TSE:1504

TECO ELECTRIC & MACHINERY CO., LTD.

2016
Annual Report

http://www.teco.com.tw
http://newmops.tse.com.tw
Printed on April 30, 2017

Spokesperson

Name:Kevin Yeh
Title: Assistant Vice President
Tel: 886-2-2655-3333 ext. 3318
E-mail: speaker@teco.com.tw

Deputy Spokesperson

Name : Andy Chien
Title: Deputy Director
Tel: 886-2-2655-3333 ext. 3542
E-mail: ir@teco.com.tw

Stock Transfer Agent

Taishin International Bank
Address: B1, No. 96, Jianguo N. Rd.,
Sec. 1, Taipei, Taiwan R.O.C.
Tel: 886-2-2504-8125 ext. 6301 ~ 6306
Website: www.taishinbank.com.tw

Auditors

PricewaterhouseCoopers, Taiwan
Auditors: Audrey Tseng, Dexter Chang
Address: 27F., No. 333, Keelung Rd.,
Sec. 1, Taipei, Taiwan, R.O.C.
Tel.: 886-2-2729-6666
Website: http://www.pwcglobal.com.tw

Overseas Securities Exchange (GDR)

London Stock Exchange
Disclosed information can be found at
http://mops.twse.com.tw

Corporate Website

http://www.teco.com.tw
Taiwan Stock Exchange Market Observation Post System:
http://newmops.twse.com.tw
TECO annual report is available at :
http://www.teco.com.tw
Printed on 30th April, 2017

Headquarters, Branches and Plant

Headquarter

Address: 5F., No. 19-9, San Chong Rd., Nan Kang, Taipei, Taiwan, R.O.C.
Tel: 886-2-2655-3333

Plant Chung-Li

No. 11 An-Tung Rd., Tao-Yuan City, Taiwan, R.O.C.
Tel: 886-3-452-5101

Plant Kuan-Yin I

No. 1568-1, Chung Shan Rd., Sec. 1, Kuan-Yin, Taoyuan City, Taiwan, R.O.C.
Tel: 886-3-473-4901

Plant Kuan-Yin II

No.6 Guojian 1st Rd.,
Guanyin, Taoyuan City, Taiwan, R.O.C
Tel:886-3-483-2258

Plant Hu-Kou

15, Chung-hwa Rd., Hsinchu Industrial Park, Hsinchu County, Taiwan, R.O.C.
Tel: 886-3-598-1711

Contents

VI. Financial Information

VII. Review of Financial Conditions, Operating Results, and Risk Management

VIII. Special Disclosure

I.Letter to Shareholders

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

Regarding revenue, benefited from replacement demand and energy-performance subsidies, sales of refrigerators 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 reached NT$20,274,047 thousands, 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. The company’s operating profit reached NT$1,615,152 thousands. As a result, operating income only dropped 0.14% slightly. As for non-operating income and expense, the company saw investment returns increase by NT$100 million, 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

Consolidated sales revenue reached NT$49,923,836 thousands, grew by 3% in 2016, due to the acquisition of Century Development and Motovario, while Operating profit reached NT$4,189,481 thousands, 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 reached NT$4,036,998 thousands, grew by 15% and Total comprehensive income for the year was NT$4,360,290 thousands, 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, and separate producing and marketing&sales of motor, providing s systematic products based upon customer request. The company keeps improvement of existing product lines, and continuing dedication to smart products, automated production equipment, and other related products, such as G2-server electric machinery, so as to enhance the company's overall productivity, develop energy saving and carbon reduction, green energy, and deepen operating strategy overseas, upgrade product competitiveness.

Electrification products will be integrated, the cost will be controlled so that the company can gain more market share. Overseas subsidiaries will be integrated as well, and develop emerging market, water and power related market. The company will attempt to get order from infrastructure, domestic and overseas project, keeping challenging the goal of high growth and grasping business opportunity of energy saving and carbon reduction. Meanwhile, launching I+M+G (Inverter, Motor and Gear Reducer), a transmission solution based upon the trend. The company hopes to provide system products to various kind of customers, and inject more powerful energy in sales revenue.

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 components 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.

Chairman Sophia

TECO Electric & Machinery Co., Ltd

II.Company Profile

Date of Incorporation: June, 1956

Company History

1956	Established
1970	Produced air conditioners and entered the home appliances market
1986	Joint venture with Westinghouse Electric to form TECO Westinghouse Motor
1989	Founded TECO Industry Malaysia Sdn. Bhd.
1990	Founded Toshiba Compressor (Taiwan) Corp. with Toshiba
1992	Established Yatec Engineering Corporation with Yaskawa Electric Manufacture Co., Ltd of Japan
1995	Acquired Westinghouse Motor Co., Ltd (USA)
1998	Founded TECO Electro Devices Co., Ltd. for manufacturing of stepping motors
1999	Founded TECO (Dong Guan) Air Conditioning Equipment Co., Ltd. for manufacturing and sales of commercial air conditioning
2000	Founded Suzhou TECO Electric & Machinery Co., Ltd for the production and distribution of small motors
2001	Established Smart Card Division for National Health Insurance IC-card project
2002	Founded Wuxi TECO with China Steel, Nippon Steel and Marubeni-Itochu Steel for production and distribution of large motors
2003	Wuxi TECO Electric & Machinery Co., Ltd commenced mass production Merged Tai-An Electric Co., Ltd.
2004	Exported large-sized LCD TV to Japan Established Jiangxi TECO Electric & Machinery Co., Ltd.
2005	Founded Yaskawa TECO Motor Engineering Corp. to expand to Japanese market Won bid of orange/blue line extension projects of TRTS project
2006	Strategic alliance with CTC to set up the first Wind Power Project in Texas, USA
	Founded TECO (Vietnam) Electric & Machinery Co., Ltd.
	Founded TECO Electric & Machinery (Chin-Tao) Co., Ltd. to manufacture compressors
2007	Joint venture with South Korea's Finetec Century in setting up a compressor manufacturing facility in Qingdao, China Launched into Wind-Power Generation; introduce a 2MW Wind-Power generator
	Set up Asia Innovative Technology (Xiamen) to produce LCD monitors
	Announced the "TECO Go Eco" declaration to join the cause of reducing carbon emissions
2008	Founded Fujian TECO Precision Co., Ltd.
	Asia Innovative Technology Co., Ltd. (Xiamen) commenced operation
	TECO Electric & Machinery (Qingdao) Co., Ltd. commenced production

2009 Completion of TECO Mexico plant

Inauguration of Qingdao TECO Century

Inauguration of Tianjin operating center

2010 Inauguration of Fujian Teco Precision Co., Ltd.

Rollout of TECO's first 2MW wind-power turbine

Inauguration of TECO Sichuan Trading Co., Ltd.

2011 Formal operation of TECO's large-scale 2MW wind turbine

Completion the new plant of Tai-An Technology (Wuxi) Co., Ltd.

Inauguration the new plant of TECO Middle East (TME)

2012 Gained corporate-citizen award granted by Common Wealth magazine

Announced whole series electric vehicle motor

TECO's 2MW wind-power turbine got golden medal of Taiwan Excellence Awards

2013 Grand opening of TECO's Turkey branch

Winning the "Award of Corporate Citizen" granted by Commonwealth magazine for the second time

Formation of strategic alliance with Kuenling Machinery Refrigerating Co., Ltd.

