

**TECO Electric & Machinery Co., Ltd.**  
**Minutes of the 2014 Annual General Shareholders' Meeting**  
**(Summary Translation)**

Time: 09:00am, June 23, 2014 (Monday)

Place: TECO Chung-Li Plant

No. 11, An Dong Road, Industrial Zone, Chung-Li, Taoyuan County

Shares represented at the meeting:

The total issued shares of the Company is 2,002,692,886, net of shares without voting rights 22,365,800, the total number of valid issued shares of the Company is 1,980,327,086. A total of 1,415,175,774 valid issued shares of the Company were presented at the above meeting (including a total of 963,558,878 shares were presented by electronic voting), representing 71.46% of the above total valid issued shares of the Company.

Chairman: C. K. Liu

Attendance: Theodore M.H. Huang(Managing Director), Fred P.C. Huang(Managing Director), John C.T. Huang(Managing Director), Hiroyuki Ougi( Director), Sophia Chiu(Director), Hsien Sheng Kuo( Director), C. S. Chien( Director), Yong-Xiang Chang(Director), Hong-Xiang Lin( Director), Tian-Jy, Chen(Managing & Independent Director, member of Audit Committee), Jing-Shown Wu( Independent Director, member of Audit Committee), Chin-Chien Chen(Independent Director, member of Audit Committee)

Observer:

Attorney, Steven S. K. Chen; Certificated Public Accountant, Audrey Tseng & Ping-Chiun Chih

Recorder: Doreen Lin, Shuting Yang

**1. Meeting called to order**

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

**2. Address by the Chairman**

**3. Reports:**

**3.1 Business Report for 2013 (please see Appendix 1)**

Comments raised by the shareholder (Shareholder number 426840) regarding operating income, loan to subsidiary and the operating status of subsidiaries. The above was answered by Chairman and President: Accepted

**3.2 Inspection Report of Audit Committee for 2013 (please see Appendix 2)**

Comments raised by the shareholder (Shareholder number 426840) regarding collection of principal and interest, capital increase and independent director' s visit to overseas branches. The above was answered by Chairman, Independent director and President: Accepted

**3.3 Endorsements and Guarantees to Other Parties and Lending of Capital (please see Appendix 4)**

**3.4 The issue of Domestic Unsecured Convertible Bonds (please see Appendix 5)**

#### **4. 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 PricewaterhouseCoopers to audit and certify the Business Report and Financial Statements for 2013 (including consolidated financial statements), both of which were subsequently inspected by Audit Committee and are hereby submitted for ratification.
2. Please see Appendix 1 for “Business Report” and Appendix 3 for Auditors’ Report and Financial Statements of Year 2013.

##### **Resolution:**

A total of 1,061,937,884 shares voted “for” (including a total of 655,548,905 shares were presented by electronic voting), and a total of 92,921 shares voted “against” (including a total of 92,921 shares were presented by electronic voting). The percentage of approval represented 75.9% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

##### **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 distributable 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.
4. Please see Appendix 6 for the detailed profit distribution plan.

##### **Resolution:**

A total of 1,067,232,508 shares voted “for” (including a total of 660,843,529 shares were presented by electronic voting), and a total of 212,750 shares voted “against” (including a total of 212,750 shares were presented by electronic voting). The percentage of approval represented 76.3% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

**Proposal 3:**

Revise the utilization of proceeds of 1st unsecured corporate bond in 2013  
(Proposed by the Board of Directors)

**Explanatory note:**

1. To boost the efficacy of fund utilization, the company plans to revise the purpose of the RMB240 million (US\$40 million) fund raised from corporate bonds to use for “overseas investment.”
2. The change can create RMB27,332,000 benefit, from investment returns and interest saving, higher than original expectation, without any adverse effect on shareholders’ interest.
3. Plan for the fund utilization before and after the change is as following:

(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: Equivalent to USD\$ 40 million

**Resolution:**

A total of 1,067,301,606 shares voted “for” (including a total of 660,912,627 shares were presented by electronic voting), and a total of 96,218 shares voted “against” (including a total of 96,218 shares were presented by electronic voting). The percentage of approval represented 76.3% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

## **5. Discussion:**

### **Proposal 1:**

Amendment to “Article of Incorporation” (Proposed by the Board of Directors)

#### **Explanation:**

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 adopt the nomination system for directors, on the basis of article 192-1 of the Company Law.
2. Plan to remove the “supervisor” in the passage concerning payout of supervisor remuneration in the charter.
3. For the comparison between the revision and the original, please refer to Appendix 7.

