TECO Electric & Machinery Co., Ltd.
Minutes of the 2017 Annual General Shareholders' Meeting
(Summary Translation)

Time: 09:00am, June 16, 2017 (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 1,430,002,407 valid issued shares of the Company were presented at the above meeting (including a total of 1,125,493,786 shares were presented by electronic voting), representing 72.21% of the above total valid issued shares of the Company.

Chairman: Chwen-Jy Chiu (Chairman)

Attendance: Chao-Kai Liu (Managing Director), Yu-Ren Huang (Managing Director), Cheng-Tsung Huang (Managing Director), Mao-Hsiung Huang (Director), Po-Chih, Huang (Director), Shih-Chien Yang(Director), Ming-Feng Yeh (Director), Hsien-Sheng Kuo(Director), Yung-Hsiang Chang(Director), Hong-Hsiang Lin(Director), Chien-Yuan, Lin (Independent Director & Managing Director, member of Audit Committee), Ting-Wong Cheng (Independent Director, member of Audit Committee), Jing-Shown Wu (Independent Director, member of Audit Committee)

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

Recorder: Doreen Lin, 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 2016 (please see Appendix 1)
   3.2 Inspection Report of Audit Committee for 2016 (please see Appendix 2)
   3.3 Remuneration distribution to employees and directors for 2016
   Explanatory note

   In 2016, income before tax is NT$ 3,622,424 thousands, and remuneration to employees is proposed to be NT$ 283,999 thousands, whilst remuneration to directors is proposed to be NT$ 125,333 thousands. The remuneration would be distributed in cash.

3.4 Amendment to Corporate Governance Best Practice Principles (please see Meeting Agenda)
3.5 Amendment to Ethical Corporate Management Best Practice Principles (please see Meeting Agenda)
3.6 Amendment to Corporate Social Responsibility Best Practice Principles (please see Meeting Agenda)

4. Ratification

Proposal 1:

Business Report and Financial Statements for 2016 (Proposed by the Board of Directors)

Explanatory note:

1. The Board of Directors entrusted certified public accountants Audrey Tseng and Dexter Chang with PricewaterhouseCoopers to audit and certify the Business Report and Financial Statements for 2016 (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 2016.

Resolution:

After being voted by a total of 1,422,048,163 shares presented (has been deducted 7,954,244 shares without voting right), a total of 1,247,751,230 shares voted “for” (including a total of 951,196,853 shares were presented by electronic voting), a total of 390,356 shares voted “against” (including a total of 390,356 shares were presented by electronic voting), and a total of 173,906,577 shares abstained from voting (including a total of 173,906,577 shares were presented by electronic voting). The percentage of approval represented 87.74% of the total voting rights of shareholders in attendance.

Proposal 2:

Distribution of 2016 profits (Proposed by the Board of Directors)

Explanatory note:

1. The board of directors plans to appropriate NT$1,762,369,740 from allocable earnings in 2016 for dividend payout, capable of paying NT$0.88 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 1,422,048,163 shares presented (has been deducted 7,954,244 shares without voting right), a total of 1,254,975,771 shares voted “for” (including a total of 958,421,394 shares were presented by electronic voting), a total of 627,182 shares voted "against" (including a total of 627,182 shares were presented by electronic voting), and total of 166,445,210 shares abstained from voting (including a total of 166,445,210 shares were presented by electronic voting). The percentage of approval represented 88.25% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

5. Discussion:

Proposal 1:
Amendment to Procedure for Acquisition or Disposal of Assets

Explanatory note:

1. According to Financial Supervisory Commission No. 1060001296, February 9, 2017, the company propose to revise the related measures of Procedure for Acquisition or Disposal of Assets.
2. For the comparison between the revision and the original, please refer to Appendix 5

Resolution:
After being voted by a total of 1,422,048,163 shares presented (has been deducted 7,954,244 shares without voting right), a total of 1,255,143,938 shares voted "for" (including a total of 958,589,561 shares were presented by electronic voting), a total of 419,616 shares voted "against" (including a total of 419,616 shares were presented by electronic voting), and a total of 166,484,609 shares abstained from voting (including a total of 166,484,609 shares were presented by electronic voting). The percentage of approval represented 88.26% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

6. Extempore Motions:
None

7. Meeting Adjourned: 09:28 AM

Attachments

1. Business Report for 2016
2. Inspection Report of Audit Committee for 2016
3. Financial Statements and Auditors' Report for 2016
4. Distribution of 2016 Profits
5. The comparison between the revision and the original of Procedure for Acquisition or Disposal of Assets

Appendix 1

Business Report

Dear Shareholders,

Stuck in "low-growth" trap, the global economy declined by 2.4% in 2016, the worst performance since the global financial tsunami. Strength of recovery in the U.S., Japan, and Europe failed to meet expectation and growth in China and emerging economies slowed down, which, plus uncertainty resulting from Brexit, dampened demand on the electric-machinery market. However, thanks to years of effort in energy conservation, carbon abatement, smart application, and automation, the company still managed to take advantage of new business opportunities, thereby retaining steady profits.

A. Review of Business Performance in 2016

Analysis of the company's business performance in 2016 follows:

a. Parent Company

Unit: NT$ thousand

	2016	2015	Change
Sales revenue	20,274,047	21,809,717	(7.04%)
Operating profit	1,615,152	1,617,491	(0.14%)
Profit for the year	3,481,480	3,177,291	9.57%

Regarding revenue, benefited from replacement demand and energy-performance subsidies, sales of air conditioner expanded further in 2016, when revenue of power business also grew substantially, thanks to income listed quarterly, in line with progress in the construction, from major engineering projects. Revenues from other businesses, though, dropped, due to decline in global demand for infrastructural projects, shrinking investments in oil- and mineral-related lines, insufficient orders and languid sales of electric-machinery products. The company's overall revenue dropped by 7% in 2016.

Due to increased shares of higher-margin custom products and variable-frequency products, the company's gross margin advanced by one percentage point in the year. Meanwhile, operating expense decreased by NT$100 million, thanks to continuous rationalization of personnel and other expenses. As a result, operating income only dropped slightly. As for non-operating income and expense, the company saw investment returns, thanks to increased investment returns from the merger of Century Development Corp. and the company's Italian subsidiary Motovario, plus income from disposal of stakes in Straits Construction Investment (Holdings) and Hangzhou Xizi-IUK Parking System Co.,Ltd. Overall net profit grew by 9.57%.

As for R&D, the company successfully developed a number of new products, including large-scale water-recycling pump motor, medium-voltage variable-frequency motor for industry-grade chiller, IE4 motor for Japan and China, anti-dust blast motor, netcom inverter, cloud-end EMS, and R32-coolant series models. Thanks to its heavy R&D investments, the company won Taiwan Excellent Award for six items and 23 domestic and foreign patents.

b. Consolidated Financial Statements

Unit: NT$ thousand

	2016	2015	Change
Sales revenue	49,923,836	48,598,573	3%
Operating profit	4,189,481	3,787,627	11%
Profit for the year	4,036,998	3,514,116	15%
Total comprehensive income for the year	4,360,290	560,158	678%

Consolidated sales revenue grew by 3% in 2016, due to the acquisition of Century Development and Motovario, while Operating profit grew by 11%. The growth of Unrealized gain on valuation of available-for-sale financial assets resulted into higher Total comprehensive income for the year. Overall, Profit for the year grew by 15% and Total comprehensive income for the year grew by 678%.

B. Outline of 2017 Business Plan

Major domestic and foreign forecast bodies predict that the global economy will grow by 2.4-3.3% in 2017, higher than 2016. International prices of raw materials, including oil and metal, have stabilized, helping oil/gas and mineral customers to attain steady revenue growth, which will benefit the company's sales. Taiwan's economy will also perform better than 2016, with growth forecast reaching 1.5-1.8%. In addition, the government is pushing "accelerated transformation of industrial structure" and "expansion of infrastructural investments" programs, boosting domestic investments and growth, which will benefit the company's business for electric-machinery products and engineering projects.

In 2017, the company will develop around a number of axes, including sales of systematic products, simplification and improvement of existing product lines, and continuing dedication to smart products, automated production equipment, and other related products, such as G2-servo electric machinery, so as to enhance the company's overall product competitiveness. In addition, the company will step into the realm of PV ESCO, installing PV panels on the roofs of the group's factories, on top of micro grids and smart energy management system, key applications for smart city, which have been developed by the company. Regarding electric machinery, the company will roll out IP66 water- and dust-proof anti-blast motor and E510s IP20 inverters, which have obtained EU functional-safety certification. As for home appliances, the company will launch air conditioners featuring CSPF-grade energy performance. The aforementioned new products will inject fresh growth momentum for the group. Meanwhile, the company will invest further in India, Africa, and ASEAN, consolidating overseas business network and expanding global deployment.

The company has been granted the golden award of Taiwan Corporate Sustainability Awards (TCSA) for the TOP50 category for three years in a row, and the corporate citizen award by Commonwealth magazine, in addition to top 5% in corporate-governance evaluation. As an advocate for sustainable development in the electric-machinery industry, the company will, in adherence to its integrity-based management concept and conformance to the global current of energy conservation and carbon abatement, dedicate to the development of smart environment-friendly products and march towards the goal of becoming a global corporate guidepost, thereby creating maximum benefits for shareholders and paying back our shareholders and investing public, in return for their long-term support and patronage.

TECO Electric & Machinery Co., Ltd

Appendix 2

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 2016 (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 2017

TECO Electric & Machinery Co., Ltd

Audit Committee Convener：Ting-Wong, Cheng

Date: March 24, 2017

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, 2016 and 2015, 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, 2016 and 2015, and their financial performance and cash flows for the years then ended, 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.