Issuance of renminbi-denominated Formosa bond

2014 Social harmony award & Champion for the category of big-enterprise technology at Taiwan Corporate Sustainability Awards(TCSA)

"Award of Corporate Citizen" granted by Commonwealth magazine for the third consecutive year

Nation's foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine

Dedicated to pushing energy-conserving and environment-friendly products, TECO's high effecieny motor, smart appliances and other seven products were awarded "Taiwan Exellence Award"

Inauguration of Hunan TECO Wind Energy Limited

2015 Acquired Motovario S.p.A, extending the operation from motors to power transmission system, and facilitating expansion of TECO's operation into Europe

Erected a joint venture with China Steel Machinery, aiming at offshore wind turbine market

"Award of Corporate Citizen" granted by Commonwealth magazine for the fourth consecutive year

Acquired top 5% of Corporate Governance Evaluation fot the first consecutive year

Nation's foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine

2016 The diecasting center in Wuxi was opened with certification of LEED

The automatic product center for motor stator was erected

TECO's 60 Anniversary, keeps moving forward to intelligent automation

Social harmony award & Champion for the category of big-enterprise technology at Taiwan Corporate Sustainability Awards(TCSA) for the third consecutive year

Acquired top 5% of Corporate Governance Evaluation fot the second consecutive year

"Award of Corporate Citizen" granted by Commonwealth magazine for the fifth consecutive year

Nation's foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine

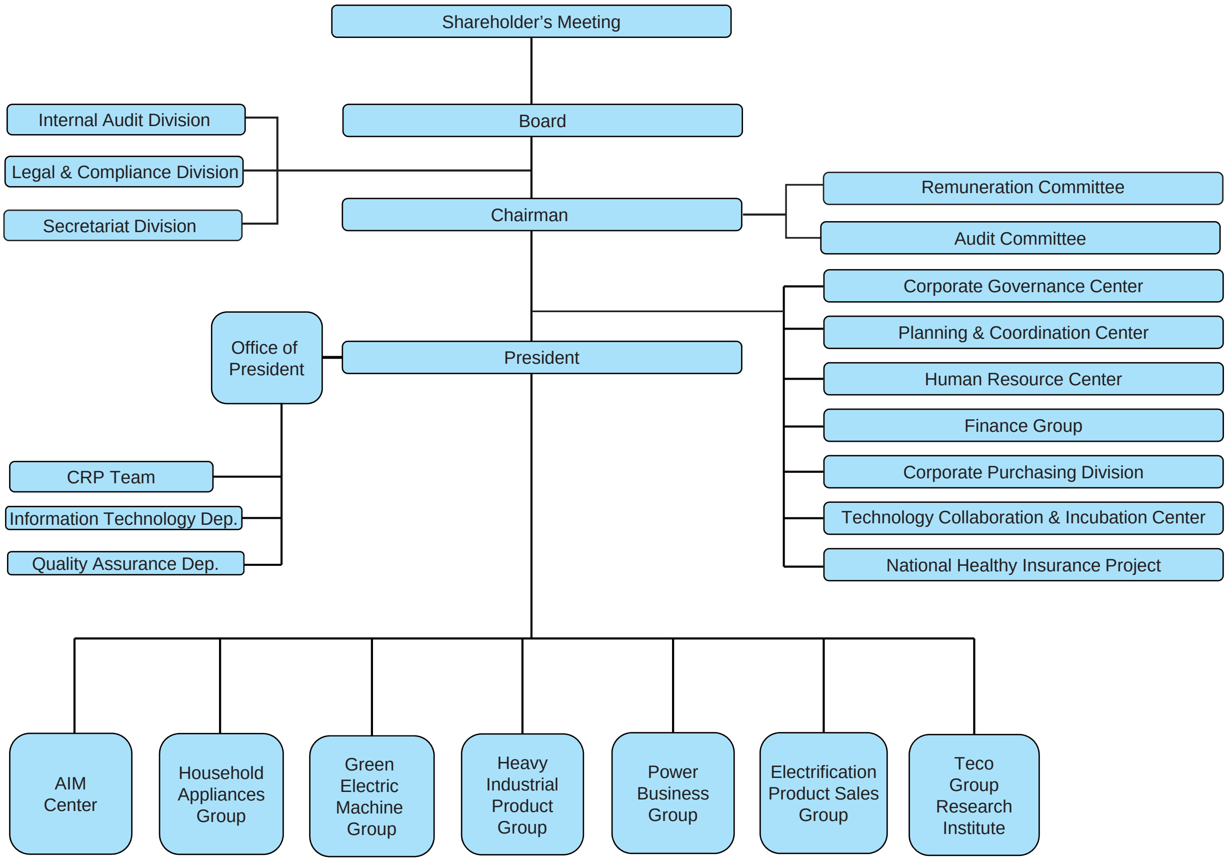
Suscribed 100 million kWH green electricity, which can decrease emission of 50,000 kg carbon

Rotar with venting function acquired National Invention&Creation Prize

III.Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Business Unit	Operations
Heavy Industrial Products Group	Production and sales of medium to large-sized 3-phase motors, medium to large-sized high-efficiency motors, medium to large-sized explosion-proof motors, medium to large-sized inverter-duty motors, DC motor and medium to large-sized generators.
Green Electric Machine Group	Production and sales of single-phase motors, vehicle-used motors, permanet magnet motors, small-sized 3-phase motors, small-sized high-efficiency motors, small-sized explosion-proof motors, small-sized inverter-duty motors, small-sized generators, die casting, small-sized coolant compressors.
System & Automation Products Group	Production electromagnet switch, molded-case circuit breakers, electronic relays, inverters and programmable logic controllers, servo controllers, PLC and Servo Controller, and sales of PLC& Servo Controller.
Power Business	R&D, design, production, and sales of equipment and systems meant for the supply of electrical power; undertaking of projects related to power distribution and generation, alternative energy, and rail stations and airports, as well as railway power system. Air-conditioning equipment for specific environments such as clean rooms; design, construction, and management of electrical engineering systems for high-rise buildings & Internet Data Center; integration of air-conditioning and electrical engineering systems for hospitals and hotels; water pump stations and other related projects. Ultra-high pressure 161KV/69KV substations switchgears and installation projects.
Household Appliances	Production, assembly, sales, and repair of air conditioners, refrigerators, washing machines, dehumidifiers, dryers, LCD monitors, air purifiers, small appliances, DVD recorders, stereo systems, health appliances, beauty appliances, freezer storages, loe-temperature caged carts, freezers, chillers for machine tools, variable –frequency water/oil cooling machine tool set, assembly-type air-conditioning box, VRF air conditioning set, Water-cooled wholly encased type/semi-encased spiral type/centrifugal icy-water machine set, cloud-end smart system, business air-cooled split-type air conditioner, water-/air-cooled window-type air conditioner, air-cooled icy-water machine, fan filter unit, air vent, industrial-use dehumidifier, freezing/cooling machine, dealership of other domestic and foreign home appliances brands
Electrification Products Sales Group	Sales of medium to large-sized 3-phase motors, medium to large-sized high-efficiency motors, medium to large-sized explosion-proof motors, medium to large-sized inverter-duty motors, DC motor, medium to large-sized generators, single-phase motors, vehicle-used motors, permanet magnet motors, small-sized 3-phase motors, small-sized high-efficiency motors, small-sized explosion-proof motors, small-sized inverter-duty motors, small-sized generators, die casting, small-sized coolant compressors. Sales of electromagnet switch, molded-case circuit breakers, electronic relays, inverters and programmable logic controllers, servo controllers.
Automation & Intelligent Manufacturing Center	Integration of producting resources in the company, and promote biotechnology projects improving layout of production efficiency and AIM strategy.
ECO Energy Group	Development, manufacturing, sales, and system integration of wind-power turbines, related equipments for solar power generators, functional electric vehicle, and related equipments of electric vehicle.
Teco Group Research Institute	Research and development catering to requirements of the medium-to-long term development of new products and technical support to members of the TECO group.
Intelligent System Division	Chip-embedded cards for financial, medical, membership loyality, survelliance, e-invoice, and public transportation services; systems integration for ITS- and RFID-based cards; non-person vending machine.