#### **Resolution:**

A total of 1,064,182,109 shares voted “for” (including a total of 657,793,130 shares were presented by electronic voting), and a total of 3,227,926 shares voted “against” (including a total of 3,227,926 shares were presented by electronic voting). The percentage of approval represented 76% of the total voting rights of shareholders in attendance. The proposal was approved as proposed.

### **Proposal 2:**

Amendment to “Rules Governing Election of Directors” (Proposed by the Board of Directors)

#### **Explanation:**

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 Appendix 8

#### **Resolution:**

A total of 1,067,309,673 shares voted “for” (including a total of 660,920,694 shares were presented by electronic voting), and a total of 98,557 shares voted “against” (including a total of 98,557 shares were presented by electronic voting). The percentage of approval represented 76.3% of the total voting rights of shareholders in attendance. The proposal was approved as proposed.

**Proposal 3:**

Amendment to “Procedure for Acquisition or Disposal of Assets” (Proposed by the Board of Directors)

**Explanation note:**

1. In line with the revision of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by 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 Appendix 9.

**Resolution:**

A total of 1,065,236,465 shares voted “for” (including a total of 660,899,486 shares were presented by electronic voting), and a total of 96,480 shares voted “against” (including a total of 96,480 shares were presented by electronic voting). The percentage of approval represented 76.1% of the total voting rights of shareholders in attendance. The proposal was approved as proposed.

**6. Extempore Motions:**

None

**7. Meeting Adjourned: 10:05 AM**

**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.

**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, 2014



## Appendix 3

### 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

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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	6(2)							
	through profit or loss - current		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	7							
	parties		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	6(8) and 7							
	parties		2,033,521	3	2,018,634	3	2,882,635	5	
1190	Receivables from customers on	6(7)							
	construction contracts		744,268	1	1,012,848	2	1,758,997	3	
1200	Other receivables		28,376	-	86,241	-	51,986	-	
1210	Other receivables - related	6(8) and 7							
	parties		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	6(3)							
	assets - noncurrent		5,204,652	9	5,953,543	10	5,345,765	9	
1550	Investments accounted for	6(8)							
	under the equity method		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			December 31, 2013		December 31, 2012		January 1, 2012				
			AMOUNT	%	AMOUNT	%	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		2012	
			AMOUNT	%	AMOUNT	%
4000	<b>Sales revenue</b>	6(22) and 7	\$ 25,604,449	100	\$ 25,461,139	100
5000	<b>Operating costs</b>	6(6)(16)(20)(26)(27) and 7	( 20,344,940)	( 80)	( 20,170,940)	( 79)
5900	<b>Net operating margin</b>		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	<b>Net operating margin</b>		5,182,344	20	5,219,877	20
	<b>Operating expenses</b>	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	<b>Total operating expenses</b>		( 3,469,928)	( 13)	( 3,397,510)	( 13)
6900	<b>Operating profit</b>		1,712,416	7	1,822,367	7
	<b>Non-operating income and expenses</b>					
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	<b>Total non-operating income and expenses</b>		2,432,127	9	1,605,995	6
7900	<b>Profit before income tax</b>		4,144,543	16	3,428,362	13
7950	Income tax expense	6(28)	( 384,671)	( 2)	( 348,560)	( 1)
8200	<b>Profit for the year</b>		\$ 3,759,872	14	\$ 3,079,802	12
	<b>Other comprehensive income</b>					
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	<b>Other comprehensive income for the year</b>		\$ 704,547	3	( \$ 366,201)	( 1)
8500	<b>Total comprehensive income for the year</b>		\$ 4,464,419	17	\$ 2,713,601	11
	<b>Basic earnings per share</b>	6(29)				
9750	<b>Total basic earnings per share</b>		\$ 2.01		\$ 1.69	
9850	<b>Total diluted earnings per share</b>		\$ 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 )	
Insurance 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)	-	-	-	-	-	-	-	( 794,746 )	-	( 794,746 )	
Balance at December 31, 2012		<u>\$ 18,471,209</u>	<u>\$ 19,760</u>	<u>\$ 5,881,995</u>	<u>\$ 4,333,193</u>	<u>\$ 3,737,786</u>	<u>\$ 6,697,545</u>	<u>(\$ 366,207 )</u>	<u>(\$ 1,279,753 )</u>	<u>(\$ 320,839 )</u>	<u>\$ 37,174,689</u>	
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)	-	-	-	-	-	-	-	-	-	-	
Treasury stock acquired through acquisition of subsidiaries	6(8)(18)	-	-	-	-	-	1,918	-	1,002,336	-	1,004,254	
Balance at December 31, 2013		<u>\$ 19,646,374</u>	<u>\$ 380,555</u>	<u>\$ 7,493,180</u>	<u>\$ 4,629,663</u>	<u>\$ 3,737,786</u>	<u>\$ 8,238,933</u>	<u>(\$ 312,141 )</u>	<u>(\$ 629,353 )</u>	<u>(\$ 321,563 )</u>	<u>\$ 42,863,434</u>	

