

TECO Electric & Machinery Co., Ltd.
Minutes of the 2018 Annual General Shareholders' Meeting
(Summary Translation)

Time: 09:00am, June 15, 2018 (Friday)

Place: TECO Chung-Li Plant

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

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 1,669,697,455 valid issued shares of the Company were presented at the above meeting (including a total of 1,120,531,858 shares were presented by electronic voting), representing 84.31% of the above total valid issued shares of the Company.

Chairman: Chwen-Jy, Chiu (Chairman)

Attendance: Chao-Kai, Liu (Managing Director), Cheng-Tsung Huang (Managing Director), Yu-Ren Huang (Managing Director), Ting-Wong, Cheng (Member of Audit Committee), Mao-Hsiung, Huang (Director), Po-Chih, Huang (Director), Hsien-Sheng Kuo (Director), Yung-Hsiang Chang(Director), Hong-Hsiang Lin(Director)

Observer:

Attorney, Lynn Lin; Certificated Public Accountant, Wu, Yu-Lung and Chou, Chien-Hung

Recorder: Grace 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 2017 (please see Appendix 1)

3.2 Inspection Report of Audit Committee for 2017 (please see Appendix 2)

3.3 Remuneration distribution to employees and directors for 2017

Explanatory note:

In 2017, income before tax is NT\$ 3,304,468 thousands, and remuneration to employees is proposed to be NT\$ 250,553 thousands, whilst remuneration to directors is proposed to be NT\$ 111,357 thousands. The remuneration would be distributed in cash.

3.4 Issuance of 1st Unsecured Corporate Bonds in 2017 (please see Meeting Agenda)

3.5 Amendment to Corporate Governance Best Practice Principles (please see Meeting Agenda)

4. Ratification:

Proposal 1:

Business Report and Financial Statements for 2017 (Proposed by the Board of Directors)

Explanatory note:

1. The Board of Directors entrusted certified public accountants Wu, Yu-Lung and Chou, Chien-Hung with Pricewaterhouse Coopers to audit and certify the Business Report and Financial Statements (includes Consolidated Financial Statements) for 2017, 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 2017.

Resolution:

After being voted by a total of 1,662,058,380 shares presented, a total of 1,464,899,091 shares voted "for" (including a total of 927,018,114 shares were presented by electronic voting), and a total of 140,912 shares voted "against" (including a total of 140,912 shares were presented by electronic voting). The percentage of approval represented 88.14% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

Proposal 2:

Distribution of 2017 profits (Proposed by the Board of Directors)

Explanatory note:

1. The board of directors plans to appropriate NT\$1,722,315,882 from allocable earnings in 2017 for dividend payout, capable of paying NT\$0.86 of cash dividend per share, which, though, will be rounded off, leaving out decimal fraction.
2. Subject to the approval by the General Shareholders Meeting, it is proposed that the ex-dividend date and the distribution date shall be determined by the Board of Directors authorized to do so.
3. Please see Appendix 4 for the detailed profit distribution plan.

Resolution:

After being voted by a total of 1,662,058,380 shares presented, a total of 1,472,096,920 shares voted "for" (including a total of 934,215,943 shares were presented by electronic voting), and a total of 117,450 shares voted "against" (including a total of 117,450 shares were presented by electronic voting). The percentage of approval represented 88.57% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

5. Election:

Election of the 25th term Board of Directors (proposed by the board of directors)

Explanatory note:

1. The term of the company's 24th board of directors will expire on June 10, 2018. The company plans to earlier re-elect 24th term directors, who will assume offices immediately upon election and replace the original ones, according to Article 195 of the Company Law.
2. According to the Articles of Incorporation, the board of directors has 15 seats, with a three-year term, which can be continued via election. Three seats are reserved for independent directors, who together form the Audit committee. Election of directors shall adopt nomination system and is also carried out according to article 192-1 of the Company Law. Term of period of newly elected directors is starting from June 15th, 2018 to June 14th 2021.
3. Please see Appendix 5 for the List of Candidates of Directors, their shareholding and educational background.
4. Please see the agenda for "Rules Governing Election of Directors".

Result of Election

25th term Board of Directors

	ID Number	Name	Vote-getting
1	16234	Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy, Chiu	1,730,355,195 Rights
2	167061	Tong Ho Global Investment Co., Ltd Representative : Chao-Kai, Liu	1,645,184,182 Rights
3	7623	Cheng-Tsung, Huang	1,363,232,273 Rights
4	367160	Creative Sensor Inc. Representative: Yu-Ren, Huang	1,361,765,559 Rights
5	49	Mao-Hsiung, Huang	1,360,416,565 Rights
6	503017	YINGE Int. Inv. Co.,Ltd. Representative: Po-Chih, Huang	1,358,041,042 Rights
7	15700	Kuang Yuan Industrial Co., Ltd. Representative: Shih- Chien, Yang	1,330,438,521 Rights

8	16234	Tung Kuang Investment Co., Ltd. Representative :Hong-Hsiang, Lin	1,305,438,503 Rights
9	131940	Yubantec & Co Representative: Dong-Hai Gao	1,302,258,227 Rights
10	481934	Hung Shun Investment Co., Ltd. Representative: Tzu-Yi, Kuo	1,300,786,720 Rights
11	191462	Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao	1,240,824,241 Rights
12	J10001XXX	Yung-Hsiang, Chang	835,747,263 Rights

25th term Independent Director

	ID Number	Name	Vote-getting
1	A103837XXXX	Wei-Chi, Liu	1,361,010,032 Rights
2	R10080XXXX	Ting-Wong, Cheng	1,325,115,797 Rights
3	F10072XXXX	Jin-Fu, Chang	1,322,544,989 Rights

6. Discussion:

Proposal:

Plan to remove non-competition obligation (Proposed by the Board of Directors)

Explanation:

1. Article 209 of Company Law stipulates that “For behaviors of their own or others within the company’s business scope, the Directors shall explain their importance of their conducts during the Shareholders’ Meeting and obtain its approval.”
2. Some newly elected members of the 25th board of directors (including Independent Directors) have invested in or are managing other companies with identical or similar business scope of the company, in addition to being directors of those companies. The board of directors plans to remove the non-competition obligation on newly elected directors, pending approval of shareholders’ meeting, according to article 209 of the Company Law.
3. Please see Appendix 6 for planning to remove non-competition obligation on 25th board of directors.

Resolution:

After being voted by a total of 1,662,058,380 shares presented (excluding the shares which should avoid conflict of interest), a total of 1,456,176,368 shares voted “for” (including a total of 918,295,391 shares were presented by electronic voting), and a total of 995,873 shares voted “against” (including a total of 981,219 shares were presented by electronic voting). The percentage of approval represented 87.61% of the total voting rights of shareholders in attendance. The proposal was approved as proposed.

7. Extempore Motions:

None

8. Meeting Adjourned: 09:36 AM

Business Report

Dear Shareholders,

Looking back, the global economy continued to expand steadily in 2017, when Taiwan's economy also scored 2.8% growth, double 2016's 1.4%. However, businesses were impacted by a number of adverse factors, including rising raw-materials and labor costs and exchange-rate swings on the global financial market. Still, the company managed to stage a good performance in sales growth and profits, minimizing the effect of adverse factors via gains and breakthrough in energy conservation, emission reduction, smart application, and automation, thanks to continuous quest for technology innovation, constant upgrading of automation and intelligent production equipment/technology and increase of installation rate.

A. Review of Business Performance in 2017

Analysis of the company's business performance in 2017 follows:

a. Parent Company

Unit: NT\$ thousand

	2017	2016	Change
Sales revenue	21,301,208	20,274,047	5.07%
Operating profit	1,507,068	1,615,152	-6.69%
Profit for the year	3,092,358	3,481,480	-11.18%

As for business turnover, sales of electromechanical products grew, thanks to the effects of a number of policies, including organizational adjustment separating sales and production for heavy-electric, green-energy, and electric-control divisions, and intensified integrated sales of electromechanical products, such as foray into the North American market for electric-control products, intensified cultivation of small-motor products, shipment of big motors to Australia, and expanded market share in mainland China. Sales of power division grew significantly, thanks to influx of engineering orders. Home-appliances division, though, had a lackluster performance, due to weak domestic demands and the fire at the Kuanyin plant, which dampened refrigerator sales. The company's overall sales, however, still grew by 5% in 2017.