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 Consolidated 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 consolidated 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.

Revenue recognition of export sales of motor division

Description

Please refer to Note 4(32) of the parent company only financial statements for the accounting policies on revenue recognition. Motor division handles the manufacturing and sales of various machinery, equipment and motors. The clients of motor division are from China, America, South-East Asia and Europe and the sales terms vary for different clients, and it exist in subsidiaries(listed as investments accounted for under equity method). Thus, we consider the revenue recognition of motor division a key audit matter.

How our audit addressed the matter

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

1. Checking the internal controls over sales revenue recognition of motor division to assess the effectiveness of the internal control process.
2. Selected samples of export sales revenue transactions of motor division to examine whether the export sales recognized actually existed.

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

Description

Motovario S.p.A. is located in Italy, and is engaged in the manufacturing and sales of gear reducers and other power transfer equipment. Motovario S.p.A. is considered a minimum cash-generating unit of Teco Electric & Machinery Co., Ltd.. As of December 31, 2016, the balance of investments accounted for under equity method was $5,012,878,000. Please 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 of 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 rates 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 investments accounted for under equity method-impairment assessment of premium generated from the acquisition of subsidiaries a keyit matter.

<u>How our audit addressed the matter</u> aud

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

1. Inspecting whether the valuation model use in the entity's industry and environment.
2. Inspecting whether the future cash flows of valuation model is in accordance with Motovario S.p.A's operation plan, and reviewing the results of operation plan prepared by management in the past.
3. Evaluating the reasonableness of major assumptions (including the expected growth rate and discount rate) used in the model.
4. Assessing the sensitivity analysis of management's future cash flows for the above significant assumptions and confirming whether management has adequately addressed the possible impact of the estimated uncertainty of the impairment assessment.

Business combination - acquisition of Century Development Corporation

<u>Description</u>

Please refer to Note 4(33) for accounting policies on business combination. As stated in Note 6(32) of the parent company only financial statements, the TECO Electric & Machinery Co., Ltd. acquired 12.12% of the ordinary shares of Century Development Corporation for cash of $462,233,000 in February 2016. Including the previously held 40.63% stake in the TECO Electric & Machinery Co., Ltd., the total holdings of the Company increased to 52.75% and accordingly, the Company obtained control over Century Development Corporation. Century Development Corporation is engaged in domestic and foreign industrial areas and site investment and development including of consulting, planning, development management and leasing business. In determining the fair value of the real property and land right held from the business combination, management has commissioned a valuation expert to evaluate the fair value and prepare a fair value allocation report, which is measured and assessed on the acquisition The identifiable assets of the Company and the liabilities assumed, which will be completed within one year after the business combination. In addition, the transaction is a phased merger of enterprises. The Company in accordance with the fair value of the acquisition date to measure its previously held by the acquirer's interest. As Century Development Corporation's common stock is not quoted in active market, the management department of the Department of external experts to evaluate the assessment of the fair value of the way. The evaluation of the fair value of the common stock in the absence of the active market quotation involves the judgment results and the evaluation results have a significant effect on the valuation of the business combination. Thus, we consider the valuation of said acquisition a key audit matter.

How our audit addressed the matter

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

1. Checking acquisition contract and certificate of proceeds paid to ascertain accuracy of counter whether the party and cash amount details.
2. Checking the record process for the accuracy of accounting process of acquisition that divided into several steps.
3. Assessing the accuracy of parameter and calculation, and the approach that management used in evaluating the fair value of Century Development Corporation.
4. Assessing the qualifications of the management committee in appointing the valuation experts, and evaluating the appropriateness of the parameters and models used.

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 $ 4,037,283,000 and $ 8,265,099,000, constituting 6% and 12% of the related total assets as of December 31, 2016 and 2015, respectively, and the comprehensive income amounting to $ 60,193,000 and $ 290,837,000, constituting 2% and 81% of the total comprehensive income for the years ended then ended. 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 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 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 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 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 Company to express an opinion on the parent company only 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 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 consolidated 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.

PricewaterhouseCoopers, Taiwan
March 24, 2017

The accompanying 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 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
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1) and 8	$ 760,582	1	$ 1,111,218	2
1110	Financial assets at fair value through profit or loss - current	6(2)(23)	30,832	-	-	-
1150	Notes receivable, net	6(4)(5)	355,078	1	309,109	1
1160	Notes receivable - related parties	7	338,482	-	279,145	-
1170	Accounts receivable, net	6(5)	1,941,337	3	1,576,044	2
1180	Accounts receivable - related parties	6(8) and 7	1,474,255	2	1,556,391	2
1190	Receivables from customers on construction contracts	6(7)	1,112,235	2	730,166	1
1200	Other receivables		58,077	-	47,622	-
1210	Other receivables - related parties	6(8) and 7	1,251,437	2	1,226,378	2
130X	Inventory	6(6)	2,993,682	4	2,941,725	4
1410	Prepayments		23,994	-	20,063	-
1470	Other current assets	6(1) and 8	259,162	-	319,424	1
11XX	**Total current assets**		10,599,153	15	10,117,285	15
	Non-current assets					
1523	Available-for-sale financial assets - non-current	6(3)	5,723,592	8	4,227,347	6
1550	Investments accounted for under equity method	6(8) and 7	46,963,822	67	46,389,595	69
1600	Property, plant and equipment	6(9) and 7	3,643,481	5	3,877,206	6
1760	Investment property - net	6(10)	2,209,428	3	2,059,317	3
1840	Deferred income tax assets	6(27)	733,286	1	624,028	1
1900	Other non-current assets	6(11)	311,868	1	302,936	-
15XX	**Total non-current assets**		59,585,477	85	57,480,429	85
1XXX	**Total assets**		$ 70,184,630	100	$ 67,597,714	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12)	$ 477,670	1	$ 3,354,685	5
2120	Financial liabilities at fair value through profit or loss - current	6(13)(23)	-	-	1,962	-
2150	Notes payable		9,141	-	14,267	-
2160	Notes payable - related parties	7	169,722	-	184,663	-
2170	Accounts payable		3,406,292	5	2,659,470	4
2180	Accounts payable - related parties	7	1,258,472	2	1,159,348	2
2190	Payables to customers on construction contracts	6(7)	182,598	-	343,133	-
2200	Other payables	6(29)	2,595,906	4	2,485,286	4
2220	Other payables - related parties	7	376,716	1	119,214	-
2230	Current income tax liabilities	6(27)	297,153	-	343,926	-
2250	Provisions for liabilities - current		71,778	-	41,265	-
2300	Other current liabilities	6(14)	184,135	-	1,719,616	3
21XX	**Total current liabilities**		9,029,583	13	12,426,835	18
	Non-current liabilities					
2530	Corporate bonds payable	6(14)	3,000,000	4	3,000,000	5
2540	Long-term borrowings	6(15)	5,690,598	8	2,059,706	3
2570	Deferred income tax liabilities	6(27)	1,011,652	1	830,297	1
2600	Other non-current liabilities	6(16)	1,721,230	3	1,816,834	3
25XX	**Total non-current liabilities**		11,423,480	16	7,706,837	12
2XXX	**Total liabilities**		20,453,063	29	20,133,672	30
	Equity					
	Share capital	6(17)				
3110	Share capital - common stock		20,026,929	29	20,026,929	30
	Capital surplus	6(18)				
3200	Capital surplus		7,671,889	10	7,638,417	11
	Retained earnings	6(19)(27)				
3310	Legal reserve		5,730,071	8	5,412,342	8
3320	Special reserve		3,640,779	5	3,640,779	5
3350	Unappropriated retained earnings		11,816,689	17	10,310,158	15
	Other equity interest	6(20)				
3400	Other equity interest		1,166,773	2	756,980	1
3500	Treasury stocks	6(8)(17)	(321,563)	-	(321,563)	-
3XXX	**Total equity**		49,731,567	71	47,464,042	70
	Commitments and Contingent Liabilities	9				
	Subsequent Events	11				
3X2X	**Total liabilities and equity**		$ 70,184,630	100	$ 67,597,714	100

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 24, 2017.