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

		For the years ended December 31	
	Notes	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
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)

(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2013	2012
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in other receivables-related parties	7	\$ 44,241	( \$ 44,241 )
Decrease (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 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
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

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and 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		December 31, 2012		January 1, 2012		
			AMOUNT	%	AMOUNT	%	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		December 31, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>							
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	<b>Current Liabilities</b>		<u>19,983,776</u>	<u>26</u>	<u>17,682,039</u>	<u>25</u>	<u>16,329,250</u>	<u>23</u>
	<b>Non-current liabilities</b>							
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	<b>Non-current liabilities</b>		<u>10,182,303</u>	<u>13</u>	<u>15,238,335</u>	<u>21</u>	<u>16,484,328</u>	<u>24</u>
2XXX	<b>Total Liabilities</b>		<u>30,166,079</u>	<u>39</u>	<u>32,920,374</u>	<u>46</u>	<u>32,813,578</u>	<u>47</u>
	<b>Equity attributable to owners of parent</b>							
	<b>Share capital</b>	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	-
	<b>Capital surplus</b>	6(23)						
3200	Capital surplus		7,493,180	9	5,881,995	7	5,746,161	8
	<b>Retained earnings</b>	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
	<b>Other equity interest</b>	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	<b>Equity attributable to owners of the parent</b>		<u>42,863,434</u>	<u>56</u>	<u>37,174,689</u>	<u>51</u>	<u>36,090,701</u>	<u>51</u>
36XX	<b>Non-controlling interest</b>		<u>3,860,540</u>	<u>5</u>	<u>2,111,001</u>	<u>3</u>	<u>1,631,985</u>	<u>2</u>
3XXX	<b>Total equity</b>		<u>46,723,974</u>	<u>61</u>	<u>39,285,690</u>	<u>54</u>	<u>37,722,686</u>	<u>53</u>
	<b>Commitments and Contingent Liabilities</b>	9						
	<b>Subsequent Events</b>	11						
	<b>Total liabilities and equity</b>		<u>\$ 76,890,053</u>	<u>100</u>	<u>\$ 72,206,064</u>	<u>100</u>	<u>\$ 70,536,264</u>	<u>100</u>

**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	For the years ended December 31			
		2013		2012	
		AMOUNT	%	AMOUNT	%
4000 <b>Sales revenue</b>	6(26) and 7	\$ 56,618,537	100	\$ 48,730,193	100
5000 <b>Operating costs</b>	6(7)(20)(24)(30)(31) and 7	( 43,137,921)	( 76)	( 37,272,745)	( 76)
5900 <b>Net operating margin</b>		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 <b>Net operating margin</b>		13,484,726	24	11,449,961	24
<b>Operating expenses</b>	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 <b>Total operating expenses</b>		( 8,859,132)	( 16)	( 7,620,903)	( 16)
6900 <b>Operating profit</b>		4,625,594	8	3,829,058	8
<b>Non-operating income and expenses</b>					
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 <b>Total non-operating income and expenses</b>		777,890	2	579,684	1
7900 <b>Profit before income tax</b>		5,403,484	10	4,408,742	9
7950 Income tax expense	6(32)	( 1,226,228)	( 2)	( 1,082,296)	( 2)
8200 <b>Profit for the year</b>		\$ 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)