As for operating profit, despite international price hike of raw materials and exchange-rate swing, gross margin scored slight decline of 1.8%, thanks to higher production efficiency via investments in automated and intelligent equipment and improved product quality and quality via design change. Operating expense dropped by near NT\$50 million, due to improved flow and rationalization of expenses.

Concerning non-business income/outlay, investment returns decreased by NT\$110 million, due to the adverse effect of rising raw-materials cost and renminbi exchange rate on the profit of the mainland Chinese subsidiary and the one-off outlay for rationalization of the European subsidiary. Overall speaking, the company's current net profit declined by 11%.

As for R&D, the company successfully developed a number of new products, including high power density general induction motor, premium breaker motor, apparatus of 2000 amp electric brush, IE3 Exd motor, NEMA Premium large horse power motor, series of E510s IPP, series of JSDG2S, smart grid, CSPF new efficient air-conditioner, new efficient fridge, series of multi tube VRF and R32 refrigerant. The company won Taiwan Excellent Award for 17 items and 65 domestic and foreign patents.

b. Consolidated Financial Statements

Unit: NT\$ thousand

	2017	2016	Change
Sales revenue	50,942,521	49,923,836	2.04%
Operating profit	3,496,200	4,189,481	-16.55%
Profit for the year	3,544,248	4,036,998	-12.21%
Total comprehensive income for the year	4,326,037	4,360,290	-0.79%

In the aspect of consolidated business turnover, in addition to Taiwan, North America, Australia, and mainland China where sales grew further, significant gains were made in tapping the markets of India and Vietnam, sustaining overall sales growth. Operating expense declined by near NT\$240 million, thanks to rationalization of outlays. Operating profit still tumbled by 16%, due to raw-materials price hike, weak U.S. dollar, and intensified competition. Overall speaking, consolidated current net profit slipped by only 0.79%.

B. Outline of 2017 Business Plan

Major forecast bodies predict that the global economy will recover steadily in 2018 and the Directorate General of Budget, Accounting, and Statistics, under the Executive Yuan, has revised upward its forecast growth for Taiwan's economy to 2.42%. In addition, budgets for public constructions and major investment projects of state enterprises, plus private participation in public constructions, are conducive to sales growth of electromechanical and other divisions. However, continuing trend of raw-materials price hike and weak U.S. dollar will still pose a major challenge to the company's operation.

Looking ahead, in line with the vision of "energy conservation, emission reduction, smart application, and automation," the company will focus on new products, new applications, and new markets in 2018. Benefitting from surge of global energy-conserving environmental awareness, green-energy products are expected to score double-digit sales growth, thanks to development of high-efficiency motors, continuing improvement of frequency converters, and contribution of new high-performance home appliances. In addition, completion of the company's deployment in engineering projects related to offshore wind power and PV power, electric-car motors, railway constructions under the auspices of the government's "Forward-Looking Infrastructure Development Program," and ship motors will become new growth driver in the aspects of energy conservation and emission reduction. Pertaining to smart application and automation, development of MHM

health management system for electromechanical equipment is nearing completion, for which there is strong demands on the market. Meanwhile, new digital services integrating electromechanical technology and big-data analysis has begun to generate revenue, server sales have expanded via cooperation with machinery plants, and the introduction of service-oriented robots and the development of new markets for speed reducers are expected to result in double-digit growth for related revenue. Industrial big-data analysis has been coupled with AI machine learning in the installation of IoT at factories, facilitating improvement of the flow of major processes and enhancing production efficiency. Efforts will be doubled for tapping the markets of Vietnam, the Philippines, and India, so as to consolidate overseas presence and expand global deployment.

The company has been granted golden award for "Taiwan Top 50 Corporate Sustainability Report" for four years running, on top of "corporate citizen award" granted by Commonwealth magazine. As a driver for the sustainable development of the electromechanical industry, the company will continue adhering to the integrity-oriented management concept and being dedicated to the development of smart environment-friendly products, in line with the global current of energy conservation and carbon abatement, in addition to marching towards the goal of becoming a corporate guidepost of the world, so as to create maximum benefits for shareholders and provide ample giveback to shareholders and investing public, in return to their longstanding support and patronage.

TECO Electric & Machinery Co., Ltd

Inspection Report of Audit Committee
(This English version is only a translation of the Chinese version.)

The Audit Committee has duly inspected and approved the financial statements for 2017 (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 2018

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Ting-Wong, Cheng

Date: March 26, 2018

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Teco Electric & Machinery Co., Ltd. as at December 31, 2017 and 2016, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the parent company only financial statements present fairly, in all material respects, the financial position of Teco Electric & Machinery Co., Ltd. as of December 31, 2017 and 2016, and its financial performance and cash flows for the years then ended, in conformity with the “Regulations Governing the Preparation of Financial Statements by Securities Issuers.”

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were

addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements of the current period are stated as follows:

Revenue recognition of export sales of motor division

Description

Refer to Note 4(32) of the parent company only financial statements for the accounting policies on revenue recognition. Heavy industrial products group handles the manufacturing and sales of various machinery, equipment and motors. Aside from domestic sales in Taiwan, the customers of heavy industrial products group are from China, America, Southeast Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue recognition of export sales of heavy industrial products group as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of and validated the internal controls over revenue recognition of export sales of heavy industrial products group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of heavy industrial products group to confirm the existence of export sales revenue transactions.

Investments accounted for under equity method - impairment assessment of premium generated from the acquisition of subsidiaries

Description

Motovario S.p.A. is headquartered in Italy, and is engaged in the manufacturing and sales of gear reducers and other power transmission equipment. Motovario S.p.A. is considered a minor cash-generating unit of Teco Electric & Machinery Co., Ltd.. As of December 31, 2017, the balance of investments accounted for under equity method was \$5,262,494,000. Refer to Note 4(19) of the parent company only financial statements for the accounting policy on the impairment assessment of goodwill and Note 5(2) for the uncertainty of the accounting estimate regarding impairment of investment in

premium. TECO Electric & Machinery Co., Ltd. assesses the impairment of investment in premium using the recoverable amount generated from the cash flow forecast discounted using a reasonable discount rate.

The aforesaid recoverable amount includes several assumptions such as the discount rate used and the preparation of financial projections to estimate the cash flows for the next five years. The discount rate and financial projections relating to the future operations of Motovario S.p.A. are subject to management judgment which have a significant impact on the measurement of the recoverable amount, thus affecting the results of the impairment assessment. Accordingly, we consider management's impairment assessment of goodwill as a key audit matter.

How our audit addressed the matter

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

1. Obtained an understanding and assessed the Group's policies and procedures in relating to the goodwill impairment assessment.
2. Assessed whether the future cash flows adopted in the valuation model was in accordance with Motovario S.p.A's operation plan, and reviewed the results of the previous operating plans prepared by management.
3. Evaluated the reasonableness of major assumptions (including the expected growth rate and discount rate) used in the model.
4. Reviewed the sensitivity analysis for the above significant assumptions and parameters prepared by management and confirmed whether management has adequately addressed the possible impact of the estimation uncertainty on the impairment assessment.

Other matter – audit of other independent accountants

As described in Note 6(8) to the parent company only financial statements, we did not audit the financial statements of certain investee companies accounted for under the equity method. These investments amounted to \$4,043,134,000 and \$4,037,283,000, both constituting 6% of the related total assets as of December 31, 2017 and 2016, respectively, and the comprehensive income amounting to \$89,767,000 and \$60,193,000, both constituting 2% of the total comprehensive income for the years then ended,

respectively. The financial statements of these investee companies were audited by other independent accountants whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in these financial statements and the information disclosed in Note 13 are based solely on the audits of the other independent accountants.