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(21) and 7	$ 20,274,047	100	$ 21,809,717	100
5000	**Operating costs**	6(6)(16)(25)(26) and 7	(15,500,989)	(77)	(16,971,458)	(78)
5900	**Net operating margin**		4,773,058	23	4,838,259	22
5910	Unrealized profit from sales	7	(584,325)	(3)	(550,823)	(3)
5920	Realized profit from sales		550,823	3	559,116	3
5950	**Net operating margin**		4,739,556	23	4,846,552	22
	Operating expenses	6(16)(25)(26) and 7				
6100	Selling expenses		(1,862,294)	(9)	(1,930,798)	(9)
6200	General and administrative expenses		(577,374)	(3)	(565,761)	(3)
6300	Research and development expenses		(684,736)	(3)	(732,502)	(3)
6000	**Total operating expenses**		(3,124,404)	(15)	(3,229,061)	(15)
6900	**Operating profit**		1,615,152	8	1,617,491	7
	Non-operating income and expenses					
7010	Other income	6(2)(10)(13)(22) and 7	514,376	3	404,789	2
7020	Other gains and losses	6(3)(23) and 7	(464,090)	(2)	(566,415)	(2)
7050	Finance costs	6(24) and 7	(127,580)	(1)	(135,806)	(1)
7070	Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(8)	2,084,566	10	2,186,385	10
7000	**Total non-operating income and expenses**		2,007,272	10	1,888,953	9
7900	**Profit before income tax**		3,622,424	18	3,506,444	16
7950	Income tax expense	6(27)	(140,944)	(1)	(329,153)	(1)
8200	**Profit for the year**		$ 3,481,480	17	$ 3,177,291	15
	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)	($ 20,771)	-	($ 56,367)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(34,295)	-	726	-
8310	**Components of other comprehensive loss that will not be reclassified to profit or loss**		(55,066)	-	(55,641)	-
	Components of other comprehensive loss that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation	6(20)	(1,164,215)	(6)	(398,150)	(2)
8362	Other comprehensive income, before tax, available-for-sale financial assets	6(3)(20)	1,651,872	8	102,005	1
8380	Share of other comprehensive income of subsidiary, associates and joint ventures accounted for under equity method	6(20)	(177,296)	(1)	(2,524,687)	(12)
8399	Income tax relating to the components of other comprehensive income	6(20)(27)	99,432	1	58,248	-
8360	**Components of other comprehensive (loss) income that will be reclassified to profit or loss**		409,793	2	(2,762,584)	(13)
8300	**Other comprehensive (loss) income for the year**		$ 354,727	2	($ 2,818,225)	(13)
8500	**Total comprehensive income for the year**		$ 3,836,207	19	$ 359,066	2
	Earnings per share (in dollars)	6(28)				
9750	**Basic earnings per share**		$	1.76	$	1.60
9850	**Diluted earnings per share**		$	1.75	$	1.60

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 24, 2017.

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLYSTATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

				Retained Earnings			Other equity interest			
	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
2015										
Balance at January 1, 2015		$ 20,026,929	$ 7,600,552	$ 5,005,650	$ 3,737,786	$ 9,701,155	$ 352,932	$ 3,166,632	($ 321,563)	$ 49,270,073
Appropriations of 2014 net income (Note)	6(19)									
Reversal of special reverse		-	-	-	(97,007)	97,007	-	-	-	-
Legal reserve		-	-	406,692	-	(406,692)	-	-	-	-
Cash dividends		-	-	-	-	(2,202,962)	-	-	-	(2,202,962)
Effect of changes in the net equity of associates and joint ventures accounted for under the equity method		-	10,005	-	-	-	-	-	-	10,005
Differences between the price for acquisition or disposal of subsidiaries and carrying amount	6(8)	-	27,860	-	-	-	-	-	-	27,860
Other comprehensive loss for the year	6(20)	-	-	-	-	(56,367)	(339,902)	102,005	-	(294,264)
Share of other comprehensive loss of subsidiary, associates and joint venture accounted for under the equity method	6(20)	-	-	-	-	726	-	(2,524,687)	-	(2,523,961)
Net income for the year		-	-	-	-	3,177,291	-	-	-	3,177,291
Balance at December 31, 2015		$ 20,026,929	$ 7,638,417	$ 5,412,342	$ 3,640,779	$ 10,310,158	$ 13,030	$ 743,950	($ 321,563)	$ 47,464,042
Year 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
New Item	6(19)									
New Item		-	-	317,729	-	(317,729)	-	-	-	-
New Item		-	-	-	-	(1,602,154)	-	-	-	(1,602,154)
New Item		-	33,472	-	-	-	-	-	-	33,472
New Item	6(20)	-	-	-	-	(20,771)	(1,064,783)	1,651,872	-	566,318
New Item	6(20)	-	-	-	-	(34,295)	-	(177,296)	-	(211,591)
Profit (loss)		-	-	-	-	3,481,480	-	-	-	3,481,480
Balance at December 31, 2016		$ 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

Note: For the years ended December 31, 2014 and 2013, directors' and supervisiors' remuneration amounting to $146,409 and $135,355, respectively, and employees' bonus amounting to $329,421 and $304,550, respectively, had been deducted from the statements of comprehensive income.

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 24, 2017.

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

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 3,622,424	$ 3,506,444
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(23)	(30,832)	(33,672)
Net loss (gain) on financial liabilities at fair value through profit or loss	6(13)(23)	(1,316)	1,962
Provision for doubtful accounts	6(5)	1,005	1,663
Provision for (reversal of) decline in value of inventories	6(6)	107,609	36,755
Interest income	6(22)	(29,661)	(28,640)
Interest expense	6(24)	123,462	115,847
Dividend income	6(22)	(197,377)	(84,084)
Impairment loss	6(3)(23)	96,190	308,328
Loss on disposal of investments	6(23)	(23,971)	31,878
Changes in unrealized (gain) loss from downstream sales		33,503	(8,293)
Profit or loss reclassified from other comprehensive income of associates and joint ventures accounted for under equity method that is recognised prior to obtaining control		-	21,547
Share of profit of associates and joint ventures accounted for under the equity method	6(8)	(2,084,566)	(2,186,385)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(9)(10)(23)(25)	416,926	416,374
Foreign currency exchange (gain) loss on bonds payable		1,620	(29,100)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		-	54,678
Notes receivable		(46,099)	(55,818)
Notes receivable - related parties		(59,337)	133,244
Accounts receivable		(366,169)	185,835
Accounts receivable - related parties		82,136	374,897
Receivables from customers on construction contract		(382,069)	38,227
Other receivables		(10,455)	644
Other receivables - related parties		(45,825)	(22,107)
Inventories		(159,566)	306,285
Prepayments		(3,931)	(5,402)
Other current asset		65,081	61,116
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss-current		(646)	-
Notes payable		(5,126)	(5,803)
Notes payable - related parties		(14,941)	1,914
Accounts payable		746,822	(781,791)
Accounts payable - related parties		99,124	(321,935)
Payables to customers on construction contract		(160,535)	84,024
Other payables		132,180	(99,412)
Other payables - related parties		(22,498)	(23,507)
Provisions for liabilities		30,513	(2,357)
Other current liabilities		(36,981)	(53,674)
Other non-current liabilities		(127,320)	(11,167)
Cash inflow generated from operations		1,749,374	1,928,515
Interest received	6(22)	29,661	28,640
Dividends received		721,221	965,897
Payment of interest		(156,677)	(89,489)
Payment of income tax		(16,188)	(123,447)
Net cash flows from operating activities		2,327,391	2,710,116

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

	Notes	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other receivables - related parties		$ 20,766	($ 29,222)
Decrease in pledged fixed deposit	8	(4,819)	920
Proceeds from disposal of available-for-sale financial assets - non-current		111,241	95,807
Increase in available-for-sale financial assets - non-current		(66,557)	(37,560)
Increase in investments accounted for under equity method		(339,672)	(4,063,078)
Proceeds from disposal of property, plant and equipment		1,858	4,999
Acquisition of property, plant and equipment	6(9)(10)(29)	(302,551)	(309,740)
Increase in deferred expenses		(11,041)	(2,340)
(Increase) decrease in refundable deposits		594	(34,397)
Increase in other non-current assets		(19,449)	(69,486)
Net cash flows used in investing activities		(609,630)	(4,444,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans		(2,877,015)	3,225,934
(Decrease) increase in other payables - related parties financing		280,000	(643,480)
Proceeds from issuance of bonds payable		-	3,000,000
NewItem		(1,500,120)	-
(Decrease) increase in long-term loans		3,630,892	(3,329,876)
Cash dividends paid	6(19)	(1,602,154)	(2,202,962)
Net cash flows (used in) from financing activities		(2,068,397)	49,616
Net decrease in cash and cash equivalents		(350,636)	(1,684,365)
Cash and cash equivalents at beginning of year		1,111,218	2,795,583
Cash and cash equivalents at end of year		$ 760,582	$ 1,111,218

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 24, 2017.

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. a (the “Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and 2015, and their financial performance and cash flows for the years then ended, 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.

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 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. 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.

Revenue recognition of export sales of motor division

Description

Please 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. Teco Group disclosed the financial information of motor division and home appliance division in the segment financial information. Motor division handles the manufacturing and sales of various machinery, equipment and motors. The sales revenue of the motor division amounted to $30,413,219,000, representing 61% of the total sales revenue for the year ended December 31, 2016. The clients of motor division are from China, America, South-East Asia and Europe and the sales terms vary for different clients. Thus, we consider the revenue recognition of motor division a key audit matter.

How our audit addressed the matter

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

1. Checking the internal controls over sales revenue recognition of motor division to assess the effectiveness of the internal control process.
2. Selected samples of export sales revenue transactions of motor division to examine whether the export sales recognized actually existed.

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

Description

Motovario S.p.A. is located in Italy, and is engaged in the manufacturing and sales of gear reducers and other power transfer equipment. Motovario S.p.A. is considered a minimum cash-generating unit of Teco group. As of December 31, 2016, the balance of goodwill was $5,012,878,000. Please refer to Note 4(21) of the consolidated 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 goodwill.

Teco Group assesses the impairment of goodwill using the recoverable amount generated from the cash flow forecast discounted of 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 rates 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 a key audit matter.

How our audit addressed the matter

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

1. Inspecting whether the valuation model used by The Group is reasonable.
2. Inspecting whether the future cash flows of valuation model is in accordance with Motovario S.p.A's operation plan, and reviewing the results of operation plan prepared by management in the past.
3. Evaluating the reasonableness of major assumptions (including the expected growth rate and discount rate) used in the model.
4. Assessing the sensitivity analysis of management's future cash flows for the above significant assumptions and confirming whether management has adequately addressed the possible impact of the estimated uncertainty of the impairment assessment.