		For the years ended December 31			
		2013		2012	
Items	Notes	AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>					
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	<b>Other comprehensive income for the year</b>		<u>\$ 774,035</u>	<u>1</u>	<u>(\$ 482,503) ( 1)</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 4,951,291</u>	<u>9</u>	<u>\$ 2,843,943 6</u>
<b>Profit (loss), attributable to:</b>					
8610	Owners of the parent		\$ 3,759,872	7	\$ 3,079,802 6
8620	Non-controlling interest		417,384	1	246,644 1
			<u>\$ 4,177,256</u>	<u>8</u>	<u>\$ 3,326,446 7</u>
<b>Comprehensive income attributable to:</b>					
8710	Owners of the parent		\$ 4,464,419	8	\$ 2,713,601 6
8720	Non-controlling interest		486,872	1	130,342 -
			<u>\$ 4,951,291</u>	<u>9</u>	<u>\$ 2,843,943 6</u>
<b>Earnings per share</b> 6(33)					
9750	<b>Total basic earnings per share</b>		<u>\$ 2.01</u>	<u>\$ 1.69</u>	
9850	<b>Total diluted earnings per share</b>		\$ 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			Total	Non-controlling interest	Total equity
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				
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		-	-	-	-	-	-	-	-	-	-	-	-
Issuance of stock options embedded in convertible bonds	6(17)	-	-	-	-	-	( 207,325 )	-	-	-	( 207,325 )	-	( 207,325 )
Change of non-controlling interests		-	-	110,100	-	-	-	-	-	-	110,100	-	110,100
Profit for the year	6(24)	-	-	-	-	-	3,079,802	-	-	-	3,079,802	348,674	348,674
Other comprehensive income for the year	6(25)	-	-	-	-	-	-	( 366,207 )	6	-	( 366,201 )	( 116,302 )	( 482,503 )
Balance at December 31, 2012		<u>\$ 18,471,209</u>	<u>\$ 19,760</u>	<u>\$ 5,881,995</u>	<u>\$ 4,333,193</u>	<u>\$ 3,737,786</u>	<u>\$ 6,697,545</u>	<u>(\$ 366,207 )</u>	<u>(\$ 1,279,753 )</u>	<u>(\$ 320,839 )</u>	<u>\$ 37,174,689</u>	<u>\$ 2,111,001</u>	<u>\$ 39,285,690</u>
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		<u>\$ 19,646,374</u>	<u>\$ 380,555</u>	<u>\$ 7,493,180</u>	<u>\$ 4,629,663</u>	<u>\$ 3,737,786</u>	<u>\$ 8,238,933</u>	<u>(\$ 312,141 )</u>	<u>(\$ 629,353 )</u>	<u>(\$ 321,563 )</u>	<u>\$ 42,863,434</u>	<u>\$ 3,860,540</u>	<u>\$ 46,723,974</u>

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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 payable - 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
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
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 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(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		<u>\$ 14,908,571</u>	<u>\$ 13,178,775</u>

## 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 &amp; 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 &amp; 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
<b>Undistributed profit as of the end of 2013</b>	<b>5,659,984,100</b>
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 &amp; Machinery Co., Ltd.

**Comparison of Current Provision and Proposed Amendment to  
Article of Incorporation**

Current Provision	Proposed Amendment	Note
<p><b>Article 15</b> 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.</p> <p>Three of the aforementioned directors are independent directors. Candidates for <u>independent</u> directors are nominated, according article 192-1 of the Company Law.</p>	<p><b>Article 15</b> 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.</p> <p>Three of the aforementioned directors are independent directors. Candidates for <del>independent</del> directors are nominated, according article 192-1 of the Company Law.</p> <p>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.</p>	<p>※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.</p>

Current Provision	Proposed Amendment	Note
<p><b>Article 26</b> The profit of the Company as of the final accounting each year shall be appropriated in the following order to</p> <p>1-4 (omission)</p> <p>5. Pay not more than 5% of the balance as of the application provided in subparagraphs 1 to 4 to <u>Directors and Supervisors</u> as remuneration.</p> <p>6-8 (omission)</p> <p>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 <u>Directors and Supervisors</u> (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.</p>	<p><b>Article 26</b> The profit of the Company as of the final accounting each year shall be appropriated in the following order to</p> <p>1-4 (omission)</p> <p>5. Pay not more than 5% of the balance as of the application provided in subparagraphs 1 to 4 to <del>Directors and Supervisors</del> as remuneration.</p> <p>6-8 (omission)</p> <p>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 <del>Directors and Supervisors</del> (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.</p>	<p>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.</p>
<p><b>Article 29</b> 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.</p>	<p><b>Article 29</b> 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. <u>The fifty-fifth amendment was on June 23, 2014.</u> It will take effect after the approval of shareholders' meeting.</p>	<p>※ Addition of the date for the current revision</p>

## TECO Electric & Machinery Co., Ltd.

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

Current Provision	Proposed Amendment	Note
<b>Article 2</b> 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.	<b>Article 2</b> <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"
<b>Article 12</b> 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.	<b>Article 12</b> 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 &amp; Machinery Co., Ltd.

