government agency or institutional shareholder, the voting shareholding shall fill in the ballot the title of such government agency or institutional shareholder and the names of all of its representatives (if any).

Article 8
A ballot cast will be void if
1. It is not in the form and substance prepared by the Board;
2. It bears the names of various candidates, which outnumbers the limit fixed;
3. It bears any words other than the personal (account) name, shareholder account number (or identification paper number) of the candidate voted, and the number of the votes cast;
4. It is blank;
5. It is illegible or altered;
6. Where the candidate written therein is a shareholder, the account name or the shareholder account number is different from that indicated in the shareholders roster; where the candidate written therein is a non-shareholder, the personal name written therein is different from his or her identification paper;
7. Where the candidate written therein is a shareholder, the account name written therein is identical with another shareholder's with no shareholder account number given for identification purposes; or where the candidate written therein is not a shareholder, the personal name indicated therein is identical with that of another non-shareholder with no identification number given for identification purposes.

Article 9
The ballots shall be open at the end of the voting and the result of the election shall be announced by the chairperson.

Article 10
The directors elected shall each cause their signed acceptance letters served to the Company within 12 days from the election date.

Article 11
These Rules and all subsequent amendments each shall come into force after being adopted by the relevant shareholders meeting.

Article 12
These Rules were adopted by the shareholders meeting of 14 April 1974.
The first amendment to these Rules was adopted by the shareholders meeting of 31 May 2002.
The second amendment to these Rules was adopted by the shareholders meeting of 13 June 2008.
The third amendment to these Rules was adopted by the shareholders meeting of 10 June 2011.

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

Article 1 Purpose
This Procedure is established for the purpose of protecting the rights and interests of shareholders and the interests of investors.

Article 2 Legal authority
This Procedure is established pursuant to Article 36-1 of the Securities And Exchange Act and the relevant provision and subsequent revision there of the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" established by the Financial Supervisory Commission, Executive Yuan (hereinafter "FSC").

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

Article 4 Definition
1. *Derivatives* means the forward contracts, options contracts, futures contracts, hedge margin contracts, swaps contracts, and compound contracts of the combination of the above the value of which is derived from assets, interest rates, exchange rate, indices or other interests. Forward contracts do not include insurance contracts, performance guaranty contracts, after-sale service contracts, long-term leases and long-term purchase (sale) contracts.

2. *Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or assignment of shares* means the assets acquired from or disposed of as a result of a merger, spin-off or acquisition conducted in accordance with the Business Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws, or the stocks of another company acquired by issuing new shares pursuant to the sixth paragraph of Article 156 of the Company Act.

3. A *related party* means the party defined in the No. 6 Statement of Financial Accounting Standards published by the Accounting Research And Development Foundation (hereinafter "ARD Foundation").

4. A *subsidiary* means the company defined in the No. 5 and the No. 7 Statement of Financial Accounting Standards published by the ARD Foundation.

5. A *professional appraiser* means real property appraisers or any other service which is legally authorized to appraise real property and other fixed assets for business.

6. *Date of occurrence* means the transaction contracting date, payment date, the entrusted transaction closing date, transfer date, board resolution date or other date on which the transaction counterpart and the transaction value may be sufficiently ascertained, whichever is earlier. Notwithstanding, where the investment must be approved by the competent authority in advance, the date of occurrence shall mean the earlier of the above date applicable and the date of approval by the competent authority.

7. *PRC investment* means the investment made in the People's Republic of China in accordance with the Regulations Governing Approval of Investments or Technical Cooperation Conducted in the People's Republic of China prescribed by the Investment Commission, Ministry of Economic Affairs.

8. *Within one year* means the year counted backward from the date of acquisition of disposal of the asset in issue, excluding the items which have been publicly disclosed.

9. The *most recent certified financial statements* means the latest financial statements certified or audited by a certified public accountant and duly published immediately before the acquisition or disposal of assets in issue.

Article 5
Limit on investment in non-business purpose real property and marketable securities

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

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

2. Long- and short-term securities: The total investment amount (means the original investment amount) shall not exceed the amount of shareholders' equity represented in the most recent certified financial statements.

3. The total amount of investment in any specific marketable securities (means the original investment amount) shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements.

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

1. Non-business purpose real property: The total amount shall not exceed 20% of the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned. The total amount of investment in any specific short-term securities shall not exceed 5% of the amount of the above shareholders' equity.