3.2 Directors and Management Team

3.2.1 Directors

April 30, 2017

Title	Nationality/ Companies Registry	Name	Date Elected	Term (Years)	Date First Elected(Note)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	ROC	Tung Kuang Investment Co., Ltd.	2015.6.11	3	2000.4.21	30,341,364	1.52%	30,341,364	1.52%	0	0	0	0	Master, University of Michigan, Ann-Arbor	Chairman of Taiwan Pelican Express Co., Ltd Chairman of Motovario Chairman of A-Ok Technical Co., Ltd.	-	-	-
	ROC	Representative：Chwen-Jy, Chiu	2015.6.11	3	2006.6.15	1,741,964	0.09%	1,741,964	0.09%	16,987	0.00%	0	0					
Managing Director	ROC	Tong Ho Gloabl Investment Co., Ltd	2015.6.11	3	2000.4.21	2,240,262	0.11%	2,240,262	0.11%	0	0	0	0	Ph.D, University of Illinois	Chairman of Tecom Co., Ltd. & TECO Holdings USA, Inc.			
		Representative：Chao-Kai, Liu	2015.6.11	3	2000.4.21	300,000	0.02%	300,000	0.01%	122,018	0.01%	0	0					
Managing Director	ROC	Cheng-Tsung, Huang	2015.6.11	3	1991.5.8	15,279,849	0.76%	15,279,849	0.76%	2,110,934	0.11%	0	0	Fu Jen Catholic University	Chairman of Sen Yeh Construction Co., Ltd. Independent Director of Aurotek Corporation			
Managing Director	ROC	Creative Sensor Inc.	2015.6.11	3	2009.6.19	10,000,000	0.54%	10,000,000	0.50%	0	0	0	0	Master, Columbia University	Chairman of Creative Sensor Inc. , TECO Image Systems Co., Ltd. & Lien Chang Electronic Co., Ltd.	Managing Director	Mao- Hsiung, Huang	Father & Son
	Japan	Representative: Yu-Ren, Huang	2015.6.11	3	2012.6.15	234,623	0.01%	234,623	0.01%	0	0	0	0					
Managing & Independent Director	ROC	Chien-Yuan, Lin (Note 1)	2015.6.11	2	2015.6.11	0	0	0	0	8,000	0%	0	0	Ph.D, University of Washington	Independent Director of An-Shin Food Service Co., Ltd. Proffesor& Dean of Chinese Culture University			
Independent Director	ROC	Jing-Shown, Wu	2015.6.11	3	2013.6.21	0	0	0	0	0	0.	0	0	Ph.D, Cornell University	Honor of Distinguished Professor, National Taiwan University			
Independent Director	ROC	Ting-Wong, Cheng (Note 2)	2016.6.16	2	2016.6.16	0	0	0	0	0	0	0	0	Ph.D & Master, University of Missouri	Managing Director & Independent Director, Asia Pacific Telecom			
Director	ROC	Mao-Hsiung, Huang	2015.6.11	3	1972.5.12	18,486,633	0.92%	18,486,633	0.92%	5,839,071	0.29%	0	0	Master, University of Pennsylvania	Chairman of An-Shin Food Service Co., Ltd. Independent Chairman of Century Development Corporation Chairman of Australia Pte Limited,	Managing Directo	Yu-Ren, Huang	Father & Son
Director	ROC	Po-Chih, Huang	2015.6.11	3	1988.3.28	21,614,831	1.08%	21,614,831	1.08%	230,588	0.01%	0	0	Master, University of Tokyo	Supervisor of Tecom Co., Ltd.,			
Director	ROC	Hsien- Sheng , Kuo	2015.6.11	3	1982.3.27	9,126,238	0.46%	9,126,238	0.46%	1,573,020	0.08%	0	0	Tamkang University	Chairman of Ping Tung Bus Lines Co., Ltd. & Nantou Bus Lines Co., Ltd.			
Director	Japan	Yaskawa Electric Corporation.	2015.6.11	3	2006.6.15	29,541,089	1.48%	29,541,089	1.48%	0	0	0	0	Keio University	Corporate Senior Vice President of YASKAWA Electric Corporation Director of Yatec Engineering Corp.	-	-	-
	Japan	Representative：Hiroyuki Ougi	2015.6.11	3	2013.6.18	0	0	0	0	0	0	0	0					
Director	ROC	Kuang Yuan Industrial Co., Ltd.	2015.6.11	3	2009.6.19	22,033,919	1.10%	22,033,919	1.10%	0	0	0	0	Ph.D.,Northwestern University, US	Chairman of Global Strategic Venture Chairman of Huan Xun Venture Capital Co., Ltd. Independent Director of Topkey Corporation	-	-	-
	ROC	Representative: Shih- Chien, Yang	2012.6.15	3	2009.6.19	0	0	0	0	0	0	0	0					
Director	ROC	Tung Kuang Investment Co., Ltd.	2015.6.11	3	2000.4.21	30,341,364	1.52%	30,341,364	1.52%	0	0	0	0	Master, University of Houston	Chairman of TECO Electric & Machinery Pte Ltd.	-	-	-
	ROC	Representative：Hong-Hsiang, Lin	2015.6.11	3	2012.6.15	2,161,893	0.11%	2,116,893	0.11%	0	800,000	0.04%	0					
Director	ROC	Lien Chang Electronic Co., Ltd.	2015.6.11	3	2009.6.19	4,173,000	0.21%	4,173,000	0.21%	0	0	0	0	Master, National Taiwan University	Director of Yubantec Consultant of Chinese National Association of Industry and Commerce, Taiwan	-	-	-
	ROC	Representative: Ming-Feng, Yeh	2015.6.11	3	2015.6.11	0	0	0	0	0	0	0	0					
Director	ROC	Mao Yang Co., Ltd.	2015.6.11	3	1994.4.28	5,000,893	0.25%	5,000,893	0.25%	0	0	0	0	Minghsin University of Science & Technology	Chairman of Hong Tong Co., Ltd. Director of Taiwan Styrene Monomer Corporation	-	-	-
	ROC	Representative: Yung-Hsiang, Chang	2015.6.11	3	2006.9.6	0	0	0	0	0	0	0	0					

Note1：Original Independent Director. By-election was on June 16, 2016

Note2：By-election was on June 16 , 2016

Data for Directors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Tung Kuang Investment Co., Ltd. Representative：Chwen-Jy, Chiu			V			V	V	V	V	V	V	V		0
Tong Ho Gloabl Investment Co., Ltd Representative：Chao-Kai, Liu			V	V		V	V	V	V	V	V	V		0
Cheng-Tsung, Huang			V	V		V	V	V	V	V	V	V	V	1
Creative Sensor Inc. Representative: Yu-Ren, Huang			V			V		V		V		V		0
Chien-Yuan, Lin	V		V	V		V	V	V	V	V	V	V	V	3
Jing-Shown, Wu	V		V	V	V	V	V	V	V	V	V	V	V	0
Ting-Wong, Cheng	V		V	V	V	V	V	V	V	V	V	V	V	1
Mao-Hsiung, Huang			V	V				V	V	V		V	V	0
Po-Chih, Huang			V	V				V	V	V	V	V	V	0
Hsien- Sheng, Kuo			V	V	V	V	V	V	V	V	V	V	V	0
Yaskawa Electric Corporation. Representative：Hiroyuki Ougi			V	V		V	V	V	V	V	V	V		0
Kuang Yuan Industrial Co., Ltd. Representative: Shih- Chien, Yang			V	V		V	V	V	V	V	V	V		1
Tung Kuang Investment Co., Ltd. Representative: Hong-Hsiang, Lin			V			V	V	V	V	V	V	V		0
Lien Chang Electronic Co., Ltd. Representative: Ming-Feng, Yeh		V	V	V		V	V	V	V	V	V	V		1
Mao Yang Co., Ltd. Representative: Yung-Hsiang, Chang			V	V	V	V	V	V	V	V	V	V		0

Note: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

April 30, 2017

Title	Nationality	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	ROC	Chwen-Jy, Chiu	2005.6.1	1,741,964	0.09%	16,987	0.001%	0	-	Master, University of Michigan, Ann-Arbor	Chairman of Taiwan Pelican Express Co.,Ltd	-	-	-
Vice President	ROC	George Lien	2001.8.1	783,130	0.04%	0	-	0	-	Master, Stevens Institute of Technology	Chairman of Information Technology Total Services Corp.	-	-	-
Assistant Vice President	ROC	Hong-Hsiang, Lin	1998.8.21	2,161,893	0.11%	800,000	0.04%	0	-	Master, University of Houston	Chairman of TECO Machine (Pte) Ltd	-	-	-
Assistant Vice President	ROC	Steven Chiang	2011.12.25	0	-	0	-	0	-	Ph.D, University of Florida	Chairman of TECO Technology (Vietnam) Co., Ltd.	-	-	-
Assistant Vice President	ROC	Pin Chang	2015.8.12	20,376	0.00%	0	-	0	-	National Tsing Hua University	Chairman of Hubbell-Taian Co.,Ltd	-	-	-
Assistant Vice President	ROC	K.R. Chen	2016.8.12	37,558	0.00%	955	0.00%	0		Chung Yuan Christian University	Director of Tecom			
Assistant Vice President	ROC	S.C. Lin	2017.1.1	1,193,245	0.06%	40,434	0.00%	0		National Taiwan University	Chairman of Teco Electro Devices Co., Ltd.			
Assistant Vice President	ROC	Kevin Yeh	2017.1.1	0	-	0	-	0		Boston University	Director of United View Global Investment Co.,Ltd			
Assistant Vice President	ROC	Albert Peng	2017.1.1	0	-	0	-	0		Master, University of Pittsburgh	Director of A-Ok Technical Co., Ltd.			
Assistant Vice President	ROC	Fei-Yuan, Kao	2017.1.1	30,589	0.00%	305	0.00%	0		Master, National Central University	Director & President of Wuxi Teco Precision Mechatronics Co., Ltd			