Responsibilities of management and the Board of Directors for the parent company only financial statements

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

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

The Board of Directors, including audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the parent company only financial statements

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

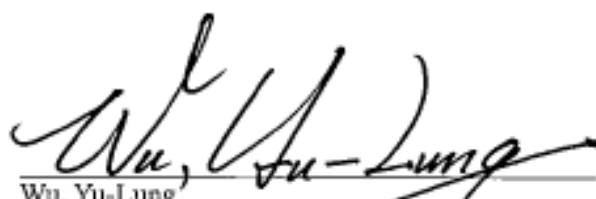
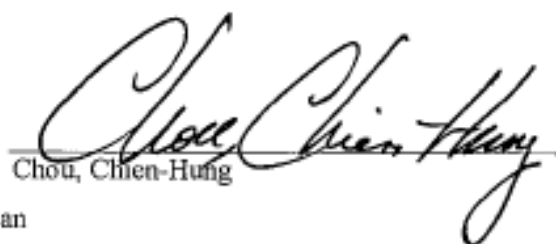
As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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


Wu, Yu-Lung
For and on behalf of PricewaterhouseCoopers, Taiwan
March 26, 2018
Chou, Chien-Hung

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

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

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Assets			2017		2016	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 887,185	1	\$ 760,582	1
1110	Financial assets at fair value	6(2)(23)				
	through profit or loss - current		-	-	30,832	-
1150	Notes receivable, net	6(4)(5)	289,239	1	355,078	1
1160	Notes receivable - related parties	7	316,590	1	338,482	-
1170	Accounts receivable, net	6(5)	1,567,629	2	1,941,337	3
1180	Accounts receivable - related parties	6(8) and 7	1,641,299	2	1,474,255	2
1190	Receivables from customers on construction contracts	6(7)	836,338	1	1,112,235	2
1200	Other receivables		143,086	-	58,077	-
1210	Other receivables - related parties	6(8) and 7	1,257,512	2	1,251,437	2
130X	Inventories, net	6(6)	2,612,493	4	2,993,682	4
1410	Prepayments		53,287	-	23,994	-
1470	Other current assets	6(1) and 8	176,650	-	259,162	-
11XX	Total current assets		9,781,308	14	10,599,153	15
Non-current assets						
1523	Available-for-sale financial assets - non-current	6(3)	6,609,115	10	5,723,592	8
1550	Investments accounted for under equity method	6(8) and 7	47,511,672	67	46,963,822	67
1600	Property, plant and equipment	6(9) and 7	3,761,489	5	3,643,481	5
1760	Investment property - net	6(10)	2,167,540	3	2,209,428	3
1840	Deferred income tax assets	6(27)	794,842	1	733,286	1
1900	Other non-current assets	6(11)	148,967	-	311,868	1
15XX	Total non-current assets		60,993,625	86	59,585,477	85
1XXX	Total assets		\$ 70,774,933	100	\$ 70,184,630	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	2017		2016	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 275,784	-	\$ 477,670	1
2120	Financial liabilities at fair value through profit or loss - current	6(13)(23)	2,529	-	-	-
2150	Notes payable		19,630	-	9,141	-
2160	Notes payable - related parties	7	169,104	-	169,722	-
2170	Accounts payable		3,321,297	5	3,406,292	5
2180	Accounts payable - related parties	7	1,275,730	2	1,258,472	2
2190	Payables to customers on construction contracts	6(7)	164,333	-	182,598	-
2200	Other payables	6(29)	2,554,240	4	2,595,906	4
2220	Other payables - related parties	7	711,805	1	376,716	1
2230	Current income tax liabilities	6(27)	548,103	1	297,153	-
2250	Provisions for liabilities - current		83,418	-	71,778	-
2300	Other current liabilities		224,744	-	184,135	-
21XX	Total current liabilities		9,350,717	13	9,029,583	13
Non-current liabilities						
2530	Corporate bonds payable	6(14)	4,000,000	6	3,000,000	4
2540	Long-term borrowings	6(15)	3,090,794	5	5,690,598	8
2570	Deferred income tax liabilities	6(27)	893,369	1	1,011,652	1
2600	Other non-current liabilities	6(16)	1,610,288	2	1,721,230	3
25XX	Total non-current liabilities		9,594,451	14	11,423,480	16
2XXX	Total liabilities		18,945,168	27	20,453,063	29
Equity						
Share capital						
3110	Share capital - common stock	6(17)	20,026,929	28	20,026,929	29
Capital surplus						
3200	Capital surplus	6(18)	7,628,542	10	7,671,889	10
Retained earnings						
3310	Legal reserve	6(19)(27)	6,078,219	9	5,730,071	8
3320	Special reserve		3,640,779	5	3,640,779	5
3350	Unappropriated retained earnings		12,750,338	18	11,816,689	17
Other equity interest						
3400	Other equity interest	6(20)	2,026,521	3	1,166,773	2
3500	Treasury stocks	6(8)(17)	(321,563)	-	(321,563)	-
3XXX	Total equity		51,829,765	73	49,731,567	71
Significant contingent liabilities and unrecognized contract commitments						
Significant disaster loss						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 70,774,933	100	\$ 70,184,630	100

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

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2017		2016	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 21,301,208	100	\$ 20,274,047	100
5000	Operating costs	6(6)(16)(25)(26) and 7	(16,655,569)	(78)	(15,500,989)	(77)
5900	Net operating margin		4,645,639	22	4,773,058	23
5910	Unrealized profit from sales	7	(653,779)	(3)	(584,325)	(3)
5920	Realized profit from sales		584,325	2	550,823	3
5950	Net operating margin		4,576,185	21	4,739,556	23
	Operating expenses	6(10)(25)(26) and 7				
6100	Selling expenses		(1,898,343)	(9)	(1,862,294)	(9)
6200	General and administrative expenses		(536,338)	(2)	(577,374)	(3)
6300	Research and development expenses		(634,436)	(3)	(684,736)	(3)
6000	Total operating expenses		(3,069,117)	(14)	(3,124,404)	(15)
6900	Operating profit		1,507,068	7	1,615,152	8
	Non-operating income and expenses					
7010	Other income	6(2)(10)(13)(22) and 7	602,694	3	514,376	3
7020	Other gains and losses	6(3)(23) and 7	(344,071)	(2)	(464,090)	(2)
7050	Finance costs	6(24) and 7	(169,365)	(1)	(127,580)	(1)
7070	Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(8)				
			1,648,342	8	2,084,566	10
7000	Total non-operating income and expenses		1,797,400	8	2,007,272	10
7900	Profit before income tax		3,304,468	15	3,622,424	18
7950	Income tax expense	6(27)	(212,110)	(1)	(140,944)	(1)
8200	Profit for the year		\$ 3,092,358	14	\$ 3,481,480	17
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(16)	(\$ 34,361)	-	(\$ 20,771)	-
8310	Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(13,830)	-	(34,295)	-
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		(48,191)	-	(55,066)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation	6(20)	(775,713)	(3)	(1,164,215)	(6)
8362	Other comprehensive income, before tax, available-for-sale financial assets	6(3)(20)	1,133,547	5	1,651,872	8
8380	Share of other comprehensive income (loss) of subsidiary, associates and joint ventures accounted for under equity method		433,805	2	(177,296)	(1)
8399	Income tax relating to the components of other comprehensive income	6(20)(27)	68,109	-	99,432	1
8360	Components of other comprehensive income that will be reclassified to profit or loss		859,748	4	409,793	2
8300	Other comprehensive income for the year		\$ 811,557	4	\$ 354,727	2
8500	Total comprehensive income for the year		\$ 3,903,915	18	\$ 3,836,207	19
	Earnings per share (in dollars)	6(28)				
9750	Basic earnings per share		\$ 1.56		\$ 1.76	
9850	Diluted earnings per share		\$ 1.55		\$ 1.76	