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

Current Provision	Proposed Amendment	Note
<b>Article 3</b> Scope of assets 1. The term <i>marketable securities</i> 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.	<b>Article 3</b> Scope of assets 1. The term <i>marketable securities</i> 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 ( <u>including land, house &amp; construction, investment real assets, land utilization right</u> and inventory of construction business) and <del>other fixed assets</del> <u>equipments</u> . 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.
<b>Article 4</b> Definition 1. <i>Derivatives</i> 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	<b>Article 4</b> Definition <u>1.</u> <i>Derivatives</i> 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



<p>insurance contracts, performance guaranty contracts, after-sale service contracts, long-term leases and long-term purchase (sale) contracts.</p> <p>2. <i>Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or assignment of shares</i> 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.</p> <p>3. A <i>related party</i> means the party defined in the No. 6 Statement of Financial Accounting Standards published by the Accounting Research And Development Foundation (hereinafter "ARD Foundation").</p> <p>4. A <i>subsidiary</i> means the company defined in the No. 5 and the No. 7 Statement of Financial Accounting Standards published by the ARD Foundation.</p> <p>5. A <i>professional appraiser</i> means real property appraisers or any other service which is legally authorized to appraise real property and other fixed assets for business.</p> <p>6. <i>Date of occurrence</i> means the transaction contracting</p>	<p>performance guaranty contracts, after-sale service contracts, long-term leases and long-term purchase (sale) contracts.</p> <p><u>2.</u> <i>Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or assignment of shares</i> 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 <del>sixth</del> <u>eighth</u> paragraph of Article 156 of the Company Act.</p> <p><u>3.</u> A related party <u>&amp; subsidiary</u> means the party defined in accordance with <u>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</u> (hereinafter "<u>ARD Foundation</u>").</p> <p><del>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.</del></p> <p><u>4.</u> A <i>professional appraiser</i> means real property appraisers or any other service which is legally authorized to appraise real property and <del>other fixed assets</del> <u>equipments</u> for business.</p>	
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<p>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.</p> <p>7. <i>PRC investment</i> 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.</p> <p>8. <i>Within one year</i> 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.</p> <p>9. The <i>most recent certified financial statements</i> 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.</p>	<p><u>5.</u> <i>Date of occurrence</i> 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.</p> <p><u>6.</u> <i>PRC investment</i> 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.</p> <p><u>7.</u> <i>Within one year</i> 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.</p> <p><u>8.</u> The <i>most recent certified financial statements</i> 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.</p>	
<p><b>Article 7</b> Procedure for acquisition or disposal of real property or other fixed assets</p>	<p><b>Article 7</b> Procedure for acquisition or disposal of real property or other <u>fixed assets equipments</u></p>	<p>Some revision of text has been made to conform to regulations of</p>

<p>1. Evaluation and procedure of operation</p> <p>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.</p> <p>2. Procedure for determining the terms of transaction and approval of transaction</p> <p>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.</p> <p>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.</p>	<p>1. Evaluation and procedure of operation</p> <p>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 <del>fixed assets</del> <u>equipments</u>.</p> <p>2. Procedure for determining the terms of transaction and approval of transaction</p> <p>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.</p> <p>2.2 Acquisition or disposal of <del>other fixed assets</del> <u>equipments</u> 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</p>	<p>IFRS</p>
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<p>2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.</p> <p>3. Unit in charge of execution of transaction 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 &amp; Management Division shall take charge of the execution thereof.</p> <p>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</p>	<p>Company.</p> <p>1.3 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.</p> <p>3. Unit in charge of execution of transaction Upon approval of the proposed acquisition or disposal of real property or <del>other fixed assets</del> <u>equipments</u> pursuant to the preceding paragraph, the responsible department and the Corporate Finance &amp; Management Division shall take charge of the execution thereof.</p> <p>4. Appraisal report on real property or <del>other fixed asset</del> <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</p>	
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<p>a leased land, or the objects to be acquired or disposed of is machinery equipment for business purpose.</p> <p>4.1 Where the transaction price shall be determined by reference to any restricted, designated price or special price for whatever special reason, the transaction and all subsequent changes to the terms thereof (if any) must be submitted to the Board of Directors for approval in advance.</p> <p>4.2 Where the transaction value amounts to TWD1 billion or more, the appraisal shall be conducted by two or more professional appraisers.</p> <p>4.3 If the appraisal conducted by the professional appraiser runs into either of the following conditions, except the appraisal value of the acquired assets is higher than the trading value or the appraisal value of the disposed assets is lower than the trading value, subsequent handling by certified public 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:</p> <p>4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value.</p> <p>4.3.2 The amount difference among the appraised values as a result of the appraisals conducted by two or more professional appraiser's amounts to 10% or more of the transaction value.</p> <p>4.4 The appraisal report date and the date of creation of the</p>	<p>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 <del>machinery equipment</del> for business purpose.</p> <p>4.1 Where the transaction price shall be determined by reference to any restricted, designated price or special price for whatever special reason, the transaction and all subsequent changes to the terms thereof (if any) must be submitted to the Board of Directors for approval in advance.</p> <p>4.2 Where the transaction value amounts to TWD1 billion or more, the appraisal shall be conducted by two or more professional appraisers.</p> <p>4.3 If the appraisal conducted by the professional appraiser runs into either of the following conditions, except the appraisal value of the acquired assets is higher than the trading value or the appraisal value of the disposed assets is lower than the trading value, subsequent handling by certified public accountant in accordance with the No. 20 Statement of Financial Accounting Standards published by <u>ARD Foundation Accounting Research and Development Foundation (ARD Foundation)</u> should be sought for as well as its opinion with respect to the reasons accounting for the price difference and the acceptability of the transaction price:</p> <p>4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value.</p> <p>4.3.2 The amount difference among the appraised values as a</p>	<p>Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).</p>
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<p>transaction contract conducted by professional appraiser must not be apart for more than 3 months. Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought.</p> <p>4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or certified public accountant's opinion.</p> <p>5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.</p>	<p>result of the appraisals conducted by two or more professional appraiser's amounts to 10% or more of the transaction value.</p> <p>4.4 The appraisal report date and the date of creation of the transaction contract conducted by professional appraiser must not be apart for more than 3 months. Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought.</p> <p>4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or certified public accountant's opinion.</p> <p>5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.</p>	
<p><b>Article 8</b></p> <p>4. Expert opinion</p> <p>4.1 For acquisition or disposal of marketable securities, the company should obtain the audited or reviewed financial statement of the target companies as the reference for transaction price, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million, certified public accountant's opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens. In case CPA needs to adopt the report of experts, auditing criteria No. 20 publicized by Accounting</p>	<p><b>Article 8</b></p> <p>4. Expert opinion</p> <p>4.1 For acquisition or disposal of marketable securities, the company should obtain the audited or reviewed financial statement of the target companies as the reference for transaction price, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million, certified public accountant's opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens. In case CPA needs to adopt the report of experts, auditing criteria No. 20 publicized by Accounting Research and</p>	