3.2.3 Remuneration of Directors, President and Vice President

Remuneration of Directors (Including Independent Directors)

Unit: NT$ thousands

Code	Title	Name	Remuneration										Relevant remuneration received by directors who are also employees										Compensation paid to directors from an invested company other than the company's subsidiary
			Base Compensation(A)		Severance Pay(B)		Bonus to Directors(C)		Allowances(D)		Ratio of total remuneration (A+B+C+D) to net income(%)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)				Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		
			The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																	Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend			
1	Chairman	Tung Kuang Investment Co., Ltd. Representative： Chwen-Jy, Chiu	-	-	-	-	Total: 108,687	Total: 108,687	Total 934	Total: 1,370	3.15%	3.16%	Total: 3,744	Total: 3,744	Total: 108	Total: 108	Total: 3,991	-	Total: 3,991		3.37%	3.39%	Yes
2	Managing Director	Tong Ho Gloabl Investment Co., Ltd Representative： Chao-Kai, Liu																					
3	Managing Director	Cheng-Tsung, Huang																					
4	Managing Director	Creative Sensor Inc. Representative: Yu-Ren, Huang																					
5	Managing & Independent Director	Chien-Yuan, Lin (Note1)																					
6	Independent Director	Jing-Shown, Wu																					
7	Independent Director	Ting-Wong Cheng (Note 2)																					
8	Director	Mao-Hsiung, Huang																					
9	Director	Po-Chih, Huang																					
9	Director	Hsien- Sheng, Kuo																					
10	Director	Yaskawa Electric Corporation. Representative：Hiroyuki Ougi																					
11	Director	Kuang Yuan Industrial Co., Ltd. Representative: Shih- Chien, Yang																					
12	Director	TongKuang Investment Co,Ltd Representitive: Hong-Hsiang, Lin																					
13	Director	Lien Chang Electronic Co., Ltd. Representative: Ming-Feng, Yeh																					
14	Director	Mao Yang Co., Ltd. Representative: Yung-Hsiang, Chang																					
16	Independent Director	Tain-Jy, Chen (Note 3)																					

Note1: Original Independent Director. Was Elected on 2016.6.16 as Managing Director.

Note 2: By-election was on June 16, 2016.

Note 3: Resigned on May 12, 2016.

Note 4: No actural retirees in 2015. The figures in this column refer to contribution to employee's pension account, no actual amount paid.

Bracket	Name of Directors(Note 1)			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements (I)	The company	Companies in the consolidated financial statements (J)
Under NT$ 2,000,000	5,6,7,16	5,6,7,16	5,6,7,16	5,6,7,16
NT$2,000,000 ~ Under NT$5,000,000				
NT$5,000,000 ~ Under NT$10,000,000	8,9, 10,11,12,13,14,15	8,9, 10,11,12,13,14,15	10,11,12,13,14,15	4,9, 10,11,12,13,14,15
NT$10,000,000 ~ Under NT$15,000,000	2,3,4	2,3,4	2,3,4,9	2,3,4,9
NT$15,000,000 ~ Under NT$30,000,000	1	1	1,8	1,8
NT$30,000,000 ~ Under NT$50,000,000				
NT$50,000,000 ~ Under NT$100,000,000				
Over NT$100,000,000				
Number of Directors	16	16	16	16

Note 1: Shown by code of Directors in the previous table

Compensation of President and Vice President

Unit: NT$ thousand

Code	Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income(%)		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
			The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
									Cash	Stock	Cash	Stock			
1	President	Chwen-Jy, Chiu	Total 18,074	Total 18,074	Total 1,596	Total 1,596	Total 21,799	Total 22,977	Total 16,043	-	Total 16,043	-	1.65%	1.69%	Yes
2	Vice President	George Lien													
4	Executive Consultant	Hong-Hsiang, Lin													
5	Assistant Vice President	S.C Lin													
6	Assistant Vice President	Steven Chiang													
7	Assistant Vice President	Pin Chang													
8	Assistant Vice President	K.R Chen (Note)													

Note: Assistant Vice President K.R Chen was on board on August 12 2016

Bracket	Name of President and Vice President (Note 1)	
	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000		
NT$2,000,000 ~ under NT$5,000,000	7	7
NT$5,000,000 ~ under NT$10,000,000	2,3,4,5,5,6	2,3,4,5,5,6
NT$10,000,000 ~ under NT$15,000,000		
NT$15,000,000 ~ under NT$30,000,000	1	1
NT$30,000,000 ~ under NT$50,000,000		
NT$50,000,000 ~ under NT$100,000,000		
Over NT$100,000,000		
Number of Executives	7	7

Note 1: Shown by code of Executives in the previous table

Employee Bonus to Executive Officers

2016.12.31/ Unit: NT$ thousand

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income（%）
Executive Officers	President	Chwen-Jy, Chiu		Total 16,094	Total 16,094	0.46%
	Vice President	George Lien				
	Executive Consultant	Hong-Hsiang, Lin				
	Assistant Vice President	S.C. Lin				
	Assistant Vice President	Steven Chiang				
	Assistant Vice President	Pin Chang				
	Assistant Vice President	K.R. Chen				
	Assistant Vice President	Kevin Yeh				

3.2.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

Unit: NT$ thousand

Year	Total remuneration paid to directors, presidents and vice presidents	Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)
2016	193,236	5.55%
2015	194,118	4.77%

The company’s compensations are set according to levels offered by peers for the same positions, responsibilities of the positions, and their contribution to the company in achieving its business goal. The determination of compensations is based on the company’s guidelines for performance and compensations, which take into account the company’s overall business performance, achievement of an employee’s personal performance goal, and his/her contribution to the corporate performance, in order to reach reasonable levels of compensation. Year-end bonus is paid out according to a fixed share of net profits, which can only be changed by a resolution of the board of directors.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 8 meetings of the board of directors were held in 2016, director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy, Chiu	8	0	100 %	
Managing Director	Tong Ho Gloabl Investment Co., Ltd Representative：Chao-Kai, Liu	8	0	100%	
Managing Director	Cheng-Tsung, Huang	5	3	63%	
Managing Director	Creative Sensor Co., Ltd. Representative: Yu-Ren Huang	8	0	100%	
Managing & Independent Director	Chien-Yuan, Lin	8	0	100%	Re-election as managing director (re-elected on 2016.6.16) Should attend 8 times
Independent Director	Jing-Shown, Wu	7	1	88%	
Independent Director	Ting-Wong, Cheng	4	0	100%	Newly Elected (re-elected on 2016.6.16) Should attend 4 times
Director	Mao-Hsiung, Huang	8	0	100 %	
Director	Po-Chih, Huang	8	0	100 %	
Director	Hsien- Sheng, Kuo	7	1	88%	
Director	Yaskawa Electric Corporation. Representative：Hiroyuki Ougi	5	3	63%	
Director	Kuang Yuan Industrial Co., Ltd. Representative: Shih- Chien, Yang	8	0	100%	
Director	Tung Kuang Investment Co., Ltd. Representative: Hong-Hsiang, Lin	8	0	100%	
Director	Lien Chang Electronic Co., Ltd. Representative：Ming-Feng, Yeh	8	0	100%	
Director	Mao Yang Co., Ltd. Representative: Yung-Hsiang, Chang	6	2	75%	
Independent Director	Tain-Jy, Chen	3	1	75 %	Resigned (re-elected on 2016.5.12) Should attend 4 times

Other mentionable items:

1. If there is the following situation referred to the operation of Board of Director, the date of Board meeting, period, contents of the case, opinion of all Independent Director, and company's respond toward Independent Director should be narrated.
   (1) Article 14-3 of Securities and Exchange Act: None
   (2) The resolution about the objection or reservations of Independent Director which was record or written proclamation
      i. 24-14 Board Meeting: 2016.12.23
      Contents of the case: Amendment to Ethical Corporate Management Best Practice Principles Opinion of

Independent Director: Ting-Wong, Cheng suggested to include Ethical Corporate Management Best Practice Principles into Annual Auditting Plan, and other Independent Directors have no comments.