2. Long- and short-term securities: The total investment amount (means the original investment amount) shall not exceed the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned.

3. The total amount of investment in any specific marketable securities (means the original investment amount) shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned.

Article 6
No appraiser, certified public account, legal counsel or securities underwriter who has provided the Company with the appraisal report or opinion may involve in the transaction in issue as a related party. Nor shall the transaction counterpart be a related party in the transaction.

Article 7
Procedure for acquisition or disposal of real property or other fixed assets

1. Evaluation and procedure of operation

Acquisition or disposal of real property and other fixed assets by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of fixed assets.

2. Procedure for determining the terms of transaction and approval of transaction

2.1 The terms and transaction price of the acquisition or disposal of real property shall be determined by reference to, among others, the posted current value, appraised value, and the actual transaction price of other real property located nearby. Transactions with a value of less than TWD50 million may precede with the approval of the President. Transactions with a value of between TWD50 million and TWD100 million each may proceed with the approval of the Chairman of the Board of Directors and shall be reported to the immediately subsequent meeting of the Board of Directors. Transactions with a value of over TWD100 million must be approved by the Board of Directors in advance.

2.2 Acquisition or disposal of other fixed assets shall be conducted by way of issuing request for proposal, price competition under restricted tendering, and price negotiation under single tendering or bidding. The approval thereof shall be in accordance with the Schedule of Functions and Authority compiled pursuant to the relevant bylaws of the Company.

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

4. Unit in charge of execution of transaction
   Upon approval of the proposed acquisition or disposal of real property or other fixed assets pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof.

5. Appraisal report on real property or other fixed asset
   Where the transaction value of the acquisition or disposal of real property or other fixed asset amounts to 20% or more of the paid-in capital of the Company or TWD300 million or more, an appraisal report produced by a professional appraiser must be obtained before the date the fact happens in accordance with the following, except in cases where the transaction counterpart is a government agency, or the transaction is an entrusted construction project on a self-owned land or a leased land, or the objects to be acquired or disposed of is machinery equipment for business purpose.

4.1 Where the transaction price shall be determined by reference to any restricted, designated price or special price for whatever special reason, the transaction and all subsequent changes to the terms thereof (if any) must be submitted to the Board of Directors for approval in advance.

4.2 Where the transaction value amounts to TWD1 billion or more, the appraisal shall be conducted by two or more professional appraisers.

4.3 If the appraisal conducted by the professional appraiser runs into either of the following conditions, except the appraisal value of the acquired assets is higher than the trading value or the appraisal value of the disposed assets is lower than the trading value, subsequent handling by certified public accountant in accordance with the No. 20 Statement of Financial Accounting Standards published by ARD Foundation should be sought for as well as its opinion with respect to the reasons accounting for the price difference and the acceptability of the transaction price:

4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value.

4.3.2 The amount difference among the appraised values as a result of the appraisals conducted by two or more professional appraiser's amounts to 10% or more of the transaction value.

4.4 The appraisal report date and the date of creation of the transaction contract conducted by professional appraiser must not be apart for more than 3 months. Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought.

4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or certified public accountant's opinion.

5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.

Article 8

Procedure for acquisition or disposal of marketable securities

1. Evaluation and procedure of operation

Trading of long- or short-term securities by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of investments. Acquisition or disposal of long-term securities mentioned in the procedure refers to the holding of over 20% stake or long-term equity investment. Acquisition or disposal of long-term securities mentioned in the procedure refers to the holding of over 20% stake or long-term equity investment in a company.

2. Procedure for determining the terms of transaction and approval of transaction

2.1 For acquisition and disposal of long-term securities, the execution unit should evaluate transaction conditions and authorized quota before submitting its proposal to the board of directors for approval.
2.2 For acquisition and disposal of short-term securities, the execution unit should evaluate the transaction conditions and authorization quota before carrying out the move according to "Measures for the Management of Short-term Investment."
2.1.1 Purchasing and selling short-term marketable securities traded on the stock exchange or over-the-counter market shall be judged and determined by the responsible financial unit according to the market. The limits on the total investment amount and the amount of investment in any specific securities are as follows:

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

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

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

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

2. Expert opinion

4.1 For acquisition or disposal of marketable securities, the company should obtain the audited or reviewed financial statement of the target companies as the reference for transaction price, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million, certified public accountant's opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens. In case CPA needs to adopt the report of experts, auditing criteria No. 20 publicized by Accounting Research and Development Foundation should be followed, except in cases where there is an active public quote on the subject securities or where the subject securities belongs to any of the following:

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

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

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

Article 9
Transaction with related parties

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

2. Evaluation and procedure of operation
   Acquisition or disposal of real property from a related party, or acquires or disposes non-property assets with related parties and the trading value exceeds 20% of the company's paid-in capital, 10% of total assets, or NT$300 million, must be approved by the Board of Directors based on the materials on the following matters and ratified by the Audit Committee in advance to sign the transaction contract and make payment:

2.1 The purpose, necessity and anticipated efficacy of the proposed acquisition or disposal of assets.
2.2 The reason for selecting the related party in issue as the transaction counterpart.

2.3 Acquiring real property from related parties, the evaluation materials regarding the acceptability of the proposed terms of transaction produced pursuant to paragraphs 3.1 and 3.4 of this Article.
2.4 The acquisition date and the transaction price at which the related party acquired the subject real property and the related party's transaction counterpart in that transaction and the relationship between them.
2.5 Forecast on the statement of receipts and disbursements of cash within one year from the month of the proposed contract signing date, and an evaluation of the necessity of the proposed transaction and the acceptability of the application of the relevant funds.
2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article 9.
2.7 The restrictions and other important arrangements on the transaction.

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

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

The board of directors could authorize the chairperson to make decision for acquiring from, or disposing with, related parties machinery equipment whose value falls within a certain scope.

3. Evaluation of acceptability of the transaction cost

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

3.1.1 The transaction cost shall be the sum of the proposed transaction price plus the necessary capital interest and the legal cost to be incurred by the buyer. *Necessary capital interest* shall be calculated according to the weighted average interest rate on loans extended to the Company in the year of the purchase of the real property, provided that the said interest rate shall not exceed the maximum non-financing borrowing interest rate announced by the Ministry of Finance.

3.1.2 Where the related party has mortgaged the subject real property to any financial institution, the total value adopted by the financial institution to determine the line of credit shall be taken into account, provided that the accumulated amount of the actual advanced credit on the subject real property has amounted to 70% or more of the line of credit for over one year except in cases where the financial institution is a related party to the related party in issue or vice versa.

3.2 Where the subject real property comprises the land and the building thereon, the transaction cost of the land and the building may be evaluated separately according to any of the methods provided in the preceding paragraph

3.3 The cost of the real property to be acquired by the Company from a related party shall be evaluated in accordance with paragraph 3.1 and 3.2 of this Article and review and workable opinion by a certified public accountant on such evaluation should be sought for.

3.4 Where the values of the real property to be acquired by the Company from a related party in conclusion of the evaluation pursuant to paragraphs 3.1 and 3.2 of this Article respectively both are lower than the proposed transaction price, paragraph 3.5 of this Article shall apply except in the following cases where objective evidence has been produced and workable opinion has been sought for from the professional appraiser and a certified public on the acceptability of the transaction price:

3.4.1 The related party has acquired or leased a vacant land to build the building and evidence has been produced to prove fulfillment of any of the following:

3.4.1(1) The sum of the value of the vacant land appraised according to the method provided in the preceding Article and the value of the building appraised as the total of the construction cost incurred by the related party plus reasonable construction profit exceeds the actual transaction price. Reasonable construction profit shall be determined based on the average gross margin ratio of the construction department of the related party in the past three years or the gross margin ratio applicable to the construction industry published by the Ministry of Finance, whichever is lower.

3.4.1(2) The terms of the proposed transaction are considered acceptable by reference to the successful transactions of the other floors of the same building or nearby buildings concluded by non-related parties, each of which is of similar square measure to that of the subject real property, and the term of such successful transactions are considered comparable to the relevant terms of the proposed transaction according to the common practice of real property transaction applicable to the area.

3.4.1(3) The terms of the proposed transaction are considered acceptable by reference to the successful leases of the other floors of the same building or nearby buildings concluded by non-related parties within one year and the terms of such successful leases are considered comparable to the relevant terms of the proposed transaction according to the common practice of real property leases applicable to the area.