TECC ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

		Retained Earnings				Other equity increase				
	Notes	Share capital - common stock	Total capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total equity
2016										
Balance at January 1, 2016		\$ 20,026,929	\$ 7,638,417	\$ 5,412,342	\$ 3,640,779	\$ 10,310,158	\$ 13,030	\$ 743,950	(\$ 321,563)	\$ 47,064,042
Appropriations of 2016 earnings (Note)	6(19)									
Legal reserve		-	-	317,729	-	(317,729)	-	-	-	-
Cash dividends		-	-	-	-	(1,602,154)	-	-	-	(1,602,154)
Effect of changes in the net equity of associates and joint ventures accounted for under the equity method		-	33,472	-	-	-	-	-	-	33,472
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	(20,771)	(1,064,783)	1,651,872	-	566,318
Share of other comprehensive loss of subsidiary, associates and joint venture accounted for under the equity method	6(20)	-	-	-	-	(34,195)	-	(177,296)	-	(211,491)
Profit for the year		-	-	-	-	3,481,480	-	-	-	3,481,480
Balance at December 31, 2016		<u>\$ 20,026,929</u>	<u>\$ 7,671,889</u>	<u>\$ 5,730,071</u>	<u>\$ 3,640,779</u>	<u>\$ 11,816,689</u>	<u>(\$ 1,051,753)</u>	<u>\$ 2,218,526</u>	<u>(\$ 321,563)</u>	<u>\$ 49,731,567</u>
2017										
Balance at January 1, 2017		\$ 20,026,929	\$ 7,671,889	\$ 5,730,071	\$ 3,640,779	\$ 11,816,689	(\$ 1,051,753)	\$ 2,218,526	(\$ 321,563)	\$ 49,731,567
Appropriations of 2017 earnings (Note)	6(19)									
Legal reserve		-	-	348,148	-	(348,148)	-	-	-	-
Cash dividends		-	-	-	-	(1,762,370)	-	-	-	(1,762,370)
Effect of changes in the net equity of associates and joint ventures accounted for under the equity method		-	(43,347)	-	-	-	-	-	-	(43,347)
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	(34,361)	(707,604)	1,133,547	-	391,582
Share of other comprehensive loss of subsidiary, associates and joint venture accounted for under the equity method	6(20)	-	-	-	-	(13,830)	-	433,805	-	419,975
Profit for the year		-	-	-	-	3,092,358	-	-	-	3,092,358
Balance at December 31, 2017		<u>\$ 20,026,929</u>	<u>\$ 7,628,542</u>	<u>\$ 6,078,219</u>	<u>\$ 3,640,779</u>	<u>\$ 12,750,338</u>	<u>(\$ 1,759,357)</u>	<u>\$ 3,785,838</u>	<u>(\$ 321,563)</u>	<u>\$ 51,829,765</u>

Note: For the years ended December 31, 2016 and 2015, directors' and supervisors' remuneration amounting to \$125,333 and \$114,382, respectively, and employees' bonus amounting to \$283,999 and \$257,361, respectively, had been deducted from the statements of comprehensive income.

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

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 3,304,468	\$ 3,622,424
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(23)	19,806	(30,832)
Net loss (gain) on financial liabilities at fair value through profit or loss	6(13)(23)	2,529	(1,316)
(Reversal of allowance) provision for doubtful accounts	6(5)	(3,738)	1,005
Interest income	6(22)	(13,550)	(29,661)
Interest expense	6(24)	94,354	123,462
Dividend income	6(22)	(187,217)	(197,377)
Impairment loss	6(3)(23)	-	96,190
Loss on disposal of investments	6(23)	(25,874)	(23,971)
Changes in unrealized loss from downstream sales		69,454	33,503
Share of profit of associates and joint ventures accounted for under the equity method	6(8)	(1,648,342)	(2,084,566)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(9)(10)(23)(25)	412,618	416,926
Foreign currency exchange loss on bonds payable		-	1,620
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		11,026	-
Notes receivable		65,852	(46,099)
Notes receivable - related parties		21,892	(59,337)
Accounts receivable		377,433	(366,169)
Accounts receivable - related parties		(159,426)	82,136
Receivables from customers on construction contract		275,897	(382,069)
Other receivables		(85,009)	(10,455)
Other receivables - related parties		(27,098)	(45,825)
Inventories		381,189	(51,957)
Prepayments		(29,293)	(3,931)
Other current assets		85,850	65,081
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		-	(646)
Notes payable		10,489	(5,126)
Notes payable - related parties		(618)	(14,941)
Accounts payable		(84,995)	746,822
Accounts payable - related parties		17,258	99,124
Payables to customers on construction contract		(18,265)	(160,535)
Other payables		(59,991)	132,180
Other payables - related parties		37,489	(22,498)
Provisions for liabilities		11,640	30,513
Other current liabilities		40,609	(36,981)
Other non-current liabilities		(187,248)	(127,320)
Cash inflow generated from operations		2,709,189	1,749,374
Interest received	6(22)	13,550	29,661
Dividends received		277,809	227,401
Payment of interest		(94,354)	(156,677)
Payment of income tax		(72,890)	(16,188)
Net cash flows from operating activities		2,833,304	1,833,571

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other receivables - related parties		\$ 21,023	\$ 20,766
Increase in pledged fixed deposit	8	(3,338)	(4,819)
Proceeds from disposal of available-for-sale financial assets - non-current		240,756	111,241
Increase in available-for-sale financial assets - non-current		-	(66,557)
Increase in investments accounted for under equity method		(35,848)	(339,672)
Proceeds from disposal of property, plant and equipment		892	1,858
Acquisition of property, plant and equipment	6(9)(10)(29)	(451,717)	(302,551)
Increase in deferred expenses		(15,061)	(11,041)
Decrease in refundable deposits		822	594
Dividends received		635,789	493,820
Proceeds from disposal of investments accounted for under equity method		8,889	-
Increase (decrease) in other non-current assets		157,552	(19,449)
Net cash flows from (used in) investing activities		559,759	(115,810)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans		(201,886)	(2,877,015)
Increase in other payables - related parties financing		297,600	280,000
Proceeds from issuance of bonds payable		1,000,000	-
Decrease in bonds payable		-	(1,500,120)
(Decrease) increase in long-term loans		(2,599,804)	3,630,892
Cash dividends paid	6(19)	(1,762,370)	(1,602,154)
Net cash flows used in financing activities		(3,266,460)	(2,068,397)
Net increase (decrease) in cash and cash equivalents		126,603	(350,636)
Cash and cash equivalents at beginning of year		760,582	1,111,218
Cash and cash equivalents at end of year		\$ 887,185	\$ 760,582

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd. and its subsidiaries

Opinion

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, as described in the Other matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2017 and 2016, and their financial performance and cash flows for the years then ended, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the *Independent accountant’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and

appropriate to provide a basis for our opinion.

Key audit matters

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

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

Revenue recognition of export sales of heavy industrial products group

Description

Refer to Note 4(34) of the consolidated financial statements for the accounting policies on revenue recognition and Note 14 for the segment financial information. The Group disclosed the financial information of heavy industrial products group and home electric appliance division in the segment financial information. Heavy industrial products group handles the manufacturing and sales of various machinery, equipment and motors. The sales revenue of the heavy industrial products group amounted to NT\$31,731,748 thousand, representing 62.29% of the consolidated total sales revenue for the year ended December 31, 2017. Aside from domestic sales in Taiwan, the customers of heavy industrial products group are from China, America, South East Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue recognition of export sales of heavy industrial products group as a key audit matter.

How our audit addressed the matter

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

1. Obtained an understanding of and validated the internal controls over revenue recognition of export

- sales of heavy industrial products group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of heavy industrial products group to confirm the existence of export sales revenue transactions.

Impairment assessment of goodwill from the acquisition of Motovario S.p.A.

Description

Motovario S.p.A. is headquartered in Italy, and is engaged in the manufacturing and sales of gear reducers and other power transmission equipment. Motovario S.p.A. is considered a minor cash-generating unit of the Group. As of December 31, 2017, the balance of goodwill was NT\$5,262,494 thousand. Please refer to Note 4(21) of the consolidated financial statements for the accounting policies on the impairment of non-financial assets and Note 5(2) for the uncertainty of the accounting estimate regarding impairment of goodwill. The Group assesses the impairment of goodwill using the recoverable amount generated from the cash flow forecast discounted using a reasonable discount rate.

The aforesaid recoverable amount includes several assumptions such as the discount rate used and the preparation of financial projections to estimate the cash flows for the next five years. The discount rate and financial projections relating to the future operations of Motovario S.p.A. are subject to management judgment which have a significant impact on the measurement of the recoverable amount, thus affecting the results of the impairment assessment. Accordingly, we consider management's impairment assessment of goodwill as a key audit matter.