How the company handled Independent Director's suggestion: The company's Audit Division included Ethical Corporate Management Best Practice Principles into Annual Auditting Plan based upon Independent Director's suggestion.

Resolution: All directors who took part in the meeting passed the case without objection.

2. The implemention of Directors' avoidance of motions in conflict of interest:

i. 24-7 Board Meeting: 2016.3.21

Director's Name: Yu-Ren Huang (Managing Director), Po-Chih Huang (Director), Ming-Feng, Yeh (Director)

Contents of the case: Donation to "TECO Technology Foundation" for various events in 2016.

Reason for avoidance of conflict of interest and the status of voting: Since the aforementioned managing director also serves as director, they left the meeting and abstained from taking part in the voting. Other directors passed the case without objection.

ii. 24-8 Board Meeting: 2016.4.12

Director's Name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director), Mao-Hsiung, Huang (Director)

Contents of the case: Plan to solicit strategic shareholders via release of Qingdao TECO Century Advanced High-tech's equity stakes and acknowledgement of capital increment

Reason for avoidance of conflict of interest and the status of voting: Chwen-Jy Chiu is the supervisor of Qingdao TECO Century, abstained from the discussion and voting for the case based upon interest conflict, and presided over by independent director, Chien-Yuan, Lin became deputy chairman. Chao-Kai Liu and Mao-Hsiung Huang are the directors of Qingdao TECO Century, abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided over by independent director, Chien-Yuan, Lin, who consulted other attending directors, none whom objected the case.

Director's name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director), Hong-Hsiang, Lin (Director)

Contents of the case: Plan to supply Motovario S.p.A with endorsement guarantee

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the chairman of Motovario S.p.A, abstained from the discussion and voting for the case based upon interest conflict, and presided over by independent director, Chien-Yuan, Lin. Chao-Kai, Liu and Hong-Hsiang, Lin is the dirctors of Motovario S.p.A, abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided over by independent director, Chien-Yuan, Lin, who consulted other attending directors, none whom objected the case.

Director's name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director), Yu-Ren Huang (Managing Director), Mao-Hsiung, Huang (Director), Ming-Feng, Yeh (Directors), Hong-Hsiang, Lin (Director)

Contents of the case: Plan to keep supplying subsidiaries and overseas affiliates with endorsement guarantee

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the director of An-Tai International Investment (Singapore) Co., Ltd., GD TECO Taiwan Co., Ltd., TECO Electric Europe Limited, TECO International Investment Co., Ltd., Qingdao TECO Precision Mechatronics Co., Ltd, TECO EMM S.r.l, CEO of Sankyo Co., Ltd. and Asia Innovative Technology (Xiamen) Co., Ltd, supervisor of TaiwanGlass, abstained from the discussion and voting for the case based upon interest conflict, and presided over by independent director, Chien-Yuan, Lin. Chao-Kai, Liu is the director of TECO International Investment Co., Ltd., Asia Innovative Technology (Xiamen) Co., Ltd, Qingdao TECO, ECO EMM S.r.l. Yu-Ren Huang is director of Sankyo Co, Ltd. Mao-Hsiung, Huang is the chairman of An-Tai International Investment Co., Ltd., and TECO International Investment Co., Ltd., chairman of Sankyo Co, Ltd., director of Taiwan Glass, and Asia Innovative Technology (Xiamen) Co., Ltd. Ming-Feng, Yeh is the director of TECO International Investment Co., Ltd.. Hong-Hsiang, Lin is the director of TECO Electric Europe Limited and Middle East Teco. The above directors were abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided over by independent director, Chien-Yuan, Lin, who consulted other attending directors, none whom objected the case.

Director's name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director), Mao-Hsiung, Huang (Director),

Hong-Hsiang, Lin (Director)
Contents of the case: Provision of loans among the company and affiliates
Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy, Chiu is the supervisor of Qingdao TECO Century, Director of TNL and Qingdao TECO, chairman of Asia Innovative Technology (Xiamen) Co., Ltd, abstained from the discussion and voting for the case based upon interest conflict, and presided over by independent director, Chien-Yuan, Lin. Chao-Kai, Liu is the chairman of Qingdao TECO Century, Director of TNL, Asia Innovative Technology (Xiamen) Co., Ltd and Qingdao TECO. Mao-Hsiung, Huang is the Director of Qingdao TECO Century and Director of Asia Innovative Technology (Xiamen) Co., Ltd. Hong-Hsiang, Lin is Director of TNL. The above directors were abstained from the discussion and voting for the case based upon interest conflict.
Resolution: The case was approved by a meeting of the board of directors, presided over by independent director, Chien-Yuan, Lin, who consulted other attending directors, none whom objected the case. And authorize the chairman to handle related issue concerning loan interest rate adjustment.

iii. 24-11 Board Meeting: 2016.6.16

Director’s Name: Ting-Wong Cheng (Independent Director)
Contents of the case: Motion for the appointment of an extra member of the third "compensations committee"
Reason for avoidance of conflict of interest and participation in voting: Ting-Wong Cheng was abstained from the discussion and voting for the case based upon interest conflict.
Resolution: The case was approved by a meeting of the board of directors, presided over by chairman.

iv. 24-12 Board Meeting: 2016.8.12

Director’s Name: Mao-Hsiung, Huang (Director), Ting-Wong Cheng (Independent Director)
Contents of the case: Plan to divest long term shareholding of the company
Reason for avoidance of conflict of interest and participation in voting: Mao-Hsiung, Huang is the director of momo.com Inc. Ting-Wong Cheng is independent director of Asia Pacific Telecom. The above directors were abstained from the discussion and voting for the case based upon interest conflict.
Resolution: The case was approved by a meeting of the board of directors, presided by chairman, who consulted other attending directors, none whom objected the case.

v. 24-13 Board Meeting: 2016.11.14

Director’s Name: Chwen-Jy, Chiu (Chairman), Mao-Hsiung, Huang (Director)
Contents of the case: Plan to supply TG TECO Vacuum Insulated Glass Corporation with Endorsement guarantee.
Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy, Chiu is the supervisor of TG TECO Vacuum Insulated Glass Corporation, abstained from the discussion and voting for the case based upon interest conflict, and presided over by independent director, Ting-Wong, Cheng. Mao-Hsiung, Huang is the director of TG TECO Vacuum Insulated Glass Corporation, abstained from the discussion and voting for the case based upon interest conflict.
Resolution: The case was approved by a meeting of the board of directors, presided over by independent director, Ting-Wong, Cheng, who consulted other attending directors, none whom objected the case.

Director’s Name: Mao-Hsiung, Huang (Director)
Contents of the case: Plan to do equity disposal of Hangzhou XIZI-IUK Parking System Co., Ltd.
Reason for avoidance of conflict of interest and participation in voting: Mao-Hsiung, Huang is the director of Hangzhou XIZI-IUK Parking System Co., Ltd., and abstained from the discussion and voting for the case based upon interest conflict.
Resolution: The case was approved by a meeting of the board of directors, presided by chairman, who consulted other attending directors, none whom objected the case.

vi. 24-14 Board Meeting: 2016.12.23
Director’s Name: Mao-Hsiung, Huang (Director)
Contents of the case: Plan to suggest Tong-An Assets Management & Development Co., Ltd., to divest shareholding of Straits Construction Investment (Holdings) Ltd

Reason for avoidance of conflict of interest and the status of voting: Mao-Hsiung, Huang is the director of Straits Construction Investment (Holdings) Ltd, and abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided by chairman, who consulted other attending directors, none whom objected the case.