3.4.2 The Company has produced evidence to prove the terms of the proposed purchase of real property from a related party are comparable to the terms of successful transactions of nearby real property of similar square measure which were concluded by non-related parties within one year. *Successful transaction of nearby real property* means the successful transaction of a real property which is located in the same block as the subject real property and within a radius of 500 meters from the subject real property or the posted present value of which is similar to that of the subject real property. *Of similar square measure* means, basically, the square measure of the real property in the successful transaction concluded by a non-related party being referred to is no less than 50% of the square measure of the subject real property. *Within one year* means within the year immediately preceding the date of occurrence of the proposed transaction.

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

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

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

3.5.3 The result of handling pursuant to paragraphs 3.5.1 and 3.5.2 of this Article shall be reported to the Shareholders Meeting and the particulars of the transaction shall be disclosed in the relevant annual report and the prospectus.

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

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

3.6.1 The related party has acquired the subject real property by inheritance or as a gift.
3.6.2 Over five years has lapsed since the related party signed the contract on acquisition of the subject real property.

3.6.3 The related party acquired the subject real property under a signed joint construction contract with its related party.

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

Article 10 Procedure for acquisition or disposal of membership

The Company will, in principle, not conduct acquisition or disposal of memberships. Should any such transaction be proposed in the future, the Company shall submit the proposal to the meeting of the Board of Directors for approval and, thereafter, lay down the procedure for the evaluation and operation thereof.

Article 11
Procedure for acquisition or disposal of intangible assets

1. Evaluation and procedure for operation
   The acquisition or disposal of intangible assets by the Company shall be conducted in accordance with the Company's internal control policy pertaining to the revolving of fixed assets

2. Terms of transaction and procedure for approval of transaction

2.1 The terms and transaction price of the proposed acquisition or disposal of intangible assets shall be determined by reference to the evaluation report produced by an expert or the fair market value. Transactions with a transaction value of less than TWD30 million each may proceed with the approval of the President. Transactions with a value of between TWD30 million and TWD60 million may proceed with the approval of the Chairman and shall be reported to the immediate subsequent meeting of the Board of Directors. Transactions with a value of over TWD60 million each must be approved by the Board of Directors in advance.

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

3 Unit in charge of execution of transaction
Upon approval of the proposed acquisition or disposal of membership or intangible assets or other fixed assets pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof.

4 Expert evaluation report on membership or intangible assets
Where the transaction value of the acquisition or disposal of membership or intangible asset by the Company amounts to 20% of the paid-in capital of the Company or TWD300 million, the opinion of a certified public accountant on the acceptability of the proposed transaction price should be sought for before the date the fact happens, who shall act in accordance with the No. 20 Statement of Auditing Standards published by the ARD Foundation

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

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

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

Article 13
Procedure for acquisition or disposal of financial derivates

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

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

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

1.3 Division of powers and duties:

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

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

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

1.4 Key points of performance evaluation:

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

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

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

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

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

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

1.6 Limits on total loss from all transaction contracts and the loss from each individual transaction contract

The uncovered position of derivative transactions by the Company as a whole shall be calculated according to the closing price of TWD at the current day on and that of the New York foreign exchange market of the previous day. When the loss incurred amounts to TWD2.5 million, 25% thereof shall be covered and the trader shall be instructed to suspend all transactions. When the loss incurred amounts to TWD5 million, 50% of the uncovered position must be covered with a relevant report submitted to the President. If the loss incurred amounts to TWD10 million, all positions shall be closed with a relevant report submitted to the President and the Chairman.

Please see the Trader Authorization and Stop-Loss Points Schedule attached hereto (1, 2) for the stop-loss point applicable to foreign exchange transactions. Each trader shall act according to the stop-loss point for each individual transaction and for accumulated loss respectively which are fixed according to the limit on his/her authorization and the foreign currency traded. The trader will be suspended from conducting transactions for a term of three months on his/her initial breach in conducting closing of position at the relevant stop-loss point and he/she will be disqualified on a second non-compliance, in which case, he/she will be reported to the President for determining the disciplinary action against him/her.

2. Risk management

2.1 Credit risk management:

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

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

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

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

2.2 Market risk management:
The operation shall focus on the public foreign exchange transaction provided by banks without regard to the futures market.

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

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

2.5 Operational risk management
The transactions shall be conducted within the relevant authorized amount in full compliance with the procedure for operation and put under internal control to prevent operational risks.