How our audit addressed the matter

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

1. Obtained an understanding and assessed the Group's policies and procedures in relating to the goodwill impairment assessment.
2. Assessed whether the future cash flows adopted in the valuation model was in accordance with Motovario S.p.A.'s operation plan, and reviewed the results of the previous operating plans prepared by management.
3. Evaluated the reasonableness of major assumptions (including the expected growth rate and

discount rate) used in the model.

4. Reviewed the sensitivity analysis for the above significant assumptions and parameters prepared by management and confirmed whether management has adequately addressed the possible impact of the estimation uncertainty on the impairment assessment.

Other matter – Reports of other independent accountants

As described in Notes 4(3) and 6(9) of the consolidated financial statements, we did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the reports of other independent accountants. Total assets amount to NT\$2,363,784 thousand and NT\$3,517,300 thousand, constituting 3% and 4% of the consolidated total assets as of December 31, 2017 and 2016, respectively, and total operating revenues amount to NT\$2,156,230 thousand and NT\$2,065,558 thousand, both constituting 4% of consolidated total operating revenues for the years then ended, respectively. The investments accounted for under the equity method amounted to NT\$2,490,857 thousand and NT\$2,445,113 thousand, both constituting 3% of consolidated total assets as of December 31, 2017 and 2016, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$66,393 thousand and NT\$55,400 thousand, both constituting 0% of consolidated total assets as of December 31, 2017 and 2016, respectively, and the share of profit of associates and joint ventures accounted for under the equity method amounted to NT\$187,682 thousand and NT\$29,987 thousand, constituting 4% and 1% of the consolidated total comprehensive income for the years then ended, respectively.

Other matter –Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2017 and 2016.

Responsibilities of management and those charged with governance for the

consolidated financial statements

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

Independent accountant’s responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that

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

Wu, Yu-Lung

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2018

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, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Assets			2017		2016	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 14,129,330	16	\$ 13,989,826	15
1110	Financial assets at fair value	6(2)(26)				
	through profit or loss - current		254,003	-	233,508	-
1125	Available-for-sale financial assets	6(3) and 8				
	- current		871,041	1	1,384,099	2
1147	Bond investments without active	6(4)(25)				
	markets - current		3,794,570	4	2,830,572	3
1150	Notes receivable, net	6(5)(6) and 8	1,188,761	1	1,218,343	1
1160	Notes receivable - related parties	7	931	-	5,399	-
1170	Accounts receivable, net	6(6) and 8	9,439,077	10	10,424,905	11
1180	Accounts receivable - related	7				
	parties		183,701	-	234,755	-
1190	Receivables from customers on	6(8)				
	construction contracts		1,030,504	1	1,235,956	1
1200	Other receivables		601,279	1	242,304	-
1210	Other receivables - related parties	7	34,844	-	497,796	1
130X	Inventories, net	6(7) and 8	11,336,492	12	11,177,041	12
1410	Prepayments		422,892	1	471,200	1
1470	Other current assets	6(1) and 8	975,343	1	1,350,606	2
11XX	Total current assets		44,262,768	48	45,296,310	49
Non-current assets						
1523	Available-for-sale financial assets	6(3) and 8				
	- non-current		12,925,119	14	11,743,617	13
1550	Investments accounted for under	6(9) and 8				
	the equity method		4,022,455	4	3,871,299	4
1600	Property, plant and equipment,	6(10) and 8				
	net		17,922,299	20	18,463,450	20
1760	Investment property, net	6(11)	2,883,477	3	3,073,386	3
1780	Intangible assets	6(12)(32)	5,612,315	6	5,369,790	6
1840	Deferred income tax assets	6(30)	1,382,884	2	1,194,242	1
1900	Other non-current assets	6(13) and 8	3,005,640	3	3,361,862	4
15XX	Total non-current assets		47,754,189	52	47,077,646	51
1XXX	Total assets		\$ 92,016,957	100	\$ 92,373,956	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	2017		2016	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(14) and 8	\$ 2,187,621	3	\$ 3,078,361	4
2120	Financial liabilities at fair value through profit or loss - current	6(15)(26)	2,528	-	-	-
2150	Notes payable		195,407	-	163,161	-
2160	Notes payable - related parties	7	1,368	-	7,611	-
2170	Accounts payable		7,589,788	8	7,511,353	8
2180	Accounts payable - related parties	7	123,271	-	99,117	-
2190	Payables to customers on construction contracts	6(8)	178,165	-	202,021	-
2200	Other payables	6(16)	4,839,917	5	4,998,690	6
2230	Current income tax liabilities	6(30)	917,494	1	550,441	1
2250	Provisions for liabilities - current		308,744	-	272,234	-
2300	Other current liabilities	6(18)	2,398,053	3	2,075,856	2
21XX	Total current liabilities		<u>18,742,356</u>	<u>20</u>	<u>18,958,845</u>	<u>21</u>
	Non-current liabilities					
2530	Corporate bonds payable	6(17)	4,000,000	4	3,000,000	3
2540	Long-term borrowings	6(18) and 8	6,466,239	7	9,428,570	10
2550	Provisions for liabilities - non-current		179,189	-	250,317	-
2570	Deferred income tax liabilities	6(30)	2,423,023	3	2,485,443	3
2600	Other non-current liabilities	6(9)(19)	2,332,013	3	2,526,238	3
25XX	Total non-current liabilities		<u>15,400,464</u>	<u>17</u>	<u>17,690,568</u>	<u>19</u>
2XXX	Total liabilities		<u>34,142,820</u>	<u>37</u>	<u>36,649,413</u>	<u>40</u>
	Equity attributable to owners of parent					
	Share capital	6(20)				
3110	Common stock		20,026,929	22	20,026,929	22
	Capital surplus	6(21)				
3200	Capital surplus		7,628,542	8	7,671,889	8
	Retained earnings	6(22)(30)				
3310	Legal reserve		6,078,219	6	5,730,071	6
3320	Special reserve		3,640,779	4	3,640,779	4
3350	Unappropriated retained earnings		12,750,338	14	11,816,689	13
	Other equity interest	6(23)				
3400	Other equity interest		2,026,521	2	1,166,773	1
3500	Treasury stocks	6(20) and 8	(321,563)	-	(321,563)	-
31XX	Equity attributable to owners of the parent		<u>51,829,765</u>	<u>56</u>	<u>49,731,567</u>	<u>54</u>
36XX	Non-controlling interest		<u>6,044,372</u>	<u>7</u>	<u>5,992,976</u>	<u>6</u>
3XXX	Total equity		<u>57,874,137</u>	<u>63</u>	<u>55,724,543</u>	<u>60</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant disaster loss	10				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 92,016,957</u>	<u>100</u>	<u>\$ 92,373,956</u>	<u>100</u>

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	2017		2016	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(24) and 7	\$ 50,942,521	100	\$ 49,923,836	100
5000 Operating costs	6(7)(19)(28)(29) and 7	(38,743,733)	(76)	(36,788,304)	(74)
5900 Net operating margin		12,198,788	24	13,135,532	26
5910 Unrealized loss from sales		(9,145)	-	(6,625)	-
5920 Realized profit from sales		6,625	-	5,488	-
5950 Net operating margin		12,196,268	24	13,134,395	26
Operating expenses	6(19)(28)(29)				
6100 Selling expenses		(4,702,844)	(9)	(4,495,731)	(9)
6200 General and administrative expenses		(2,716,018)	(5)	(3,055,579)	(6)
6300 Research and development expenses		(1,281,206)	(3)	(1,393,604)	(3)
6000 Total operating expenses		(8,700,068)	(17)	(8,944,914)	(18)
6900 Operating profit		3,496,200	7	4,189,481	8
Non-operating income and expenses					
7010 Other income	6(4)(11)(25) and 7	1,506,936	3	1,160,006	2
7020 Other gains and losses	6(2)(3)(15)(26)	(628,521)	(1)	(43,705)	-
7050 Finance costs	6(10)(27)	(254,638)	-	(282,231)	-
7060 Share of profit (loss) of associates and joint ventures accounted for under the equity method	6(9)	233,927	-	(90,260)	-
7000 Total non-operating income and expenses		857,704	2	743,810	2
7900 Profit before income tax		4,353,904	9	4,933,291	10
7950 Income tax expense	6(30)	(809,656)	(2)	(896,293)	(2)
8200 Profit for the year		\$ 3,544,248	7	\$ 4,036,998	8