<p>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:</p> <p>4.1.1 securities obtained on contribution of cash capital to the establishment of an entity by promoters or by placement.</p> <p>4.1.2 securities issued at par value on the legal capital increase of an invested company.</p> <p>4.1.3 securities issued on the cash capital increase of a 100%-owned invested company.</p> <p>4.1.4 securities traded on the stock exchange, Over-the-Counter Market or on the GreTai Securities Market.</p> <p>4.1.5 government bonds or bonds with re-purchase, re-sale agreements.</p> <p>4.1.6 domestic or offshore mutual funds</p> <p>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.</p> <p>4.1.8 stocks of public companies issued on cash capital increase but not under private placement</p> <p>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).</p> <p>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</p>	<p>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:</p> <p>4.1.1 securities obtained on contribution of cash capital to the establishment of an entity by promoters or by placement.</p> <p>4.1.2 securities issued at par value on the legal capital increase of an invested company.</p> <p>4.1.3 securities issued on the cash capital increase of a 100%-owned invested company.</p> <p>4.1.4 securities traded on the stock exchange, Over-the-Counter Market or on the GreTai Securities Market.</p> <p>4.1.5 government bonds or bonds with re-purchase, re-sale agreements.</p> <p>4.1.6 domestic or offshore mutual funds</p> <p>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.</p> <p>4.1.8 stocks of public companies issued on cash capital increase but not under private placement</p> <p>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 <u>FSC Financial Supervisory Commission</u> (ref. Jin-Guan-Si-Tze No. 0930005249).</p> <p>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</p>	<p>Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC)</p>
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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	
<p><b>Article 9</b></p> <p>2. Evaluation and procedure of operation</p> <p>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:</p> <p>2.1 The purpose, necessity and anticipated efficacy of the proposed acquisition or disposal of assets.</p> <p>2.2 The reason for selecting the related party in issue as the transaction counterpart.</p> <p>2.3 Acquiring real property 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.</p> <p>2.4 The acquisition date and the transaction price at which the related party acquired the subject real property and the related party's transaction counterpart in that transaction and the relationship between them.</p> <p>2.5 Forecast on the statement</p>	<p><b>Article 9</b></p> <p>2. Evaluation and procedure of operation</p> <p>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:</p> <p>2.1 The purpose, necessity and anticipated efficacy of the proposed acquisition or disposal of assets.</p> <p>2.2 The reason for selecting the related party in issue as the transaction counterpart.</p> <p>2.3 Acquiring real property 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.</p> <p>2.4 The acquisition date and the transaction price at which the related party acquired the subject real property and the related party's transaction counterpart in that transaction and the relationship between them.</p> <p>2.5 Forecast on the statement of receipts and disbursements of cash within one year from</p>	