Business combination - acquisition of Century Development Corporation

Description

Please refer to Note 4(36) for accounting policies on business combination. As stated in Note 6(32) of the consolidated financial statements, the Group acquired 12.12% of the ordinary shares of Century Development Corporation for cash of $462,233,000 in February 2016. Including the previously held 40.63% stake in the Group, the total holdings of the Group increased to 52.75% and accordingly, the Group obtained control over Century Development Corporation. Century Development Corporation is engaged in domestic and foreign industrial areas and site investment and development including of consulting, planning, development management and leasing business. In determining the fair value of the real property and land right held from the business combination, management has commissioned a valuation expert to evaluate the fair value and prepare a fair value allocation report, which is measured and assessed on the acquisition The identifiable assets of the Group and the liabilities assumed, which will be completed within one year after the business combination. In addition, the transaction is a phased merger of enterprises. The Group in accordance with the fair value of the acquisition date to measure its previously held by the acquirer's interest. As Century Development Corporation's common stock is not quoted in active market, the management department of the Department of external experts to evaluate the assessment of the fair value of the way. The evaluation of the fair value of the common stock in the absence of the active market quotation involves the judgment results and the evaluation results have a significant effect on the valuation of the business combination. Thus, we consider the valuation of said acquisition a key audit matter.

<u>How our audit addressed the matter</u>

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

1. Checking acquisition contract and certificate of proceeds paid to ascertain accuracy of counter whether the party and cash amount details.
2. Checking the record process for the accuracy of accounting process of acquisition that divided into several steps.
3. Assessing the accuracy of parameter and calculation, and the approach that management used in evaluating the fair value of Century Development Corporation.
4. Assessing the qualifications of the management committee in appointing the valuation experts, and evaluating the appropriateness of the parameters and models used.

Other matter – audit 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. The financial statements of these subsidiaries reflect total assets of $3,517,300,000 and $11,314,418,000, constituting 4% and 13% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and total operating revenues of $2,065,558,000 and $3,074,913,000, constituting 4% and 6% of consolidated total operating revenues for the years then ended, respectively. These investments accounted for under the equity method amounted to $2,445,113,000 and $4,040,747,000, constituting 5% and 13% of consolidated total assets as of December 31, 2016 and 2015, respectively, the credit balance of investments accounted for under equity method amounted for $55,400,000 and $28,270,000, both constituting 0% of consolidated total assets as of December 31, 2016 and 2015, respectively, and the share of profit of associates and joint ventures accounted for under the equity method amounted to $29,987,000 and $94,683,000, constituting 1% and 17% of the consolidated total comprehensive income for the years then ended, respectively. Those financial statements 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.

Other matter –Parent company only financial reports

We have audited the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2016 and 2015, and have expressed a modified unqualified opinion on such financial statements.

Responsibilities of management and the Board of Directors 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.

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

Auditor'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 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 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 consolidated 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.

PricewaterhouseCoopers, Taiwan

March 24, 2017

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
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1) and 8	$ 13,989,826	15	$ 14,919,042	18
1110	Financial assets at fair value through profit or loss - current	6(2)	233,508	-	265,984	-
1125	Available-for-sale financial assets - current	6(3) and 8	1,384,099	2	1,462,871	2
1147	Bond investments without active markets - current	6(4)	2,830,572	3	141,551	-
1150	Notes receivable, net	6(5)(6) and 8	1,218,343	1	1,006,151	1
1160	Notes receivable - related parties	7	5,399	-	14,943	-
1170	Accounts receivable, net	6(6) and 8	10,424,905	11	9,329,829	11
1180	Accounts receivable - related parties	7	234,755	-	194,082	-
1190	Receivables from customers on construction contracts	6(8)	1,235,956	1	805,488	1
1200	Other receivables		242,304	-	323,881	-
1210	Other receivables - related parties	7	497,796	1	692,340	1
130X	Inventories, net	6(7) and 8	11,177,041	12	11,755,227	14
1410	Prepayments		471,200	1	333,968	1
1470	Other current assets	6(1) and 8	1,350,606	2	1,047,045	1
11XX	**Total current assets**		45,296,310	49	42,292,402	50
	Total Non-current assets					
1523	Available-for-sale financial assets - non-current	6(3) and 8	11,743,617	13	10,905,909	13
1550	Investments accounted for under the equity method	6(9) and 8	3,871,299	4	5,464,797	6
1600	Property, plant and equipment, net	6(10), 7 and 8	18,463,450	20	15,018,217	18
1760	Investment property, net	6(11)	3,073,386	3	2,561,444	3
1780	Intangible assets	6(12)(32)	5,636,766	6	5,541,844	7
1840	Deferred income tax assets	6(30)	1,194,242	1	1,183,247	1
1900	Other non-current assets	6(13) and 8	3,094,886	4	1,466,392	2
15XX	**Non-current assets**		47,077,646	51	42,141,850	50
1XXX	**Total assets**		$ 92,373,956	100	$ 84,434,252	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(14) and 8	$ 3,078,361	4	$ 6,619,012	8
2120	Financial liabilities at fair value through profit or loss - current	6(15)	-	-	15,043	-
2150	Notes payable		163,161	-	112,098	-
2160	Notes payable - related parties	7	7,611	-	1,313	-
2170	Accounts payable		7,511,353	8	6,628,882	8
2180	Accounts payable - related parties	7	99,117	-	95,766	-
2190	Payables to customers on construction contracts	6(8)	202,021	-	367,467	-
2200	Other payables	6(16)	4,998,690	6	4,863,815	6
2230	Current income tax liabilities	6(30)	550,441	1	555,477	1
2250	Provisions for liabilities - current		272,234	-	256,979	-
2300	Other current liabilities	6(17)(18)	2,075,856	2	3,199,186	4
21XX	**Total current liabilities**		18,958,845	21	22,715,038	27
	Non-current liabilities					
2530	Corporate bonds payable	6(17)	3,000,000	3	3,000,000	3
2540	Long-term borrowings	6(18) and 8	9,428,570	10	2,300,299	3
2550	Provisions for liabilities - non-current		250,317	-	230,265	-
2570	Deferred income tax liabilities	6(30)	2,485,443	3	2,317,721	3
2600	Other non-current liabilities	6(9)(19)	2,526,238	3	2,438,425	3
25XX	**Total non-current liabilities**		17,690,568	19	10,286,710	12
2XXX	**Total liabilities**		36,649,413	40	33,001,748	39
	Equity attributable to owners of parent					
	Share capital	6(20)				
3110	Common stock		20,026,929	22	20,026,929	24
	Capital surplus	6(21)				
3200	Capital surplus		7,671,889	8	7,638,417	8
	Retained earnings	6(22)(30)				
3310	Legal reserve		5,730,071	6	5,412,342	7
3320	Special reserve		3,640,779	4	3,640,779	4
3350	Unappropriated retained earnings		11,816,689	13	10,310,158	12
	Other equity interest	6(23)				
3400	Other equity interest		1,166,773	1	756,980	1
3500	Treasury stocks	6(20) and 8	(321,563)	-	(321,563)	-
31XX	**Equity attributable to owners of the parent**		49,731,567	54	47,464,042	56
36XX	**Non-controlling interest**		5,992,976	6	3,968,462	5
3XXX	**Total equity**		55,724,543	60	51,432,504	61
	Commitments and contingent liabilities	9				
	Subsequent events	11				
3X2X	**Total liabilities and equity**		$ 92,373,956	100	$ 84,434,252	100

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 24, 2017.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(24) and 7	$ 49,923,836	100	$ 48,598,573	100
5000	**Operating costs**	6(7)(19)(28)(29) and 7	(36,788,304)	(74)	(36,203,039)	(74)
5900	**Net operating margin**		13,135,532	26	12,395,534	26
5910	Unrealized loss from sales		(6,625)	-	(5,488)	-
5920	Realized profit from sales		5,488	-	10,265	-
5950	**Net operating margin**		13,134,395	26	12,400,311	26
	Operating expenses	6(19)(28)(29)				
6100	Selling expenses		(4,495,731)	(9)	(4,155,857)	(9)
6200	General and administrative expenses		(3,055,579)	(6)	(3,021,603)	(6)
6300	Research and development expenses		(1,393,604)	(3)	(1,435,224)	(3)
6000	**Total operating expenses**		(8,944,914)	(18)	(8,612,684)	(18)
6900	**Operating profit**		4,189,481	8	3,787,627	8
	Non-operating income and expenses					
7010	Other income	6(4)(25) and 7	1,160,006	2	1,361,206	3
7020	Other gains and losses	6(2)(3)(11)(15)(26)(32)	(43,705)	-	(511,807)	(1)
7050	Finance costs	6(10)(27)	(282,231)	-	(227,691)	(1)
7060	Share of profit of associates and joint ventures accounted for under the equity method	6(9)	(90,260)	-	153,936	-
7000	**Total non-operating income and expenses**		743,810	2	775,644	1
7900	**Profit before income tax**		4,933,291	10	4,563,271	9
7950	Income tax expense	6(30)	(896,293)	(2)	(1,049,155)	(2)
8200	**Profit for the period**		$ 4,036,998	8	$ 3,514,116	7

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
	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)	($ 52,979)	-	($ 61,881)	-
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		(11,532)	-	(6,113)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	2,270	-	2,852	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		(62,241)	-	(65,142)	-
	Other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	6(23)	(1,218,203)	(2)	(398,131)	(1)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(3)(23)	1,501,773	3	(2,540,151)	(5)
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)	2,421	-	(8,826)	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified	6(30)	99,542	-	58,292	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		385,533	1	(2,888,816)	(6)
8300	**Other comprehensive income (loss) for the period**		$ 323,292	1	($ 2,953,958)	(6)
8500	**Total comprehensive income for the period**		$ 4,360,290	9	$ 560,158	1
	Profit attributable to:					
8610	Owners of the parent		$ 3,481,480	7	$ 3,177,291	6
8620	Non-controlling interest		555,518	1	336,825	1
			$ 4,036,998	8	$ 3,514,116	7
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 3,836,207	8	$ 359,066	1
8720	Non-controlling interest		524,083	1	201,092	-
			$ 4,360,290	9	$ 560,158	1
	Earnings per share (in dollars)	6(31)				
9750	**Basic earnings per share**		$	1.76	$	1.60
9850	**Diluted earnings per share**		$	1.75	$	1.60

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 24, 2017.