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income					
	Other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(19)	(\$ 58,868)	-	(\$ 52,979)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(2,751)	-	(11,532)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	3,037	-	2,270	-
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		(58,582)	-	(62,241)	-
	Other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	6(23)	(803,071)	(2)	(1,218,203)	(2)
8362	Unrealized gain on valuation of available-for-sale financial assets	6(3)(23)	1,570,454	3	1,501,773	3
8370	Share of other comprehensive income of associates and joint ventures accounted for under the equity method - other comprehensive income that will be reclassified to profit or loss	6(23)	4,019	-	2,421	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(30)	68,969	-	99,542	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		840,371	1	385,533	1
8300	Other comprehensive income for the year		\$ 781,789	1	\$ 323,292	1
8500	Total comprehensive income for the year		\$ 4,326,037	8	\$ 4,360,290	9
	Profit attributable to:					
8610	Owners of the parent		\$ 3,092,358	6	\$ 3,481,480	7
8620	Non-controlling interest		451,890	1	555,518	1
			\$ 3,544,248	7	\$ 4,036,998	8
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 3,903,915	7	\$ 3,836,207	8
8720	Non-controlling interest		422,122	1	524,083	1
			\$ 4,326,037	8	\$ 4,360,290	9
	Earnings per share (in dollars)					
9750	Basic earnings per share	6(31)	\$ 1.56		\$ 1.76	
9850	Diluted earnings per share		\$ 1.55		\$ 1.75	

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
Notes	Retained Earnings					Other Equity Interest		Treasury stocks	Total	Non-controlling interest	Total equity	
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets					
2016												
Balance at January 1, 2016		\$ 20,026,929	\$ 7,638,417	\$ 5,412,342	\$ 3,640,779	\$ 10,310,158	\$ 13,030	\$ 743,950	(\$ 321,563)	\$ 47,464,042	\$ 3,968,462	\$ 51,432,504
Appropriations of 2015 net earnings	6(22)											
Legal reserve		-	-	317,729	-	(317,729)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,602,154)	-	-	-	(1,602,154)	-	(1,602,154)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	33,472	-	-	-	-	-	-	33,472	-	33,472
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	1,500,431	1,500,431
Other comprehensive income(loss) for the year	6(23)	-	-	-	-	(55,066)	(1,064,783)	1,474,576	-	354,727	(31,435)	323,292
Profit for the year	6(22)	-	-	-	-	3,481,480	-	-	-	3,481,480	555,518	4,036,998
Balance at December 31, 2016		<u>\$ 20,026,929</u>	<u>\$ 7,671,889</u>	<u>\$ 5,730,071</u>	<u>\$ 3,640,779</u>	<u>\$ 11,816,689</u>	<u>(\$ 1,051,753)</u>	<u>\$ 2,218,526</u>	<u>(\$ 321,563)</u>	<u>\$ 49,731,567</u>	<u>\$ 5,992,976</u>	<u>\$ 55,724,543</u>
2017												
Balance at January 1, 2017		\$ 20,026,929	\$ 7,671,889	\$ 5,730,071	\$ 3,640,779	\$ 11,816,689	(\$ 1,051,753)	\$ 2,218,526	(\$ 321,563)	\$ 49,731,567	\$ 5,992,976	\$ 55,724,543
Appropriations of 2016 net earnings	6(22)											
Legal reserve		-	-	348,148	-	(348,148)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,762,370)	-	-	-	(1,762,370)	-	(1,762,370)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	(43,347)	-	-	-	-	-	-	(43,347)	-	(43,347)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(370,726)	(370,726)
Other comprehensive income (loss) for the year	6(23)	-	-	-	-	(48,191)	(707,604)	1,567,352	-	811,557	(29,768)	781,789
Profit for the year	6(22)	-	-	-	-	3,092,358	-	-	-	3,092,358	451,890	3,544,248
Balance at December 31, 2017		<u>\$ 20,026,929</u>	<u>\$ 7,628,542</u>	<u>\$ 6,078,219</u>	<u>\$ 3,640,779</u>	<u>\$ 12,750,338</u>	<u>(\$ 1,759,357)</u>	<u>\$ 3,785,878</u>	<u>(\$ 321,563)</u>	<u>\$ 51,829,765</u>	<u>\$ 6,044,372</u>	<u>\$ 57,874,137</u>

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 4,353,904	\$ 4,933,291
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(26)	4,573	(12,017)
Net loss on financial liabilities at fair value through profit or loss	6(15)(26)	2,528	(1,214)
Provision for (Reversal of) allowance for doubtful accounts	6(6)	39,339	(11,722)
Interest income	6(25)	(150,197)	(172,217)
Dividend income	6(25)	(508,613)	(560,089)
Interest expense	6(27)	254,638	282,231
Depreciation and amortization	6(10)(11)(28)	1,483,888	1,549,723
Gain on disposal of investments	6(24)(26)	(239,595)	(619,104)
Gain on disposal of property, plant and equipment	6(24)(26)	(150,541)	(687)
Impairment loss	6(26)	889	127,277
Share of (profit) loss of associates and joint ventures accounted for under the equity method	6(9)	(233,927)	90,260
Foreign currency exchange loss of bonds payable		-	1,620
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		(25,068)	44,493
Notes receivable		29,665	(212,164)
Notes receivable - related parties		4,468	9,544
Accounts receivable		945,770	(1,060,196)
Accounts receivable - related parties		51,054	(18,936)
Receivables from customers on construction contracts		205,452	(414,111)
Other receivables		(358,975)	178,066
Other receivables - related parties		407,881	23,411
Inventories		(159,451)	578,186
Prepayments		48,308	(111,621)
Other current assets		366,416	(127,198)
Changes in operating liabilities			
Notes payable		32,246	49,516
Notes payable - related parties		(6,243)	444
Accounts payable		78,435	820,574
Accounts payable - related parties		24,154	3,351
Payables to customers on construction contracts		(23,856)	(187,308)
Other payables		(143,811)	72,845
Provisions for liabilities		(34,618)	35,307
Other current liabilities		287,157	(372,607)
Other non-current liabilities		(257,468)	7,705
Cash inflow generated from operations		6,328,402	4,925,765
Interest received	6(25)	150,197	172,217
Dividends received	6(25)	289,350	303,163
Interest paid	6(27)	(254,638)	(282,231)
Income tax paid	6(30)	(621,659)	(671,738)
Net cash flows from operating activities		5,891,652	4,447,176

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in available-for-sale financial assets - current		\$ 552,833	\$ 11,067
Decrease in other receivables-related parties	7	55,071	216,500
Increase in bond investments without active market		(963,998)	(2,689,021)
Decrease (increase) in pledged demand and fixed deposits	8	8,847	(13,811)
Proceeds from disposal of available-for-sale financial assets - non-current		549,407	925,473
Acquisition of available-for-sale financial assets - non-current		(128,435)	(150,622)
Increase in investments accounted for under the equity method		(38,001)	(91,829)
Acquisition of property, plant and equipment	6(10)(33)	(1,021,817)	(1,464,972)
Proceeds from disposal of property, plant and equipment		619,976	63,713
Acquisition of intangible assets		(103,174)	(225,070)
(Increase) decrease in restricted assets		(425)	511
Decrease (increase) in other non-current assets		102,313	(627,777)
Net cash inflow on acquisitions of subsidiaries	6(32)(33)	-	266,268
Dividends received		351,648	403,253
Net cash flows used in investing activities		(15,755)	(3,376,317)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans		(890,740)	(3,540,651)
Increase (decrease) in long-term loans		(2,927,291)	5,588,166
Repayment of bonds payable		-	(1,500,200)
Proceeds from issuance of bonds payable	6(18)	1,000,000	-
Cash dividends paid for non-controlling interest		(265,099)	-
Cash dividends paid	6(22)	(1,762,370)	(1,602,154)
Net cash flows used in financing activities		(4,845,500)	(1,054,839)
Exchange rate effect		(890,893)	(945,236)
Net increase (decrease) in cash and cash equivalents		139,504	(929,216)
Cash and cash equivalents at beginning of year		13,989,826	14,919,042
Cash and cash equivalents at end of year		<u>\$ 14,129,330</u>	<u>\$ 13,989,826</u>

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

TECO Electric & Machinery Co., Ltd.