3. Measures taken to strengthen the functionality of the Board:

(1) Enhance information transparency

i. To meet the global trend in corporate governance and cope with the development of issues attracting social concern in recent years, the board of directors resolved to revise the company's "Corporate Governance Best Practice Principles" on March 20, 2015, in reference to the revised exemplary " Corporate Governance Best Practice Principles for TWSE/GISM Listed Companies," publicized by Taiwan Stock Exchange on Dec. 31, 2014. The board of directors resolved on Dec. 24, 2016 to revise the company's "practical guidelines for corporate governance," in line with the instruction of Taiwan Stock Exchange (letter No. 1050018981, Sept. 30, 2016) and in reference to G20/OECD principles on corporate governance, published in 2015.

ii. In line with policy of the Financial Supervisory Commission mandating certain enterprises to compile corporate social responsibility report and the requirement of the criteria for the second corporate-governance evaluation, the board of directors resolved to formulate the company's "Corporate Social Responsibilities Best Practice Principles" on March 20, 2015, in reference to the revised exemplary " Corporate Social Responsibilities Best Practice Principles" publicized by Taiwan Stock Exchange on November 7, 2014. The board of directors resolved on Dec. 24, 2016 to revise the company's "practical guidelines for corporate social responsibility," in line with the instruction of Taiwan Stock Exchange (letter No. 1050014103, July 28, 2016) and in reference to revision of 2015 edition of principles on corporate governance, passed by OECD meeting in Ankara, Turkey, in Sept. 2015.

iii. The board of directors resolved on Dec. 24, 2016 to formulate the company's "operational procedure for applying to suspend and resume stock trading," in line with revised "handling procedure for verification and publication of major messages of listed companies" (Taiwan Stock Exchange letter No. 1041803064, July 13, 2015), on top of revising the company's "internal control system" accordingly. The board of directors resolved on De. 24, 2016 to revise the company's "operational procedure for applying to suspend and resume stock trading," in line with the instruction of Taiwan Stock Exchange (letter No. 1050016280, Aug. 19, 2016 and letter No. 1050004677, March 25, 2016). The revision calls for the company to post major messages "two hours before the starting of next trading session" and adjustment of the time for applying to suspend stock trading.

iv The board of directors resolved on Aug. 14, 2014 to formulate "guidelines for integrity-oriented management," in order to build a corporate culture based on integrity-oriented management and strengthen corporate governance, according to corporate-governance norms and the instruction of Taiwan Stock Exchange (letter No. 0990026534). The board of directors resolved on Dec. 24, 2016 to revise the "guidelines for integrity-oriented management," calling for formulation of the company's policy, as well as precautionary program, in pushing integrity-oriented management and designation of specialized unit for supervision and execution, on top of formulating "measures for handling reports on illegal, unethical, and dishonest behaviors." The move was in line with the effort of the Financial Supervisory Commission in pushing blueprint of corporate governance, which called for the establishment of a specialized unit, overseen by the board of directors directly, to formulate integrity-oriented management policy and precautionary program, in addition to the supervision of execution, as shown in the notification of Taiwan Stock Exchange (letter No. 1030022825, Nov. 7, 2014).

v. According to the norms for corporate governance, the board of directors approved on Dec. 22, 2014 the company’s “measures for the selection and evaluation of certified public accounts,” according to which review of the independence and performance of CPAs must be carried out regularly, in order to strengthen corporate governance.

(2) Directors' obligation and duty for faithful attention

i. In order to materialize corporate governance, set specific performance goal for enhancing the functions and operating efficiency of the board of directors. In line with article 37 of the "practical guidelines for corporate governance of listed companies on the centralized and OTC markets," the board of directors resolved on Nov. 13, 2015 to formulate the company's "measures for evaluating the performance of the board of directors." Accordingly, at the end of a fiscal year, the secretariat of the board of directors would collect information on the activities of the board of directors, issue questionnaires for self evaluation to be filled by directors, and record the results for submission to the board of directors for review and improvement. In fiscal 2015 and 2016, under the arrangement of the secretariat, "self evaluation of the performance of the board of directors" was completed. Evaluation items of the "self evaluation questionnaire of the board of directors" include 48 evaluation indicators in five major aspects, namely extent of participation in the company's operation, upgrading of the quality of the decision making of the board of directors, makeup and structure of the board of directors, selection and continuing study of directors, and internal control. The results, which were reported to the board of directors on March 21, 2016 and March 16, 2017, respectively, ascertained the good operating performance of the board of directors in fiscal 2015 and 2016, as they reached the evaluation standards for various evaluation items.

ii. To ensure compliance of the behaviors of directors and managerial staffers with ethical standards, strengthen corporate governance, and abidance with the stipulation of the "Personal Information Protection Act" calling for legal compliance in the publication of personal information, as well as the regulation of the "Securities and Exchange Act" regarding the independence of directors and supervisors, in reference to the exemplary contents of the revised "formulation of guidelines for ethical behaviors by listed companies on the centralized and the OTC markets," publicized by the Taiwan Stock Exchange on Jan. 28, 2015, the board of directors resolved on March 20, 2015 to revise the company's "guidelines for the ethical behaviors of directors and managerial staffers."

iii. Every year, the company arranges courses for study by directors regulators, helping them access related information, so as to uphold their core value and professional edge and capability. In fiscal 2016, all directors (including independent directors) completed sufficient hours of study, according to "key points for pushing study by directors and supervisors of companies listed on the centralized and the OTC markets."

iv. According to article 39 of the "practical guidelines for corporate governance," take out liabilities insurance for directors covering their obligation for compensations associated with the execution of their duties during their term, so as to lower and diversify risk of major loss for the company and shareholders arising from mistakes or negligence of directors. Major contents of the liabilities insurance for directors, including insured amount, coverage, and premium, were reported to the board of directors on March 16, 2017.

(3) The composition of board members is full of diversification

i. The board of directors resolved on April 24, 2014 to revise the company's "corporate charter" and "measures for the election of directors," calling for the nomination of candidates for directors (including independent directors), in line with article 192-1 of the "Company Act," which was approved by the 2014 shareholders' meeting. With the end of the term of the 23rd board of directors in 2015, the company first screened the qualifications and education/experience, as well as conditions regarding article 30 of the "Company Act," of the candidates recommended by shareholders and directors before the board of directors approved on April 28, 2015 "case regarding the screening of the qualifications of candidates for 24th directors and independent directors." The company publicized the screening results as reference for shareholders before the shareholders meeting on June 16, 2015 elected qualified directors.

3.3.2 Audit Committee

The Company set up “Audit Committee” on June 15, 2012 to replace the original supervisor system. The committee consists of independent directors (three seats), who select one among them as the convener and chairman of its meeting, and functions according to the company’s “organizational charter of audit committee,” with the scope of its auditing covering the company’s financial statement, the company’s auditing and accounting policy and procedure, the company’s internal-control system, major transactions in assets or derivatives, raising or issuance of securities, appointment and dismissal of, along with compensations for, certified public accountant(s), and appointment and dismissal of financial, accounting, and internal-auditing managers.