The personnel conducting derivatives must not act concurrently as the personnel responsible for making the relevant verification and delivery and vice versa.

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

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

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

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

3. Internal audit policy

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

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

4. Periodical evaluation

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

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

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

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

5.1.1 Suitability of the current risk management measures and the compliance of the Company's procedure for derivatives transactions should be evaluated on a regular basis.

5.1.2 Necessary measures shall be taken upon finding of any irregularity with respect to the transaction and profit (loss) from the transaction. Such finding must be reported to the Board of Directors immediately and the relevant opinion expressed by the Independent Director shall be heard at the relevant meeting.

5.1 Performance consistency of derivatives transactions with the relevant operation policy and the acceptability limit of risks must be evaluated on a regular basis.

5.3 Where the relevant personnel have been authorized pursuant to the procedure for derivatives transactions to handle the transaction, the transaction shall be reported to the Board of Directors after the transaction.

5.4 The Company shall maintain a derivatives transactions record book in which the type, value, date of the relevant resolution adopted by the meeting of the Board of Directors, and the matters subject to evaluation provided in paragraphs 4.2, 5.1 and 5.2 of this Article of each transaction shall be indicated in detail for reference.

Article 14

Procedure for handling merger, spin-off, acquisition or assignment of shares

1. Evaluation and procedure of operation

1.1 The Company shall, for the purpose of a merger, spin-off, acquisition or assignment of shares, call a meeting of the legal counsel, certified public accountant and underwriter for joint discussion to determine the timetable of the legal proceeding and organize a special group to execute the legal proceeding. The Company shall also seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price or, cash or other property to be distributed to the shareholders and submit the same to the meeting of the Board of Directors for approval.

1.2 The Company shall, prior to the convention of the relevant Shareholders Meeting, produce the document on disclosure of the material agreement and relevant matters on the proposed merge, spin-off or acquisition and submit such document to all shareholders together with the expert opinion provided in paragraph 1.1 of this Article and the meeting minutes as reference for the shareholders to determine to or not to approve the proposed merger, spin-off or acquisition, except in case where a relevant resolution adopted by the Shareholders Meeting is not legally required. If any of the participant companies is unable to convene the meeting, or to obtain the resolution of its shareholders meeting on the proposed merger, spin-off or acquisition because the number of shares represented at the meeting fell short of the quorum for the meeting or the proposal is denied by the meeting, the participant companies shall promptly give a public explanation of the cause, the subsequent handling and reschedule a date for convening the shareholders meeting.

2. Other matters for attention

2.1 Date of convention of the relevant meeting of the Board of Directors:
Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the merger, spin-off or acquisition shall convene the meeting of the board of directors and the shareholders meeting on the same day to adopt the resolution on the matters in connection with the proposed merger, spin-off or acquisition. Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the assignment of shares shall convene the meeting of the board of directors on the same day.

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

2.1.1 Basic personal information: including all personnel who participate in the execution of the merger, spin-off, acquisition or assignment of shares before the relevant information was publicly released, including their titles, names, and identification card (or passport) number.

2.1.2 Dates of important matters including, among others, execution of the relevant memorandum of intent (MOI) or memorandum of understanding (MOU), engagement of financial or legal counsel, execution of the relevant contract(s) and the date of the relevant meeting of the Board of Directors.

2.1.3 Important documents and meeting records on, among others, the proposed merger, spin-off, acquisition or assignment of shares, and the relevant MOI or MOU, important contract(s) and minutes of the relevant meeting of the Board of Directors.

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

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

2.2 Prior non-disclosure agreement:

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

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

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

2.3.1 The subject securities are issued for capital increase, issuance of convertible bonds, stock grant, and issuance of corporate bond with stock option, issuance of preferred shares with stock option, issuance of share warrant certificates or other equity securities.

2.3.2 Any of the participant companies has done any act that may affect the financial operation of the company such as disposal of its material assets.

2.3.3 The shareholders' equity or securities price of any of the participant companies has been affected by, among others, a major disaster or material technical change.