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

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 4,933,291	$ 4,563,271
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(26)	(12,017)	(56,530)
Net loss on financial liabilities at fair value through profit or loss	6(15)(26)	(1,214)	14,620
(Reversal of) provision for allowance for doubtful accounts	6(6)	(11,722)	39,009
Provision for decline in value of inventories	6(7)	52,253	136,665
Interest income	6(25)	(172,217)	(178,084)
Dividend income	6(25)	(560,089)	(476,663)
Interest expense	6(27)	282,231	227,691
Depreciation and amortization	6(10)(11)(28)	1,549,723	1,307,539
Gain on disposal of investments	6(24)(26)	(619,104)	(177,504)
Loss on disposal of property, plant and equipment	6(26)	(687)	10,233
Impairment loss	6(3)(26)	127,277	412,195
Share of profit of associates and joint ventures accounted for under the equity method	6(9)	90,260	(153,936)
Foreign currency exchange loss (gain) of bonds payable		1,620	(29,100)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		44,493	108,945
Notes receivable		(212,164)	67,433
Notes receivable - related parties		9,544	84,189
Accounts receivable		(1,060,196)	504,850
Accounts receivable - related parties		(18,936)	389,858
Receivables from customers on construction contracts		(414,111)	38,847
Other receivables		178,066	(63,257)
Other receivables - related parties		23,411	9,242
Inventories		525,933	982,140
Prepayments		(111,621)	(82,285)
Other current assets		(127,198)	81,192
Changes in operating liabilities			
Notes payable		49,516	(7,824)
Notes paypale - related parties		(444)	(7,537)
Accounts payable		820,574	(1,857,814)
Accounts payable - related parties		3,351	2,178
Payables to customers on construction contracts		(187,308)	76,126
Other payables		72,845	164,156
Provisions for liabilities		35,307	67,746
Other current liabilities		(372,607)	(270,965)
Other non-current liabilities		7,705	(141,878)
Cash inflow generated from operations		4,925,765	5,784,748
Interest received	6(25)	172,217	178,084
Dividend received	6(25)	706,416	651,005
Interest paid	6(27)	(282,231)	(227,691)
Income tax paid	6(30)	(671,738)	(844,718)
Net cash flows from operating activities		4,850,429	5,541,428

(Continued)

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

	Notes	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other receivables-related parties	7	$ 216,500	$ -
(Increase) decrease in available-for-sale financial assets - current		11,067	(142,407)
(Incerease) decrease in bond investments without active market		(2,689,021)	(19,011)
Increase in pledged demand and fixed deposits	8	(13,811)	(282,598)
Proceeds from disposal of available-for-sale financial assets - non-current		925,473	699,142
Acquisition of available-for-sale financial assets - non-current		(150,622)	(80,449)
Increase in investments accounted for under the equity method		(91,829)	(370,784)
Acquisition of property, plant and equipment	6(10)(33)	(1,464,972)	(1,696,681)
Proceeds from disposal of property, plant and equipment		63,713	28,591
Acquisition of intangible assets		(225,070)	(167,084)
Decrease in restricted assets		511	(219)
(Increase) decrease in other non-current assets		(627,777)	57,590
Net cash inflow (outflow) on acquisitions of subsidiaries	6(32)(33)	266,268	(3,894,036)
Net cash flows used in investing activities		(3,779,570)	(5,867,946)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Decrease) in short-term loans		(3,540,651)	3,726,661
Increase (decrease) in long-term loans		5,588,166	(5,793,025)
Repayment of bonds payable		(1,500,200)	-
Proceeds from issuance of bonds payable	6(17)	-	3,000,000
Cash dividends paid	6(22)	(1,602,154)	(2,202,962)
Net cash flows used in financing activities		(1,054,839)	(1,269,326)
Exchange rate effect		(945,236)	(686,804)
Net decrease in cash and cash equivalents		(929,216)	(2,282,648)
Cash and cash equivalents at beginning of year		14,919,042	17,201,690
Cash and cash equivalents at end of year		$ 13,989,826	$ 14,919,042

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 24, 2017.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent										
				Retained Earnings			Other equity interest					
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31, 2015												
Balance at January 1, 2015		$ 20,026,929	$ 7,600,552	$ 5,005,650	$ 3,737,786	$ 9,701,155	$ 352,932	$ 3,166,632	($321,563)	$ 49,270,073	$ 4,018,649	$ 53,288,722
Appropriations of 2014 net income	6(22)											
Reversal of special reserve		-	-	-	(97,007)	97,007	-	-	-	-	-	-
Legal reserve		-	-	406,692	-	(406,692)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,202,962)	-	-	-	(2,202,962)	-	(2,202,962)
Effect of changes in net equity of associates and joint ventures amount for under the equity method		-	10,005	-	-	-	-	-	-	10,005	-	10,005
Difference between the price for acquisition or disposal of subsidiaries and carrying amount		-	27,860	-	-	-	-	-	-	27,860	-	27,860
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(251,279)	(251,279)
Other comprehensive income for the year	6(23)	-	-	-	-	(55,641)	(339,902)	(2,422,682)	-	(2,818,225)	(135,733)	(2,953,958)
Profit for the year	6(22)	-	-	-	-	3,177,291	-	-	-	3,177,291	336,825	3,514,116
Balance at December 31, 2015		$ 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
For the six-month period ended June 30, 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
Appropriation of 2015 net income	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 amount 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 for the period	6(23)	-	-	-	-	(55,066)	(1,064,783)	1,474,576	-	354,727	(31,435)	323,292
Profit for the period	6(22)	-	-	-	-	3,481,480	-	-	-	3,481,480	555,518	4,036,998
Balance at June 30, 2016		$ 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

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 24, 2017.

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

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 4,933,291	$ 4,563,271
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(26)	(12,017)	(56,530)
Net (gain) loss on financial liabilities at fair value through profit or loss	6(15)(26)	(1,214)	14,620
(Reversal of) provision for allowance for doubtful accounts	6(6)	(11,722)	39,009
Provision for decline in value of inventories	6(7)	52,253	136,665
Interest income	6(25)	(172,217)	(178,084)
Dividend income	6(25)	(560,089)	(476,663)
Interest expense	6(27)	282,231	227,691
Depreciation and amortization	6(10)(11)(28)	1,549,723	1,307,539
Gain on disposal of investments	6(24)(26)	(619,104)	(177,504)
Loss on disposal of property, plant and equipment	6(26)	(687)	10,233
Impairment loss	6(3)(26)	127,277	412,195
Share of profit of associates and joint ventures accounted for under the equity method	6(9)	90,260	(153,936)
Foreign currency exchange loss (gain) of bonds payable		1,620	(29,100)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		44,493	108,945
Notes receivable		(212,164)	67,433
Notes receivable - related parties		9,544	84,189
Accounts receivable		(1,060,196)	504,850
Accounts receivable - related parties		(18,936)	389,858
Receivables from customers on construction contracts		(414,111)	38,847
Other receivables		178,066	(63,257)
Other receivables - related parties		23,411	9,242
Inventories		525,933	982,140
Prepayments		(111,621)	(82,285)
Other current assets		(127,198)	81,192
Changes in operating liabilities			
Notes payable		49,516	(7,824)
Notes payable - related parties		(444)	(7,537)
Accounts payable		820,574	(1,857,814)
Accounts payable - related parties		3,351	2,178
Payables to customers on construction contracts		(187,308)	76,126
Other payables		72,845	164,156
Provisions for liabilities		35,307	67,746
Other current liabilities		(372,607)	(270,965)
Other non-current liabilities		7,705	(141,878)
Cash inflow generated from operations		4,925,765	5,784,748
Interest received	6(25)	172,217	178,084
Dividend received	6(25)	706,416	651,005
Interest paid	6(27)	(282,231)	(227,691)
Income tax paid	6(30)	(671,738)	(844,718)
Net cash flows from operating activities		4,850,429	5,541,428

(Continued)

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

	Notes	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other receivables-related parties	7	$ 216,500	$ -
(Increase) decrease in available-for-sale financial assets - current		11,067	(142,407)
(Incerease) decrease in bond investments without active market		(2,689,021)	(19,011)
Increase in pledged demand and fixed deposits	8	(13,811)	(282,598)
Proceeds from disposal of available-for-sale financial assets - non-current		925,473	699,142
Acquisition of available-for-sale financial assets - non-current		(150,622)	(80,449)
Increase in investments accounted for under the equity method		(91,829)	(370,784)
Acquisition of property, plant and equipment	6(10)(33)	(1,464,972)	(1,696,681)
Proceeds from disposal of property, plant and equipment		63,713	28,591
Acquisition of intangible assets		(225,070)	(167,084)
Decrease in restricted assets		511	(219)
(Increase) decrease in other non-current assets		(627,777)	57,590
Net cash inflow (outflow) on acquisitions of subsidiaries	6(32)(33)	266,268	(3,894,036)
Net cash flows used in investing activities		(3,779,570)	(5,867,946)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term loans		(3,540,651)	3,726,661
Increase (decrease) in long-term loans		5,588,166	(5,793,025)
Repayment of bonds payable		(1,500,200)	-
Proceeds from issuance of bonds payable	6(17)	-	3,000,000
Cash dividends paid	6(22)	(1,602,154)	(2,202,962)
Net cash flows used in financing activities		(1,054,839)	(1,269,326)
Exchange rate effect		(945,236)	(686,804)
Net decrease in cash and cash equivalents		(929,216)	(2,282,648)
Cash and cash equivalents at beginning of year		14,919,042	17,201,690
Cash and cash equivalents at end of year		$ 13,989,826	$ 14,919,042

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 24, 2017.