<p>of receipts and disbursements of cash within one year from the month of the proposed contract signing date, and an evaluation of the necessity of the proposed transaction and the acceptability of the application of the relevant funds.</p> <p>2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article 9.</p> <p>2.7 The restrictions and other important arrangements on the transaction.</p> <p>The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to the board of directors for approval and the auditing committee for acknowledgement can be excluded.</p> <p>The opinion expressed by the Independent Directors each at the relevant meeting of the Board of Directors convened for discussing according to the previous two items, transaction proposed pursuant to the preceding paragraph shall be sufficiently considered. Opposition or qualified opinion expressed by the Independent Director shall be clearly indicated in the minutes of the relevant meeting of the Board of Directors.</p> <p>The board of directors could authorize the chairperson to make decision for acquiring from, or disposing with, related</p>	<p>the month of the proposed contract signing date, and an evaluation of the necessity of the proposed transaction and the acceptability of the application of the relevant funds.</p> <p>2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article 9.</p> <p>2.7 The restrictions and other important arrangements on the transaction.</p> <p>The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to the board of directors for approval and the auditing committee for acknowledgement can be excluded.</p> <p>The opinion expressed by the Independent Directors each at the relevant meeting of the Board of Directors convened for discussing according to the previous two items, transaction proposed pursuant to the preceding paragraph shall be sufficiently considered. Opposition or qualified opinion expressed by the Independent Director shall be clearly indicated in the minutes of the relevant meeting of the Board of Directors.</p> <p>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</p>	<p>Some revision of text has been made to conform to regulations of IFRS</p>
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<p>parties machinery equipment whose value falls within a certain scope.</p> <p>3. Evaluation of acceptability of the transaction cost</p> <p>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:</p> <p>3.5.1-3.5.3(omission)</p> <p>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.</p> <p>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:</p> <p>1.6.1 The related party has acquired the subject real property by inheritance or as a gift.</p> <p>1.6.2 Over five years has lapsed since the related party signed the contract</p>	<p>certain scope.</p> <p>3. Evaluation of acceptability of the transaction cost</p> <p>1.5 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:</p> <p>3.5.1-3.5.3(omission)</p> <p>The special earnings reserve set aside pursuant to the above shall not be applied for use without the prior approval by the <u>FSC 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.</p> <p>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:</p> <p>3.6.1 The related party has acquired the subject real property by inheritance or as a gift.</p> <p>3.6.2 Over five years has lapsed</p>	<p>Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).</p> <p>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</p>
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<p>on acquisition of the subject real property.</p> <p>3.6.3 The related party acquired the subject real property under a signed joint construction contract with its related party.</p>	<p>since the related party signed the contract on acquisition of the subject real property.</p> <p>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></p>	<p>constructions, either on own land or leased land, is similar to the contract for cooperative realty constructions.</p>
<p><b>Article 11</b></p> <p>4. Expert evaluation report on membership or intangible assets</p> <p>Where the transaction value of the acquisition or disposal of membership or intangible asset by the Company amounts to 20% of the paid-in capital of the Company or TWD300 million, the opinion of a certified public accountant on the acceptability of the proposed transaction price should be sought for before the date the fact happens, who shall act in accordance with the No. 20 Statement of Auditing Standards published by the ARD Foundation</p>	<p><b>Article 11</b></p> <p>4. Expert evaluation report on membership or intangible assets</p> <p><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</p>	<p>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</p>
<p><b>Article 13</b></p> <p>1. Principle and policy of transaction</p> <p>1.2 Operational or hedging strategy: The Company’s demand for foreign currency to meet the calls for purchases of</p>	<p><b>Article 13</b></p> <p>1. Principle and policy of transaction</p> <p>1.2 Operational or hedging strategy: The Company’s demand for foreign currency to meet the calls for purchases of imported</p>	<p>Textual adjustment is made, in line with the implementation of IFRS.</p>