2.3.4 Any of the participant companies has adjusted legal buy-back of treasury stocks.

2.3.5 The principal participant companies or the number of participant companies has changed.

2.3.6 The contract has provided the other conditions for changes and such conditions have been publicly disclosed.

2.4 Provision of the contract:

The contract on the proposed merger, spin-off, acquisition or assignment of shares shall provide the matters set forth below, except those in accordance with the provision of Article 317-1 of the Company Act and Article 22 of the Business Merger Act:

2.4.1 Handling of defaults.
2.4.2 The procedure for issuance of equity securities or buy-back of treasury shares adopted by the company to extinct as a result of the proposed merger or to spin off.
2.4.3 The amount of treasury stocks the participant company may legally buy back after the swap ratio record date and such company's procedure therefore.
2.4.4 Ways to handle matters arising from a change of the principal participant company or the number of participant companies.
2.4.5 The schedule for executing the project and the scheduled date of completion.
2.4.6 Procedure for handling relevant matters and the date to duly convene the relevant Shareholders Meeting in case the project is not completed as scheduled.

2.5 Change of the participant companies:
Where, after any of the companies participating in the proposed merger, spin-off, acquisition or assignment of shares has publicly disclosed the information, there is another company to participate in the proposed merger, spin-off, acquisition or assignment of shares, the original participant companies each shall re-new all relevant proceedings or legal acts except in the case of there being reduction in the number of the original participant companies and the Board of Directors is authorized to act accordingly by the resolution of the Shareholders Meeting.

2.6 The Company shall enter into an agreement with the participant company which is not a public company and set the date to convene the relevant meeting of the Board of Directors, execute the prior non-disclosure agreement, and act accordingly in consideration of the change of the participant companies in accordance with paragraphs 2.1, 2.2 and 2.5 of this Article.

Article 15 Procedure for public disclosure reports

1. Matters which should be reported for public disclosure and the relevant standards

1.1 Acquisition of real property, or disposal of properties with, related parties, or acquisition of non-property assets from, or disposal of non-property assets with, related parties with the trading value exceeding 20% of the company's paid-in capital or 10% of total assets, or NT$300 million. However, trading in government bonds or bonds with repurchase or reverse repurchase agreement is not included.

1.2 Merger, spin-off, acquisition or assignment of shares.

1.3 The amount of loss incurred from the derivatives transaction exceeds the limit on loss from all contracts or the relevant individual contract provided in the relevant handling procedure.

1.4 Assets transactions or disposals of credit claims in financial institutions or investment in PRC other than those provided in the preceding three subparagraphs, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million each, except for these transactions:

1.4.1 The transaction is the purchase or sale of government bonds.

1.4.2 The transaction is for investment purposes only of securities traded on local or foreign stock exchange or over-the-counter market.

1.4.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements.

1.4.4 The subject asset to be acquired or disposed of is machinery equipment for business use and the transaction counterpart is a non-related party and the transaction value is less than TWD500 million.

1.4.5 The subject real property is to be acquired or disposed of by the construction business division of the Company for construction use and the transaction counterpart is a non-related party and the transaction value is less than TWD500 million.

1.4.6 The subject real property to be acquired is a building is to be constructed on a self-owned land, leased land, jointly constructed and shared by units, jointly constructed and shared by percentage, jointly constructed and sold by units and the anticipated transaction value is less than TWD500 million.

1.5 The transaction value provided in previous paragraph 1.5 above shall be calculated as follows, where *within one year* means within the year immediately preceding the date of occurrence of the proposed transaction, excluding the items which have been publicly disclosed.

1.5.1 The value of each transaction.
1.5.2 The total value of the property of the same nature acquired from or transferred to the same transaction counterpart within one year.
1.5.3 The total value of the real property under the same development project acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately).
1.5.4 The total value of the same specific securities acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately).

2. Time period for making public disclosure

If the acquisition or disposal of assets involves any item which should be published pursuant to paragraph 1 of this Article and the transaction value meets the public disclosure standards provided in this Article, the Company shall make a public disclosure on such acquisition or disposal of assets within two days following the date of occurrence of such transaction.

3. Procedure for making public disclosure

3.1 The Company shall cause the relevant information publicly disclosed on the website designated by the FSC.

3.2 The Company shall on a monthly basis make a report on the derivatives transactions conducted in the month by itself and its local subsidiaries which are not public companies on the website designated by the FSC in the form and substance required by the tenth day the following month.

3.3 The Company shall renew the entire public disclosure report in case the public disclosure report made contains any error or omission.