Appendix 4

TECO Electric & Machinery Co., Ltd.

Distribution of 2016 Profits

(In NT $)

Item	Amount
Accumulated undistributed profit as of the beginning of the period	8,390,274,224
Less: Retained earnings after adjustment in 2016	(55,064,738)
Accumulated undistributed earnings after adjustment	8,335,209,486
Add: Net Profit after tax in 2016	3,481,479,502
Less：Legal Reserve	(348,147,950)
Total distributable earnings	11,468,541,038
Profit available for distribution for the period:	
Profit-sharing to shareholders	1,762,369,740
(Dividend per share)	0.88
Undistributed profit as of the end of 2016	9,706,171,298
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 2016 is NT$0.88 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 2016 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

TECO Electric & Machinery Co., Ltd.

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

Proposed Provision	Current Amendment	Note
Article 7 **Procedure for acquisition or disposal of real property or other fixed assets** 1. Evaluation and procedure of operation Acquisition or disposal of real property and equipments by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of fixed assets. 2. Procedure for determining the terms of transaction and approval of transaction 2.1 The terms and transaction price of the acquisition or disposal of real property shall be determined by reference to, among others, the posted current value, appraised value, and the actual transaction price of other real property located nearby. Transactions with a value of less than TWD50 million may precede with the approval of the President. Transactions with a value of between TWD50 million and TWD100 million each may proceed with the approval of the Chairman of the Board of Directors and shall be reported to the immediately subsequent meeting of the Board of Directors. Transactions with a value of over TWD100 million must be approved by the Board of Directors in advance. 2.2 Acquisition or disposal of equipments shall be conducted by way of issuing request for proposal, price competition under	**Article 7** **Procedure for acquisition or disposal of real property or other fixed assets** 1. Evaluation and procedure of operation Acquisition or disposal of real property and equipments by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of fixed assets. 2. Procedure for determining the terms of transaction and approval of transaction 2.1 The terms and transaction price of the acquisition or disposal of real property shall be determined by reference to, among others, the posted current value, appraised value, and the actual transaction price of other real property located nearby. Transactions with a value of less than TWD50 million may precede with the approval of the President. Transactions with a value of between TWD50 million and TWD100 million each may proceed with the approval of the Chairman of the Board of Directors and shall be reported to the immediately subsequent meeting of the Board of Directors. Transactions with a value of over TWD100 million must be approved by the Board of Directors in advance. 2.2 Acquisition or disposal of equipments shall be conducted by way of issuing request for proposal, price competition under	

restricted tendering, and price negotiation under single tendering or bidding. The approval thereof shall be in accordance with the Schedule of Functions and Authority compiled pursuant to the relevant bylaws of the Company. 2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes. 3. Unit in charge of execution of transaction Upon approval of the proposed acquisition or disposal of real property or equipments pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof. 4. Appraisal report on real property or equipments Where the transaction value of the acquisition or disposal of real property or equipments 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	restricted tendering, and price negotiation under single tendering or bidding. The approval thereof shall be in accordance with the Schedule of Functions and Authority compiled pursuant to the relevant bylaws of the Company. 2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes. 3. Unit in charge of execution of transaction Upon approval of the proposed acquisition or disposal of real property or equipments pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof. 4. Appraisal report on real property or equipments Where the transaction value of the acquisition or disposal of real property or equipments 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 <u>agencies</u>, or the	Change government agencies to government institutions, in line with the revision of the statute by the Financial Supervisory Commission

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

transaction value. 4.4 The appraisal report date and the date of creation of the transaction contract conducted by professional appraiser must not be apart for more than 3 months. Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought. 4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or certified public accountant's opinion. 5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.	4.4 The appraisal report date and the date of creation of the transaction contract conducted by professional appraiser must not be apart for more than 3 months. Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought. 4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or certified public accountant's opinion. 5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.	
Article 11 Procedure for acquisition or disposal of intangible assets 1. Evaluation and procedure for operation The acquisition or disposal of intangible assets by the Company shall be conducted in accordance with the Company's internal control policy pertaining to the revolving of fixed assets. 2. Terms of transaction and procedure for approval of transaction 2.1 The terms and transaction price of the proposed acquisition	**Article 11** Procedure for acquisition or disposal of intangible assets 1. Evaluation and procedure for operation The acquisition or disposal of intangible assets by the Company shall be conducted in accordance with the Company's internal control policy pertaining to the revolving of fixed assets. 2. Terms of transaction and procedure for approval of transaction 2.1 The terms and transaction price of the proposed acquisition	

or disposal of intangible assets shall be determined by reference to the evaluation report produced by an expert or the fair market value. Transactions with a transaction value of less than TWD30 million each may proceed with the approval of the President. Transactions with a value of between TWD30 million and TWD60 million may proceed with the approval of the Chairman and shall be reported to the immediate subsequent meeting of the Board of Directors. Transactions with a value of over TWD60 million each must be approved by the Board of Directors in advance. 2.2 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes. 3. Unit in charge of execution of transaction Upon approval of the proposed acquisition or disposal of membership or intangible assets or other fixed assets pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof. 4. Expert evaluation report on membership or intangible assets	or disposal of intangible assets shall be determined by reference to the evaluation report produced by an expert or the fair market value. Transactions with a transaction value of less than TWD30 million each may proceed with the approval of the President. Transactions with a value of between TWD30 million and TWD60 million may proceed with the approval of the Chairman and shall be reported to the immediate subsequent meeting of the Board of Directors. Transactions with a value of over TWD60 million each must be approved by the Board of Directors in advance. 2.2 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes. 3. Unit in charge of execution of transaction Upon approval of the proposed acquisition or disposal of membership or intangible assets or other fixed assets pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof. 4. Expert evaluation report on membership or intangible assets	

Except the transaction with government <u>institutions</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. 5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can be excluded.	Except the transaction with government <u>agencies</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. 5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can be excluded.	Change government agencies to government institutions, in line with the revision of the statute by the Financial Supervisory Commission
Article 14 Procedure for handling merger, spin-off, acquisition or assignment of shares 1. Evaluation and procedure of operation 1.1 The Company shall, for the purpose of a merger, spin-off, acquisition or assignment of shares, call a meeting of the legal counsel, certified public accountant and underwriter for joint discussion to determine the timetable of the legal proceeding and organize a special group to execute the legal proceeding. The Company shall also seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price or, cash or other property to be distributed to the shareholders and submit the same to the meeting of the Board of Directors	**Article 14** Procedure for handling merger, spin-off, acquisition or assignment of shares 1. Evaluation and procedure of operation 1.1 The Company shall, for the purpose of a merger, spin-off, acquisition or assignment of shares, call a meeting of the legal counsel, certified public accountant and underwriter for joint discussion to determine the timetable of the legal proceeding and organize a special group to execute the legal proceeding. The Company shall also seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price or, cash or other property to be distributed to the shareholders and submit the same to the meeting of the Board of Directors	There is no need to solicit opinions of experts on reasonableness of the ratio of share swap, as, according to the FSC's suggestion, acquisition of 100% owned subsidiaries or merger of 100% owned subsidies, on the basis of Enterprises Mergers and Acquisitions Act, is tantamount in essence to

for approval. <u>The company need not obtain reasonable opinions from experts, as mentioned above, for acquiring subsidies 100% owned, in terms of issued shares or paid-in capital, by the company directly or indirectly or merger of subsidiaries 100% owned, in terms of issued shares or paid-in capital, by the company directly.</u> 1.2 The Company shall, prior to the convention of the relevant Shareholders Meeting, produce the document on disclosure of the material agreement and relevant matters on the proposed merge, spin-off or acquisition and submit such document to all shareholders together with the expert opinion provided in paragraph 1.1 of this Article and the meeting minutes as reference for the shareholders to determine to or not to approve the proposed merger, spin-off or acquisition, except in case where a relevant resolution adopted by the Shareholders Meeting is not legally required. If any of the participant companies is unable to convene the meeting, or to obtain the resolution of its shareholders meeting on the proposed merger, spin-off or acquisition because the number of shares represented at the meeting fell short of the quorum for the meeting or the proposal is denied by the meeting, the participant companies shall promptly give a public explanation of the cause, the subsequent handling and reschedule a date for convening the shareholders meeting. 2. Other matters for attention 2.1 Date of convention of the relevant meeting of the Board of Directors: Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies	for approval. 1.2 The Company shall, prior to the convention of the relevant Shareholders Meeting, produce the document on disclosure of the material agreement and relevant matters on the proposed merge, spin-off or acquisition and submit such document to all shareholders together with the expert opinion provided in paragraph 1.1 of this Article and the meeting minutes as reference for the shareholders to determine to or not to approve the proposed merger, spin-off or acquisition, except in case where a relevant resolution adopted by the Shareholders Meeting is not legally required. If any of the participant companies is unable to convene the meeting, or to obtain the resolution of its shareholders meeting on the proposed merger, spin-off or acquisition because the number of shares represented at the meeting fell short of the quorum for the meeting or the proposal is denied by the meeting, the participant companies shall promptly give a public explanation of the cause, the subsequent handling and reschedule a date for convening the shareholders meeting. 2. Other matters for attention 2.1 Date of convention of the relevant meeting of the Board of Directors: Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the merger, spin-off or acquisition shall convene the	corporate restructuring of a business group.