<p>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.</p> <p>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.</p> <p>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:</p> <p>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.</p> <p>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.</p> <p>5.2 Performance consistency of derivatives transactions with</p>	<p>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.</p> <p>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 <u>FSC Financial Supervisory Commission</u> and report the correction of irregularities (if any) to the <u>FSC Financial Supervisory Commission</u> by the end of May the following year.</p> <p>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:</p> <p>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.</p> <p>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.</p> <p>5.2 Performance consistency of</p>	<p>Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).</p>
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<p>the relevant operation policy and the acceptability limit of risks must be evaluated on a regular basis.</p> <p>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.</p> <p>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.</p>	<p>derivatives transactions with the relevant operation policy and the acceptability limit of risks must be evaluated on a regular basis.</p> <p>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.</p> <p>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.</p>	<p>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”</p>
<p><b>Article 14</b></p> <p>2. Other matters for attention</p> <p>2.1 Date of convention of the relevant meeting of the Board of Directors:</p> <p>Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the merger, spin-off or acquisition shall convene the meeting of the board of directors and the shareholders meeting on the same day to adopt the resolution on the matters in connection with the proposed merger, spin-off or acquisition. Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the assignment of shares shall convene the meeting of the board of directors on the same day.</p> <p>Companies participating in the merger, spin-off, acquisition or</p>	<p><b>Article 14</b></p> <p>2. Other matters for attention</p> <p>2.1 Date of convention of the relevant meeting of the Board of Directors:</p> <p>Except as otherwise provided by law or there being any special factor which has been approved by the FSC <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.</p> <p>Companies participating in the</p>	<p>Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).</p>

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

<p>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.</p> <p>1.2 Merger, spin-off, acquisition or assignment of shares.</p> <p>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.</p> <p>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:</p> <p>1.4.1 The transaction is the purchase or sale of government bonds.</p> <p>1.4.2 The transaction is for investment purposes only of securities traded on local or foreign stock exchange or over-the-counter market.</p> <p>1.4.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements.</p> <p>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.</p> <p>1.4.5 The subject real property is to be acquired or</p>	<p>10% of total assets, or NT\$300 million. However, trading in government bonds or bonds with repurchase or reverse repurchase agreement <u>and subscription or redemption of domestic money-market funds</u> are not included.</p> <p>1.2 Merger, spin-off, acquisition or assignment of shares.</p> <p>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.</p> <p>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:</p> <p>1.4.1 The transaction is the purchase or sale of government bonds.</p> <p>1.4.2 The transaction is for investment purposes only of securities traded on local or foreign stock exchange or over-the-counter market <u>or obtaining of securities by securities firms on the primary market</u></p> <p>1.4.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements. <u>Subscription to and redemption of domestic money-market funds</u></p> <p>1.4.4 The subject asset to be acquired or disposed of is <del>machinery</del> machinery equipment for business use and the transaction counterpart is a non-related party and the transaction value is less than TWD500 million.</p> <p>1.4.5 The subject real property is</p>	<p>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"</p> <p>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.</p> <p>Subscription to and redemption of domestic money-market funds is excluded, due to low risk.</p> <p>Textual adjustment is made, in line with the implementation of IFRS.</p>
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<p>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.</p> <p>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.</p> <p>1.5 The transaction value provided in previous paragraph 1.5 above shall be calculated as follows, where <i>within one year</i> means within the year immediately preceding the date of occurrence of the proposed transaction, excluding the items which have been publicly disclosed.</p> <p>1.5.1 The value of each transaction.</p> <p>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.</p> <p>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).</p> <p>1.5.4 The total value of the same specific securities</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>1.5.1 The value of each transaction.</p> <p>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.</p> <p>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).</p> <p>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).</p> <p><u>1.6 The calculation for 10% of total assets, as referred in the handling procedure, is based on the sum of assets included</u></p>	<p>After the implementation of IFRS, filing is</p>
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<p>acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately).</p> <p>3. Procedure for making public disclosure</p> <p>3.1 The Company shall cause the relevant information publicly disclosed on the website designated by the FSC.</p> <p>3.2-3.4 (omission)</p> <p>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:</p> <p>3.5.1-3.5.3 (omission)</p>	<p><u>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></p> <p>3. Procedure for making public disclosure</p> <p>3.1 The Company shall cause the relevant information publicly disclosed on the website designated by the <u>FSC Financial Supervisory Commission</u></p> <p>3.2-3.4 (omission)</p> <p>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 <u>FSC Financial Supervisory Commission</u>:</p> <p>3.5.1-3.5.3 (omission)</p>	<p>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.</p> <p>Names of organizations are spelled in full, in line with textual revision by the Financial Supervisory Commission (FSC).</p>
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<b>Article 19</b> This Procedure was established on 11 August 1989 and subsequently amended as follows: (omission)	<b>Article 19</b> This Procedure was established on 11 August 1989 and subsequently amended as follows: (omission) <u>and the ninth amendment on 23 June 2014.</u>	Addition of the date for the current revision
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