A total of 9 meetings of the Audit Committee were held in 2016, and the Audit Committee attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Convener & Chairman	Ting-Wong, Cheng	4	0	100%	Newly Elected (re-elected on 2016.6.16) hould attend 4 time
Member	Jing-Shown, Wu	9	0	100 %	
Member	Chien-Yuan, Lin	9	0	100%	
Member	Tian-Jy Chen	4	0	100 %	Resigned (resigned on 2016.5.12) Should attend 4 times

Other mentionable items:

1. If there is the following situation referred to the operation of Audit Committee, the date of Audit Committee meeting, period, contents of the case, opinion of all members, and company’s respond toward Audit Committee menbers should be narrated
   i. Items specified in article 14-5 of Securities and Exchange Act: Please see the following charts
   ii. Other items resolved by the audit committee member with support of two thirds of directors but without approval of the auditing committee.: None

Board Meeting	Contents of the case and follow-up	Article 14-5 of Securities and Exchange Act	Other items resolved by the audit committee member with support of two thirds of directors but without approval of the auditing committee
24-7 Board Meeting 2016.3.16	Discussion about business report, individual financial statements and consolidated financial statements	v	
	Discussion about disposition of net income	v	
	Internal audit report and self assesment of internal control	v	
	Case of 2016 Due Date Quota of Financial Institution	v	
	The Resolution of Audit Committee (2016.3.16): Passed by all members		
	How the company handle opinion of Audit Committee: Passed by all attendee directors		
24-8 Board Meeting 2016.4.12	Plan to solicit strategic shareholders via release of equity stakes of Qingdao TECO Century and acknowledgement of capital increment	v	
	Plan to supply Motovario S.p.A with endorsement guarantee	v	
	Plan to keep supplying subsidiaries and overseas affiliates with endorsement guarantee	v	
	Lending of Capital of the company and affiliates	v	
	The Resolution of Audit Committee (2016.1.18, 3.16, and 4.12): Passed by all members		
	How the company handle opinion of Audit Committee: Passed by all attendee directors		
24-11 Board Meeting 2016.6.16	Plan to take part in capital increased by cash of TG TECO Vacuum Insulated Glass Corporation	v	
	The Resolution of Audit Committee (2016.6.13): Passed by all members		
	How the company handle opinion of Audit Committee: Passed by all attendee directors		
24-12 Board Meeting 2016.8.12	Plan to divest long term shareholding of the company	v	
	Plan to adjust credit line between financial institution	v	
	Discussion about lending of capital with the affiliates	v	
	Discussion about capital increased by cash of construction in Binh Dong Province Vietnam and TECO Technology (Vietnam) Co., Ltd.	v	
	The Resolution of Audit Committee (2016.8.8): Passed by all members		
	How the company handle opinion of Audit Committee: Passed by all attendee directors		
24-13 Boarding Meeting 2016.11.14	Discussion about CPA's independence and performance	v	
	Plan to supply TG TECO Vacuum Insulated Glass Corporation with endorsement guarantee	v	
	Plan to do equity disposal of Hangzhou XIZI-IUK Parking System Co., Ltd	v	
	Discusion about investment of solar equipment installment on the roof	v	
	The Resolution of Audit Committee (2016.11.8): Passed by all members		
	How the company handle opinion of Audit Committee: Passed by all attendee directors		

Board Meeting	Contents of the case and follow-up	Article 14-5 of Securities and Exchange Act	Other items resolved by the audit committee member with support of two thirds of directors but without approval of the auditing committee
24-14 Boarding Meeting 2016.12.23	Discussion of divest equity of Template:O-bank	v	
	Plan to suggest Tong-An Investment divest equity of Straits Construction Investment	v	
	Internal audit report and audit plan for 2017	v	
	Discussion amendment to “ Procedure of application about stop and reinstate trading”	v	
	Discussion amendment to “Corporate Social Responsibility Best Practice Principles”	v	
	Discussion amendment to “Articles of Incorporation”	v	
	Discussion amendment to “Ethical Corporate Management Best Practice Principles”	v	
	Discussion about adjustment of employees who are in charge of derivative and stock trading	v	
	The Resolution of Audit Committee (2016.12.16): Passed by all members		
	How the company handle opinion of Audit Committee: Passed by all attendee directors		

2.The avoidance of Independent Director due to interest conflict

24-12 Board Meeting: 2016.8.12

Director’s Name: Ting-Wong Cheng (Independent Director)

Contents of the case: Plan to divest long term shareholding of the company

Reason for avoidance of conflict of interest and participation in voting: Ting-Wong Cheng is independent director of Asia Pacific Telecom. The above directors were abstained from the discussion and voting for the case based upon interest conflict.

3. The communication between independent director, internal audit chief and CPA

(1) Communications method of independent directors with internal auditing chief and certified public accountants: The company has put in place direct contact channel for independent directors to communicate with internal auditing chief and certified public accounts. In line with the regulation of the regulator, the company audits its finance and business status regularly and communicates directly with administrative unit and governing unit.

i. The company's internal auditing chief delivers internal auditing report at the quarterly meeting of the auditing committee, covering status of the execution of auditing operation and improvement and tracking, as well as effect, of the audited defects. In addition to delivery of written auditing report to independent directors monthly, internal auditing chief also makes specific business reports on the suggestion of any independent director.

ii. After completing the auditing of the semiannual and annual financial statements, the company's contracted certified public account reports the result of the auditing or checking of the financial statements of the company and its subsidiaries, both domestic and overseas ones, at the auditing committee, as well as other legally required communications items.

(2) Independent Director and internal audit chief have good communication, and independent directors have no suggestions. Communication issues are showed as follows.

Audit Comittee	Issue
2-7 2016.3.16	Report for 2015 Internal Audit
	2015 Internal Audit Self Evaluation (Announcement of Internal Control)
2-9 2016.5.5	Report for 2016 1Q Internal Audit
2-12 2016.8.8	Report for 2016 2Q Internal Audit
2-14 2016.12.16	Report for 2016 3Q Internal Audit

(3) Independent Director and CPA have good communication, and independent directors have no suggestions. Summary of communication issues are showed as follows.

Audit Comittee	Issue
2-7 2016.3.16	Report for 2015 consolidate and individual financial statements and audit result of internal control
	The effect resulted from updated IFRS, regulations and tax law

Board Meeting	Contents of the case and follow-up	Article 14-5 of Securities and Exchange Act	Other items resolved by the audit committee member with support of two thirds of directors but without approval of the auditing committee
2-12 2016.8.8	Report for 2016 1H consolidate financial statement and suggestion toward internal control		
	Suggestion toward internal control, and the effect resulted from important accounting estimate and updated tax law		

3.3.3 Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Items	Implementation status			Discrepancy with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies " and reasons
	Yes	No	Summaried Explanation	
A. Whether the company has formulated and publicized "Corporate Governance Best Practice Principles", according to "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"	V		The company's 21th board of directors already approved the company's "Corporate Governance Best Practice Principles" at its 13th meeting (March 25, 2008) and also made four amendaments by Boeard of directos from 2013 to 2016, which has been posted on the Market Observation Post System and the company's website.	Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies "
B. The company's shareholding structure and shareholders' equity a. Whether the company has formulated and implemented internal procedure for handling suggestions, questions, disputes, and litigation of shareholders. b. Whether the company has got hold of the list of major shareholders and their ultimate controllers. c. Whether the company has established and implemented risk-management and firewall mechanism pertaining to affiliates. d. Whether the company has formulated internal norms forbidding the company's insiders to take advantage of unpublicized information in trading in securities.	V		a. The company has installed stock-affairs unit, which handles shareholders' suggestions or disputes, among others. b. The company has got hold of the list of major shareholders and their ultimate controllers, which is updated regularly. c. The company has distinct relationship of rights and obligations with affiliates, in terms of personnel, assets, and financial management, and regularly audits the accounting and internal control system of affiliates, on top of putting in place adequate risk-management mechanism and firewall. d. The company has formulated internal norms forbidding insiders to take advantage of unpublicized information in trading in securities.	a. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies". b. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies". c. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies". d. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies".
C. Composition and duties of the board of directors a. Whether the board of directors has formulated and achieved diversification for the composition of its membership.	V		a. In line with the policy of membership diversification for the board of directors, as stipulated in the "practical guidelines for corporate governance." Include but not restrict the following 2 standards: i. Basic condition: sex, age, nationality and culture	a. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Items	Implementation status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summaried Explanation	
			ii. Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing and technology), professional skill and industrial experience. There is one female director and two Japanese director sitting on the company's 24th board of directors, which has 15 seats (including three for independent directors), with a three-year term, which can be continued via reelection. Members of the board of directors are all outstanding figures in industry and academia, with abundant experience in corporate governance and industrial technologies, as well as expertise in money, finance, accounting, and law.	
b. Whether the company has installed on its own various functional committees other than the compensations committee and the auditing committee.			b.The company already approved the institution of the “compensations committee” at the 13th meeting of the 22th board of directors (Aug. 22, 2011) and the “audit committee” at the first meeting of the 23th board of directors (June 15, 2012), but has yet to institute other functional committees.	b. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”
c. Whether the company has formulated measures and methods for the evaluation of the performance of the board of directors and carryout regular performance evaluation every year.			c. According to its organizational charter, the company's salary and compensations committee convenes regularly to evaluate the performance of the board of directors every year. In order to materialize corporate governance and clearly delineate performance objective, for enhancing the function and operating efficiency of the board of directors, the board of directors resolved to formulate the company's "measures for evaluating the performance of the board of directors" on November 13, 2015, in line with the stipulation of article 37 of "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" At the end of every year, the secretariat of the board of directors would collect information on the activities of the board of directors and issue questionnaires for self evaluation before recording the evaluation results and reporting them to the board of directors for review and improvement. 2015 Evaluation Report was summited in BOD meeting on March 21 2016. All items are well performed and the company’s BOD operated well in 2015 and 2016.	c. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”
d. Whether the company has regularly evaluated the independence of certified public accountants.			d. The 23rd board of directors also approved at its 19th meeting Dec. 22, 2014) the company’s “measures for the selection and	d. Compliance with “Corporate Governance Best-Practice Principles