participating in the merger, spin-off or acquisition shall convene the meeting of the board of directors and the shareholders meeting on the same day to adopt the resolution on the matters in connection with the proposed merger, spin-off or acquisition. Except as otherwise provided by law or there being any special factor which has been approved by the Financial Supervisory Commission, companies participating in the assignment of shares shall convene the meeting of the board of directors on the same day. Companies participating in the merger, spin-off, acquisition or assignment of shares whose stocks are traded on the stock exchange or the over-the-counter market shall maintain complete written record on the following materials and keep the same for a term of five years. 2.1.1 Basic personal information: including all personnel who participate in the execution of the merger, spin-off, acquisition or assignment of shares before the relevant information was publicly released, including their titles, names, and identification card (or passport) number. 2.1.2 Dates of important matters including, among others, execution of the relevant memorandum of intent (MOI) or memorandum of understanding (MOU), engagement of financial or legal counsel, execution of the relevant contract(s) and the date of the relevant meeting of the Board of Directors. 2.1.3 Important documents and meeting records on, among others, the proposed merger, spin-off, acquisition or assignment of shares, and the relevant MOI or MOU, important contract(s) and minutes of the relevant meeting of the Board of Directors. Companies participating in the	meeting of the board of directors and the shareholders meeting on the same day to adopt the resolution on the matters in connection with the proposed merger, spin-off or acquisition. Except as otherwise provided by law or there being any special factor which has been approved by the Financial Supervisory Commission, companies participating in the assignment of shares shall convene the meeting of the board of directors on the same day. Companies participating in the merger, spin-off, acquisition or assignment of shares whose stocks are traded on the stock exchange or the over-the-counter market shall maintain complete written record on the following materials and keep the same for a term of five years. 2.1.1 Basic personal information: including all personnel who participate in the execution of the merger, spin-off, acquisition or assignment of shares before the relevant information was publicly released, including their titles, names, and identification card (or passport) number. 2.1.2 Dates of important matters including, among others, execution of the relevant memorandum of intent (MOI) or memorandum of understanding (MOU), engagement of financial or legal counsel, execution of the relevant contract(s) and the date of the relevant meeting of the Board of Directors. 2.1.3 Important documents and meeting records on, among others, the proposed merger, spin-off, acquisition or assignment of shares, and the relevant MOI or MOU, important contract(s) and minutes of the relevant meeting of the Board of Directors. Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock	

merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall each, within two days from the date following the adoption of the relevant resolution by the meeting of their Board of Directors, make a report online of the information provided in subparagraphs 1 and 2 of the preceding paragraph in the required form and substance to the Financial Supervisory Commission. Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall enter into the relevant agreement with companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are not traded on the stock exchange or the over-the-counter market (if any) and make the report provided in the two preceding paragraphs. 2.2 Prior non-disclosure agreement: All persons who participate in or have knowledge about the Company's project of merger, spin-off, acquisition or assignment of shares shall each sign a non-disclosure agreement to undertake that they will not externally disclose the project before the Company makes the relevant public disclosure and that they will not buy or sell any stocks or equity securities of any company involved in the proposed merger, spin-off, acquisition or assignment of shares, either in their own name or using any other person's name to do so. 2.3 Determination and change of the proposed swap ratio or	exchange or the over-the-counter market shall each, within two days from the date following the adoption of the relevant resolution by the meeting of their Board of Directors, make a report online of the information provided in subparagraphs 1 and 2 of the preceding paragraph in the required form and substance to the Financial Supervisory Commission. Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall enter into the relevant agreement with companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are not traded on the stock exchange or the over-the-counter market (if any) and make the report provided in the two preceding paragraphs. 2.2 Prior non-disclosure agreement: All persons who participate in or have knowledge about the Company's project of merger, spin-off, acquisition or assignment of shares shall each sign a non-disclosure agreement to undertake that they will not externally disclose the project before the Company makes the relevant public disclosure and that they will not buy or sell any stocks or equity securities of any company involved in the proposed merger, spin-off, acquisition or assignment of shares, either in their own name or using any other person's name to do so. 2.3 Determination and change of the proposed swap ratio or acquisition price: Each participant company shall seek the opinion of the certified public accountant, legal counsel	

acquisition price: Each participant company shall seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price, or cash or other property to be distributed to shareholders before the meetings of Board of Directors, then submit the same to the Shareholders Meeting. Basically, neither the swap ratio nor the acquisition price shall be changed except in case of the conditions for a change provided in the contract (if any) and such conditions have been publicly disclosed. The swap ratio or acquisition price may be changed in the event of any of the following: 2.3.1 The subject securities are issued for capital increase, issuance of convertible bonds, stock grant, and issuance of corporate bond with stock option, issuance of preferred shares with stock option, issuance of share warrant certificates or other equity securities. 2.3.2 Any of the participant companies has done any act that may affect the financial operation of the company such as disposal of its material assets. 2.3.3 The shareholders' equity or securities price of any of the participant companies has been affected by, among others, a major disaster or material technical change. 2.3.4 Any of the participant companies has adjusted legal buy-back of treasury stocks. 2.3.5 The principal participant companies or the number of participant companies has changed. 2.3.6 The contract has provided the other conditions for changes and such conditions have been publicly disclosed. 2.4 Provision of the contract: The contract on the proposed	or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price, or cash or other property to be distributed to shareholders before the meetings of Board of Directors, then submit the same to the Shareholders Meeting. Basically, neither the swap ratio nor the acquisition price shall be changed except in case of the conditions for a change provided in the contract (if any) and such conditions have been publicly disclosed. The swap ratio or acquisition price may be changed in the event of any of the following: 2.3.1 The subject securities are issued for capital increase, issuance of convertible bonds, stock grant, and issuance of corporate bond with stock option, issuance of preferred shares with stock option, issuance of share warrant certificates or other equity securities. 2.3.2 Any of the participant companies has done any act that may affect the financial operation of the company such as disposal of its material assets. 2.3.3 The shareholders' equity or securities price of any of the participant companies has been affected by, among others, a major disaster or material technical change. 2.3.4 Any of the participant companies has adjusted legal buy-back of treasury stocks. 2.3.5 The principal participant companies or the number of participant companies has changed. 2.3.6 The contract has provided the other conditions for changes and such conditions have been publicly disclosed. 2.4 Provision of the contract: The contract on the proposed merger, spin-off, acquisition or assignment of shares shall provide the matters set forth below, except those in accordance	

merger, spin-off, acquisition or assignment of shares shall provide the matters set forth below, except those in accordance with the provision of Article 317-1 of the Company Act and Article 22 of the Business Merger Act: 2.4.1 Handling of defaults. 2.4.2 The procedure for issuance of equity securities or buy-back of treasury shares adopted by the company to extinct as a result of the proposed merger or to spin off. 2.4.3 The amount of treasury stocks the participant company may legally buy back after the swap ratio record date and such company's procedure therefore. 2.4.4 Ways to handle matters arising from a change of the principal participant company or the number of participant companies. 2.4.5 The schedule for executing the project and the scheduled date of completion. 2.4.6 Procedure for handling relevant matters and the date to duly convene the relevant Shareholders Meeting in case the project is not completed as scheduled. 2.5 Change of the participant companies: Where, after any of the companies participating in the proposed merger, spin-off, acquisition or assignment of shares has publicly disclosed the information, there is another company to participate in the proposed merger, spin-off, acquisition or assignment of shares, the original participant companies each shall re-new all relevant proceedings or legal acts except in the case of there being reduction in the number of the original participant companies and the Board of Directors is authorized to act accordingly by the resolution of the Shareholders Meeting.	with the provision of Article 317-1 of the Company Act and Article 22 of the Business Merger Act: 2.4.1 Handling of defaults. 2.4.2 The procedure for issuance of equity securities or buy-back of treasury shares adopted by the company to extinct as a result of the proposed merger or to spin off. 2.4.3 The amount of treasury stocks the participant company may legally buy back after the swap ratio record date and such company's procedure therefore. 2.4.4 Ways to handle matters arising from a change of the principal participant company or the number of participant companies. 2.4.5 The schedule for executing the project and the scheduled date of completion. 2.4.6 Procedure for handling relevant matters and the date to duly convene the relevant Shareholders Meeting in case the project is not completed as scheduled. 2.5 Change of the participant companies: Where, after any of the companies participating in the proposed merger, spin-off, acquisition or assignment of shares has publicly disclosed the information, there is another company to participate in the proposed merger, spin-off, acquisition or assignment of shares, the original participant companies each shall re-new all relevant proceedings or legal acts except in the case of there being reduction in the number of the original participant companies and the Board of Directors is authorized to act accordingly by the resolution of the Shareholders Meeting. 2.6 The Company shall enter into an agreement with the participant company which is not a public company and set the date to convene the relevant meeting of the Board of Directors, execute	