Distribution of 2017 Profits

(In NT \$)

Item	Amount
Accumulated undistributed profit as of the beginning of the period	9,706,171,298
Less: Retained earnings after adjustment in 2017 (Note 1)	(48,191,453)
Accumulated undistributed earnings after adjustment	9,657,979,845
Add: Net Profit after tax in 2017	3,092,357,888
Less : Legal Reserve	(309,235,789)
Total distributable earnings	12,441,101,944
Profit available for distribution for the period:	
Profit-sharing to shareholders	1,722,315,882
(Dividend per share)	0.86
Undistributed profit as of the end of 2017	10,718,786,062
Note :	
1. Defined Pension Obligation actuarial gains and losses, and recognized as Other comprehensive income including it into retained earnings	

Notes:

1. Dividend per share in 2017 is NT\$0.86 and all dividends distributed this year shall be cash dividend.
2. The profit distributed this period will be distributed from the distributable earnings received in 2017 and from the accumulated undistributed profits from previous years where there is a shortfall.
3. In the event of any change to the total number of outstanding shares as a result of the issuance of convertible bond, Company's buyback of its own shares, transfer, conversion or deregistration of treasury shares, exercise of employees' stock option and other factors, it is proposed that the Shareholders' Meeting grants the Chairman full authority to handle all relevant matters subject to the fixed payout rate mentioned above.

Appendix 5

List of Candidates of Directors

Name	Shares (Note)	Education/ Experience
Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy, Chiu	30,341,364 shares	MBA, University of Michigan, Ann-Arbor Chairman of TECO Electric & Machinery Co., Ltd President of TECO Electric & Machinery Co., Ltd Chairman of Taiwan Pelican Express Co., Ltd
Tong Ho Global Investment Co., Ltd Representative : Chao-Kai, Liu	2,240,262 shares	Ph.D. of Electric Engineering, University of Illinois Chairman of TECO Electric & Machinery Co., Ltd Chairman of TECOM Co., Ltd
Cheng-Tsung, Huang	15,279,849 shares	Bachelor of Economics, Fu Jen Catholic University Independent Director of Aurotek Corporation Chairman of Sen Yeh Construction Co., Ltd. President of Importers and Exporters Association of Taipei
Creative Sensor Inc. Representative: Yu-Ren, Huang	10,000,000 shares	Master of Electric Engineering, Columbia University Chairman of Creative Sensor Inc. Chairman of Lien Chang Electronic Enterprise Co., Ltd Chairman of TECO Image Systems Co., Ltd CEO of IT& Optronics Product Sector in TECO Group
Mao-Hsiung, Huang	18,486,633 shares	Master of Economics, University of Pennsylvania Director of TECO Electric & Machinery Co., Ltd President of Chinese National Association of Industry and Commerce, Taiwan Chairman of Century Development Corporation

Name	Shares (Note)	Education/ Experience
YINGE Int. Inv. Co.,Ltd. Representative: Po-Chih, Huang	10,079,600 shares	Master of Mechanical Engineering, University of Tokyo President of Taiwan Association of Machinery Industry Director of TECO Electric & Machinery Co., Ltd Director of TECO Technology Foundation
Hung Shun Investment Co., Ltd. Representative: Tzu-Yi, Kuo	304,000 shares	Bachelor of Business Administration, University of Southern California Chairman of PT Group President of PT Group Chairman of South Taiwan Bus
Yubantec & Co Representative: Dong-Hai Gao	13,200,000 shares	Advance Course for Business Manager, Division of Financial Management, National Chengchi University Chairman of Tong Ho Global Investment Co., Ltd Chairman of Inotec Taiwan Co., Ltd Vice Chairman of Yubantec & Co President of Multilite International Co., Ltd.
Kuang Yuan Industrial Co., Ltd. Representative: Shih-Chien, Yang	22,033,919 shares	Ph.D. of Electric Engineering, Northwestern University, US Minister without Portfolio of Executive Yuan, Republic of China Political Deputy Minister of Ministry of Economic Affairs, R.O.C Director of TECO Electric & Machinery Co., Ltd Chairman of Global Strategic Venture
Tung Kuang Investment Co., Ltd. Representative : Hong-Hsiang, Lin	30,341,364 shares	Master of Mechanical Engineering, University of Houston Vice CEO of Industrial Product & System Sector in TECO Group Executive Consultant for Board of Directors in TECO Electric & Machinery Co., Ltd Assistant Vice President of TECO Electric & Machinery Co., Ltd Supervisor of TECOM Co., Ltd

Name	Shares (Note)	Education/ Experience
Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao	19,40,052 shares	Master of Business Administration, National Taiwan University of Science and Technology Chairman of Information Technology Total Service Corp President of Information Technology Total Service Corp Chairman of TECO Smart Technologies Co., Ltd.
Yung-Hsiang, Chang	0 shares	Bachelor of Industrial Engineering and Management, Minghsin University of Science and Technology Director of TECO Electric & Machinery Co., Ltd Chairman of Hong Tong Co., Ltd. Vice Chairman of Taiwan Wax Company Ltd.
Ting-Wong, Cheng (Independent Director)	0 shares	Ph.D. of of Accountancy, Robert J. Trulaske, Sr. College of Business, University of Missouri Principle of National Chengchi University Professor of National Chengchi University Independent Director of TECO Electric & Machinery Co., Ltd
Jin-Fu, Chang (Independent Director)	0 shares	Ph.D. of Electrical Engineering and Computer Sciences, University of California, Berkeley Chairman of Institute for Information Industry Minister without Portfolio of Executive Yuan, Republic of China Consultant of An-Shin Food Services Co., Ltd. Independent Director of Taiwan Secom Co. , Ltd
Wei-Chi, Liu (Independent Director)	0 shares	Ph. D. of Business Administration, Northwestern University Chairman of Taiwan High Speed Rail Corp Chairman of International Bills Finance Corp Principal of Chung Hua University Independent Director of Fusheng Precision Company

Note: Shares held on the book closure starting date of AGM 2018 (April 17th, 2018)

TECO Electric & Machinery Co., Ltd.
Plan to Remove of Restriction on Non-Competition Obligation for Candidates of Director

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
<p style="text-align: center;">Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy, Chiu</p>	<p>Director of TECO Electro Devices Co., Ltd. Director of TECOM Co., Ltd Director of Information Technology Total Services Co., Ltd. Managing Director of Tung Pei Industrial Co., Ltd. Director of Yatec Engineering Corporation Director of Kuenling Machinery Refrigerating Co., Ltd. Chairman of Taiwan Pelican Express Co., Ltd. Supervisor of TG Teco Vacuum Insulated Glass Corp. Director of Royal Host Taiwan Co., Ltd. Director of Century Development Corporation Inc. Director of Century Biotech Development Corporation Supervisor of Teco Image System Co., Ltd. Director of Lien Chang Electronic Enterprise Co., Ltd. Director of Far Eastern Electronic Toll Collection Co, Ltd Director of FETC International</p>	<p>Director of Wuxi Teco Electric & Machinery Co., Ltd. Director of Wuxi TECO Precision Mechatronics Co., Ltd Chairman of Jiangxi TECO Electric & Machinery Co., Ltd. Director of Shanghai TECO Electric & Machinery Co., Ltd. Chairman of Beijing Pelican Express Co., Ltd. Director of TECO Australia Pty Limited.(TAC) Chairman of TAIAN (Malaysia) Electric Sdn. Bhd. Chairman of TECO YASKAWA Motor Engineering Co. Chairman of P.T Teco Elektro Indonesia (TEI) Chairman of TECO (Philippines) 3C Appliances Inc. Chairman of Pelecanus Express Pte. Ltd Chairman of GreyBack International Property Inc.(GIPI) Director of Tecocapital Investment Co., Ltd. Director of Tecom Global Tech Investment Pte. Ltd. Director of Tecom Global Tech Investment (B.V.I.) Ltd. Director of TEMICO International Pte. Ltd.</p>