3.4 The Company shall keep all agreements, meeting minutes, reference record book, appraisal report, opinions of the certified public account, legal counsel or underwriter in the Company relating to the acquisition or disposal of any asset for a term of at least five years except as otherwise provided by law.

3.5 In the event of any of the following after submitting the public disclosure report in accordance with the preceding paragraph, the Company shall, within two days following the occurrence of such event, publicly disclose the relevant information on the website designated by the FSC:

3.5.1 There is change to the relevant original signed agreement(s) or the original signed agreement(s) is terminated or rescinded.

3.5.2 The proposed merger, spin-off, acquisition or assignment of shares is not completed as scheduled under the relevant agreement.

3.5.3 There are changes for the original reporting.

Article 16

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

1. The subsidiaries of the Company each shall prescribe their own rules for acquisition or disposal of assets pursuant to the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.

2. For a subsidiary of the Company which is not a public company, if the acquisition or disposal of asset by such subsidiary meets the public disclosure standards provided in the paragraph 1 of Article 15, the Company shall make the relevant public disclosure report for such subsidiary.

3. The “amounts to 20% of the paid-in capital of the company or 10% of the total assets” provided in the public disclosure standards applicable to the subsidiaries of the Company means the paid-in capital of the Company.

Article 17 Penalty

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

Article 18 Implementation and amendment

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

Article 19

This Procedure was established on 11 August 1989 and subsequently amended as follows:
the first amendment on 30 September 1991;
the second amendment on 26 June 1995;
the third amendment on 28 April 1997;
the fourth amendment on 28 October 1999;
the fifth amendment on 6 June 2003;
the sixth amendment on 13 June 2007;
the seventh amendment on 15 June 2012.
and the eighth amendment shall be implemented on June 21, 2013.

Impact on Company's business performance, EPS and ROI from the stock grant proposed by Shareholders Meeting: Not applicable.

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

1. Types and number of issued shares: common stocks, 2,002,692,886 shares in total.
2. Minimum required shareholding by all Directors: 48,064,629 shares (Note 1)
3. Minimum required shareholding by all Supervisors: Not Applicable (Already set up Audit Committee)
4. The total shareholding of all Directors and Supervisors meets the minimum shareholding requirement respectively.

Period of suspension of share transfer: April 25 2014 ~ June 23 2014

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 Ho Global Investment Co., Ltd. Representative: Chao-Kai, Liu	20120615	3yrs	2,240,262	0.12%	2,240,262	0.11%
Managing Director	Mao-Hsiung, Huang (Theodore Huang)	20120615	3yrs	18,486,633	1.00%	18,486,633	0.92%
Managing Director	Po-Chih, Huang (Fred Huang)	20120615	3yrs	21,614,831	1.17%	21,614,831	1.08%
Managing Director	Cheng-Tsung, Huang (John Huang)	20120615	3yrs	15,279,849	0.83%	15,279,849	0.76%
Independent Director	Tian-Jy, Chen	20120615	3yrs	0	0	0	0
Independent Director	Chin-Chien, Chen	20120615	3yrs	0	0	0	0
Independent Director	Jing-Shown, Wu	20130621	2yrs	0	0	0	0
Director	Hsien Sheng Kuo	20120615	3yrs	9,126,238	0.49%	9,126,238	0.48%
Director	Yaskawa Electric Corporation Representative: Hiroyuki Ougi	20120615	3yrs	29,541,089	1.60%	29,541,089	1.47%
Director	Kuang Yuan Industrial Co., Ltd. Representative: Shih-Chien, Yang	20120615	3yrs	23,093,919	1.19%	22,033,919	1.10%
Director	Tong Kuang Investment Co., Ltd. Representative: Chwen-Jy, Chiu (Sophia Chiu)/ Hong-Xiang, Lin	20120615	3yrs	30,341,364	1.64%	30,341,364	1.52%
Director	Lien Chang Electronic Co., Ltd. Representative: Chin San, Chien	20120615	3yrs	4,173,000	0.23%	4,173,000	0.21%
Director	Mao Yang Co., Ltd. Representative: Yong-Hsiang, Chang	20120615	3yrs	5,000,893	0.27%	5,000,893	0.25%
Director	Creative Sensor Inc. Representative: Yu-Ren, Huang	20120615	3yrs	10,000,000	0.54%	10,000,000	0.50%
Total number of shares held by all Directors				167,838,078	9.08%	167,838,078	8.38%

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.