2.6 The Company shall enter into an agreement with the participant company which is not a public company and set the date to convene the relevant meeting of the Board of Directors, execute the prior non-disclosure agreement, and act accordingly in consideration of the change of the participant companies in accordance with paragraphs 2.1, 2.2 and 2.5 of this Article.	the prior non-disclosure agreement, and act accordingly in consideration of the change of the participant companies in accordance with paragraphs 2.1, 2.2 and 2.5 of this Article.	
Article 15 Procedure for public disclosure reports 1. Matters which should be reported for public disclosure and the relevant standards 1.1 Acquisition of real property, or disposal of properties with, related parties, or acquisition of non-property assets from, or disposal of non-property assets with, related parties with the trading value exceeding 20% of the company's paid-in capital or 10% of total assets, or NT$300 million. However, trading in government bonds or bonds with repurchase and resale agreements, or subscription or repurchase of money market funds by domestic securities investment trust enterprises and subscription or redemption of domestic money-market funds <u>issued by Securities Investment Trust Enterprises</u> are not included. 1.2 Merger, spin-off, acquisition or assignment of shares. 1.3 The amount of loss incurred from the derivatives transaction exceeds the limit on loss from all contracts or the relevant individual contract provided in the relevant handling procedure.	**Article 15** Procedure for public disclosure reports 1. Matters which should be reported for public disclosure and the relevant standards 1.1 Acquisition of real property, or disposal of properties with, related parties, or acquisition of non-property assets from, or disposal of non-property assets with, related parties with the trading value exceeding 20% of the company's paid-in capital or 10% of total assets, or NT$300 million. However, trading in government bonds or bonds with repurchase and resale agreements, or subscription or repurchase of money market funds by domestic securities investment trust enterprises and subscription or redemption of domestic money-market funds are not included. 1.2 Merger, spin-off, acquisition or assignment of shares. 1.3 The amount of loss incurred from the derivatives transaction exceeds the limit on loss from all contracts or the relevant individual contract provided in the relevant handling procedure.	In line with textual revision by the Financial Supervisory Commission (FSC)

1.4 The subject asset to be acquired or disposed of is equipment for business use and the transaction counterpart is a non-related party and the transaction value <u>is above TWD 1 billion.</u> 1.5 The subject real property is to be acquired or disposed of by the construction business division of the Company for construction use and the transaction counterpart is a non-related party and the transaction value is <u>above TWD500 million</u>. 1.6 The subject real property to be acquired is a building is to be constructed on a self-owned land, leased land, jointly constructed and shared by units, jointly constructed and shared by percentage, jointly constructed and sold by units and the anticipated transaction value is <u>above TWD500 million</u>. 1.7 Assets transactions or disposals of credit claims in financial institutions or investment in PRC other than those provided in the preceding six subparagraphs, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million each, except for these transactions: 1.7.1 The transaction is the purchase or sale of government bonds. 1.7.2 Professional investors, who trade in securities at domestic or overseas stock exchanges or business outlets of securities firms, or subscribe to common corporate bonds and common financial bonds without stock right on the domestic primary market, security brokers who subscribe to securities out of the need for underwriting business or in the capacity as a assisting or	1.4 Assets transactions or disposals of credit claims in financial institutions or investment in PRC other than those provided in the preceding <u>three</u> subparagraphs, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million each, except for these transactions: 1.4.1 The transaction is the purchase or sale of government bonds. 1.4.2 The transaction is for investment purposes only of securities traded on local or foreign stock exchange or over-the-counter market or obtaining of securities by securities firms on the primary market. 1.4.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements. Subscription to and redemption of domestic money-market funds 1.4.4 The subject asset to be acquired or disposed of is equipment for business use and the transaction counterpart is a non-related party and the transaction value is less than TWD500 million. 1.4.5 The subject real property is to be acquired or disposed of by the construction business division of the Company for construction use and the transaction counterpart is a non-related party and the transaction value is less than TWD500 million. 1.4.6 The subject real property to be acquired is a building is to be constructed on a self-owned land, leased land, jointly constructed and shared by units, jointly constructed and shared by percentage, jointly constructed and sold by units and the anticipated transaction value is less than TWD500 million. 1.5 The transaction value	Based upon the consideration of FSC, to avoid over frequent declaration of large scale corporation reducing materiality of information disclosure, disclosure standard was revised and relocated to 1.4 Original 1.4.5 and 1.4.6 were relocated to 1.5 and 1.6 Original 1.4.1,.1.4.2 and 1.4.3 were relocated to 1.7

recommending security firm for share listing on the Emerging Stock Market, according to the regulations of the ROC Gretai Market (over-the-counter market) 1.7.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements. Subscription to and redemption of domestic money-market funds <u>issued by Securities Investment Trust Enterprises.</u> 1.8 The transaction value provided in previous paragraph 1.8 above shall be calculated as follows, where within one year means within the year immediately preceding the date of occurrence of the proposed transaction, excluding the items which have been publicly disclosed. 1.8.1 The value of each transaction. 1.8.2 The total value of the property of the same nature acquired from or transferred to the same transaction counterpart within one year. 1.8.3 The total value of the real property under the same development project acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately). 1.8.4 The total value of the same specific securities acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately). 1.9 The calculation for 10% of total assets, as referred in the handling procedure, is based on the sum of assets included in recent alone-basis financial	provided in previous paragraph 1.5 above shall be calculated as follows, where within one year means within the year immediately preceding the date of occurrence of the proposed transaction, excluding the items which have been publicly disclosed. 1.5.1 The value of each transaction. 1.5.2 The total value of the property of the same nature acquired from or transferred to the same transaction counterpart within one year. 1.5.3 The total value of the real property under the same development project acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately). 1.5.4 The total value of the same specific securities acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately). 1.6 The calculation for 10% of total assets, as referred in the handling procedure, is based on the sum of assets included in recent alone-basis financial reports, formulated according to the "Regulations Governing the Preparation of Financial. For stocks without par value or with par value other than NT$10, the calculation of 20% of paid-in capital for transaction value, as referred in the procedure, is based on 10% of the owner's equity of the parent firm. 2. Time period for making public disclosure If the acquisition or disposal of	In line with textual revision by the Financial Supervisory Commission (FSC)

reports, formulated according to the "Regulations Governing the Preparation of Financial. For stocks without par value or with par value other than NT$10, the calculation of 20% of paid-in capital for transaction value, as referred in the procedure, is based on 10% of the owner's equity of the parent firm. 2. Time period for making public disclosure If the acquisition or disposal of assets involves any item which should be published pursuant to paragraph 1 of this Article and the transaction value meets the public disclosure standards provided in this Article, the Company shall make a public disclosure on such acquisition or disposal of assets within two days following the date of occurrence of such transaction. 3. Procedure for making public disclosure 3.1 The Company shall cause the relevant information publicly disclosed on the website designated by the Financial Supervisory Commission. 3.2 The Company shall on a monthly basis make a report on the derivatives transactions conducted in the month by itself and its local subsidiaries which are not public companies on the website designated by the FSC in the form and substance required by the tenth day the following month. 3.3 The Company shall renew the entire public disclosure report in case the public disclosure report made contains any error or omission <u>within 2 days counting</u>	assets involves any item which should be published pursuant to paragraph 1 of this Article and the transaction value meets the public disclosure standards provided in this Article, the Company shall make a public disclosure on such acquisition or disposal of assets within two days following the date of occurrence of such transaction. 3. Procedure for making public disclosure 3.1 The Company shall cause the relevant information publicly disclosed on the website designated by the Financial Supervisory Commission. 3.2 The Company shall on a monthly basis make a report on the derivatives transactions conducted in the month by itself and its local subsidiaries which are not public companies on the website designated by the FSC in the form and substance required by the tenth day the following month. 3.3 The Company shall renew the entire public disclosure report in case the public disclosure report made contains any error or omission. 3.4 The Company shall keep all agreements, meeting minutes, reference record book, appraisal report, opinions of the certified public account, legal counsel or underwriter in the Company relating to the acquisition or disposal of any asset for a term of at least five years except as otherwise provided by law. 3.5 In the event of any of the following after submitting the public disclosure report in accordance with the preceding paragraph, the Company shall, within two days following the occurrence of such event, publicly	Additional

inclusively from the date of occurrence of the event. 3.4 The Company shall keep all agreements, meeting minutes, reference record book, appraisal report, opinions of the certified public account, legal counsel or underwriter in the Company relating to the acquisition or disposal of any asset for a term of at least five years except as otherwise provided by law. 3.5 In the event of any of the following after submitting the public disclosure report in accordance with the preceding paragraph, the Company shall, within two days following the occurrence of such event, publicly disclose the relevant information on the website designated by the Financial Supervisory Commission: 3.5.1 There is change to the relevant original signed agreement(s) or the original signed agreement(s) is terminated or rescinded. 3.5.2 The proposed merger, spin-off, acquisition or assignment of shares is not completed as scheduled under the relevant agreement. 3.5.3 There are changes for the original reporting.	disclose the relevant information on the website designated by the Financial Supervisory Commission: 3.5.1 There is change to the relevant original signed agreement(s) or the original signed agreement(s) is terminated or rescinded. 3.5.2 The proposed merger, spin-off, acquisition or assignment of shares is not completed as scheduled under the relevant agreement. 3.5.3 There are changes for the original reporting.	correction for disclosure date, in line with revision by the Financial Supervisory Commission (FSC)
Article 19 This Procedure was established on 11 August 1989 and subsequently amended as follows: (omission) and the tenth amendment on 16 June 2017.	**Article 19** This Procedure was established on 11 August 1989 and subsequently amended as follows: (omission)	Addition of the date for the current revision