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
<p>Tong Ho Global Investment Co., Ltd. Representative Chao-Kai, Liu</p>	<p>Director of TECO Electro Devices Co., Ltd. Chairman of TECOM Co., Ltd Chairman of Tecom International Investment Co., Ltd. Chairman of WondaLink Inc. Chairman of Baycom Opto-Electronics Technology Co., Ltd. Director of Ericsson Taiwan Ltd Director of Senergy Wind Power Co., Ltd.</p>	<p>Director of Wuxi TECO Electric & Machinery Co., Ltd. Director of Hunan MINGYANG TECO Wind Energy Limited Director of Beijing Tecom Innovative Technology Co., Ltd. Director of TECO Australia Pty Limited.(TAC). Director of Ropali-Teco Corporation Director of Tecom Global Tech Investment Pte. Ltd. Director of Tecom Global Tech Investment (B.V.I.) Ltd.</p>
<p>Cheng-Tsung, Huang</p>	<p>Chairman of Sen Yeh Construction Co., Ltd. Chairman of Wan Yu Development Co., Ltd. Independent Director of Aurotek Corporation</p>	<p>None</p>

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
<p>Creative Sensor Inc. Representative: Yu-Ren, Huang</p>	<p>Chairman of TECO Image Systems Co., Ltd Chairman of Creative Sensor Inc. Chairman of Lien Chang Electronic Enterprise Co., Ltd Chairman of Gen Mao International Limited Chairman of Multilite International Co., Ltd. Chairman of Kuang Yuan Co., Ltd. Director of Koryo Eletronic Co., Ltd Director of Yubantec Director of Inotec Taiwan Co., Ltd.</p>	<p>Chairman of Wuxi Creative Sensor Technology Co., Ltd. Chairman of NanChang Creative Sensor Technology Co., Ltd. Chairman of Tung Xin (Jiangxi) Opto-electronics Technology Co., Ltd. Director of Yuban Technology Co., Ltd Director of Yuban Technology (Shenzhen) Co. Ltd Director of Gen Mao (Singapore) Limited Director of Creative Sensor (USA) Co. Director of Creative Sensor Co., Ltd. Director of Creative Sensor Inc. Director of Sanyu International Co.,Ltd</p>
<p>Mao-Hsiung, Huang</p>	<p>Supervisor of Tung Pei Industrial Co., Ltd. Director of Tecnos International Consultant Co., Ltd. Chairman of An-Tai International Investment Co., Ltd. Chairman of An-Sheng Travel Co., Ltd. Supervisor of An-Shin Food Service Co., Ltd. Chairman of Royal Host Taiwan Co., Ltd. Chairman of ROYAL PARK Director of Taiwan Pelican Express Co., Ltd. Vice Chairman of TG Teco Vacuum Insulated Glass Corp. Chairman of Century Development Corporation Chairman of Jason Technology (Asia) Co., Ltd Director of Taiwan High Speed Rail Co. Ltd.</p>	<p>Director of Qingdao Jie Zheng Property Service & Management Company Supervisor of Technical Information International Co., Ltd. Chairman of MOS Burger Xiamen Director of Beijing Pelican Express Co., Ltd. Chairman of TECO Australia Pty Limited. (TAC) Director of TAIAN (Malaysia) Electric Sdn. Bhd. Chairman of TAIAN Technology Sdn. Bhd. Director of TECMA Information Systems Sdn. Bhd. Director of Tecom Global Tech Investment Pte. Ltd. Director of Tecom Global Tech Investment (B.V.I.) Ltd.</p>

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
	Director of E & E Recycling Co. Ltd. Director of Ericsson Taiwan Ltd Director of Atetsu International Inc. Director of Momo.com Inc. Director of Shin-Etsu Chemical Co., Ltd. Chairman of Mao Wang Technology Co., Ltd. Director of Inotec Taiwan Co., Ltd. Director of Magic-Food Mos Food Industry Corp. Director of FujiAtetsu Multimedia Inc. Director of Fujio Food System Taiwan Co.,Ltd Chairman of Xianlaoman	Director of An-Shin Food Services (Singapore) Pte. Ltd. Director of Subic Bay Development &Management Corporation Chairman of TEMICO International Pte. Ltd.
YINGE Int. Inv. Co.,Ltd. Representative: Po-Chih, Huang	Director of TECOM Co., Ltd Vice Chairman of Ta Hong Machinery Co., Ltd. Chairman of ELITE International Investment Co., Ltd. Chairman of YINGE Int. Inv. Co.,Ltd	None
Hung Shun Investment Co., Ltd. Representative: Tzu-Yi, Kuo	Chairman of PT Group Chairman of South Taiwan Bus Chairman of Radius Exhibition Management Consulting Co., Ltd. Chairman of Ping Tung Travel Service	None

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
<p>Yubantec Representative: Dong-Hai Gao</p>	<p>Chairman of Inotec Taiwan Co., Ltd. Chairman of Tong Ho Global Investment Co., Ltd. Vice Chairman of Yubantec Chairman of YUTEK ELECTRONICS CO., LTD.</p>	<p>None</p>
<p>Kuang Yuan Industrial Co., Ltd. Representative: Shih-Chien, Yang</p>	<p>Director of TECOM Co., Ltd Chairman of Global Strategic Venture Chairman of Huan Xun Venture Capital Co., Ltd. Director of YAGEO Corporation Independent Director of Topkey Corporation Director of MiTAC Inc. Independent Director of WUS Printed Circuit Co.,Ltd Director of Global BioPharma, Inc.</p>	<p>None</p>
<p>Tung Kuang Investment Co., Ltd. Representative : Hong-Hsiang, Lin</p>	<p>Director of TECOM Co., Ltd Chairman of Tung Pei Co., Ltd Director of Yatec Engineering Corporation Director of Taiwan Cogeneration Corporation</p>	<p>Director of Wuxi TECO Electric & Machinery Co., Ltd. Chairman of Wuxi TECO Precision Mechatronics Co., Ltd Director of Jiangxi Teco Electric &Machinery Co., Ltd. Director of Jiangxi Teco-Lead PM Generator Manufacturing Co.,Ltd Director of TECO Middle East Electric & Machinery Co., Ltd. (TME) Supervisor of TECO YASKAWA Motor Engineering Co. Chairman of Teco (Vietnam) Electric & Machinery Co., Ltd.</p>

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
<p>Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao</p>	<p>Director of A-Ok Technical Co., Ltd. Director of Tecnos International Consultant Co., Ltd. Director of Taiwan Pelican Express Co., Ltd. Director of Century Development Corporation Director of Royal Park Chairman of Information Technology Total Service Corp Chairman of Universal Mail Service Ltd. Chairman of Unison Service Corporation Director of Tension Corporation</p>	<p>Chairman of Information Technology Total Service (BVI) Co.,Ltd Director of LiveABC Interactive Corporation Chairman of Teco Group Science-Technology (Hang Zhou) Co., Ltd. Chairman of Information Technology (Wuxi) Co., Ltd. Chairman of Information Technology Total Service (Xiamen) Ltd. Director of Technical Information International Co., Ltd</p>
<p>Yung-Hsiang, Chang</p>	<p>Chairman of Hong Tong Co., Ltd</p>	<p>None</p>
<p>Ting-Wong, Cheng</p>	<p>Managing and Independent Director of Asia Pacific Telecom Independent Director of SuperAlloy International</p>	<p>None</p>
<p>Jin-Fu, Chang</p>	<p>Consultant of An-Shin Food Services Co., Ltd. Independent Director of Taiwan Secom Co. , Ltd.</p>	<p>None</p>

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
Wei-Chi, Liu	Independent Director of Fusheng Precision Company Director of Airiti.Inc	None