Items	Implementation status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summaried Explanation	
			evaluation of certified public accounts,” calling for regular review of the independence and adequacy of certified public accountants. The company's financial and accounting units evaluated CPAs Chang Min-hui and Tseng Hui-chin of PwC Taiwan according to the CPA evaluation scale (note 2) and ascertained their conformance to the company's evaluation standards, in terms of independence and suitability, proving their qualification to become the company's contracted CPA, finding which was approved by the 24th board of directors at the fifth meeting (Nov. 13, 2015) and the 13th meeting (Nov. 14, 2016)	for TWSE/GTSM Listed Companies”
D. Does the listed company assign a department for corporate governance or a staff in charge of related issues (include but not restrict providing directors and supervisors with information to conduct business, holding board meeting, AGM, registration and updated registration for the company, composing meeting minutes for board meeting and AGM based upon the regulation	V		In line with article 3-1 of "practical guidelines for corporate governance," the company set up "corporate governance center" in July 2015, with major responsibilities including: i. Arrangement of the meetings of the board of directors according to law/regulation: Notify all directors seven days in advance and provide related data, to facilitate their understanding of items on the agenda; remind directors avoiding interest of conflict, should the items be related to their interests or the interests of legal entities they represent; distribute minutes for the meeting within 20 days. ii. Arrangement of shareholders' meeting according to law/regulation: Register date for shareholders' meeting by legal deadline, produce and submit notice, manual, and minutes of the meeting by deadline, and change corporate registration after revision of corporate charter or election of directors and supervisors. iii. Every year, the secretariat of the board of directors arranges "performance evaluation of the board of directors," via "self evaluation of the board of directors," and has commissioned outside independent institutions or experts/scholars to carry out the evaluation at least once every three years starting 2015. iv. Oversee the establishment of "administrative platform for corporate governance," in order to integrate and track various corporate-governance indicators and have a firm grip of the progress of corporate governance. Starting from the company's vision for	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “

Items	Implementation status			Discrepancy with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies " and reasons
	Yes	No	Summaried Explanation	
			corporate governance and based on the evaluation indicators of the "corporate governance evaluation," drafted by the Taiwan Stock Exchange, the platform reviews regularly, alongside various related units, various corporate-governance items, sets various corporate-governance goals, and tracks the execution, as well as results, of various corporate-governance items by units in charge, so as to sustain performance. v. Handle related issue about investor relations: investor relations team provides AGM information, material information announcement, financial statements, presentation material about finance and operation, information about domestic and overseas conferences.	
E. Whether the company has established communications channel for stakeholders (include but not restrict shareholders, employees, customers and suppliers) and dedicated sector for stakeholders on its website, in addition to responding properly to key issues on corporate social responsibility concerned by stakeholders.	V		The company has kept a good and smooth communications channel for corresponding banks and other creditors, staffers, consumers, suppliers, communities, and other stakeholders, in order to respect and uphold their legal interests.	Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies "
F. Whether the company has entrusted professional stock-affairs agent to handle shareholder' meeting.	V		The company has entrusted professional stock-affairs agent to handle shareholders' meeting.	Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
G. Information publication a. Whether the company has installed website for publication of information on finance, business, and corporate governance. b. Whether the company has publicized information via other methods (such as installation of English-language website, designations of persons in charge of collection and publication of company information, materialization of the system of spokesman, and posting of the process of investors' conference on the company website).	V		a. The company institutes website for disclosing the status of finance and corporate governance. The address of the corporate website: www.teco.com.tw b. The company institutes English-language website (http://www.teco.com.tw/en_version/index.asp), designates specific persons for the collection and disclosure of corporate information, and implements spokesperson's system.	a. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" b. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Items	Implementation status			Discrepancy with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies " and reasons
	Yes	No	Summaried Explanation	
H. Whether the company has other information conducive to understanding the status of corporate governance (including, but not limited to, staffers' interests, concern for staffers, investor relationship, supplier relationship, stakeholders' rights, advanced study of directors and supervisors, execution of risk-management policy and criteria for risk assessment, execution of customer policy, and taking out of liabilities insurance for directors, and supervisors.	V		a. The company has formed labor union, which convenes regulation and communication with the management, so as to uphold the interest of employees. Regarding investor relationship, the company has established a specialized unit for regular disclosure of the company's key business information, thereby enhancing transparency of corporate information, as well as feedback mechanism allowing investors to express their opinions on corporate development. The company also actively takes part in investors' conference, informing investors of the company's current operational status and development plan. b. Attendance of directors in the meetings of board of directors is good and the percentage of attendance on person is about 90.63% in 2016. c. In 2016, the company's directors undertook 102 hours of advanced study, and managerial staffers 48 hours. d. The company has taken out liabilities insurance for directors and supervisors since 1999 to decrease and diversify the risk resulted from wrong decision or remissness of the board. The insurance amount (US$10 millions), range (whole board members), net premium rates and insurance period were reported in 24-15 Board meeting on March 24 2017.	Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
I. Please illustrate the improvement based upon Corporate Governance Evaluation Result released by Taiwan Stock Exchage.	V		1. The company was granted top 5% evaluation in corporate-governance evaluation for two years running in fiscal 2015 and 2016. 2. Regarding Procedure for Acquisition or Disposal of Assets, the company has stipulated standard procedure and improving project to regulate subsidiaries, because of difference between domestic and overseas regulation.	Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

3.3.4 Compensations Committee

(1) Information on Members of Compensations Committee

Status	Conditions / Name	Whether or not possess over five years of working experience and following professional qualifications			Conformance to independency (note 2)								Number of part-time positions on the compensations committees of other companies	Note
		Instructors or higher position in the fields of commerce, law, finance, accounting or other related departments at universities	Judges, prosecutors, lawyers, certified public accountants, or other related professionals or technicians with government licenses	Working experience in commerce, law, finance, accounting, or other related fields	1	2	3	4	5	6	7	8		
OringinalIndependent Director	Tian-Jy, Chen	v			v	v	v	v	v	v	v	v	1	Resigned on 2016.5.12
Independent Director	Chien-Yuan, Lin	v			v	v	v	v	v	v	v	v	2	
New Independent Director	Ting-Wong, Cheng	v	v	v	v	v	v	v	v	v	v	v	1	Newly Elected 2016.6.16
Other	Charles Kau			v	v	v	v	v	v	v	v	v	0	

Note 1: Status would be filled as Director, Independent Director or Other..

Note 2: For members conforming the following conditions during the two years before the appointment or the term of the position, please give a check mark "✓"in the black space under the code of various conditions:

(1) Not an employee of the company or its affiliates

(2) Not a director or supervisor of the company or its affiliates, excluding independent director set up by the parent company and subsidiary based upon Company Law or local reulations.

(3) Not a shareholder owning over 1% stake in the company, in the names of himself/herself, the spouse, offspring before the age of majority, or others, or not one of the top-10 natural-person shareholders

(4) Not spouse or relatives within second kinship or relatives of direct lineage within third kinship of the aforementioned three kinds of persons

(5) Not director, supervisor, or employee of institutional shareholder owing over 5% stake in the company directly, or director, supervisor, or employee of the top-five institutional shareholders

(6) Not director, supervisor, manager, or shareholder with over 5% stake of specific company or institution with financial or business dealing with the company

(7) Not professionals providing commercial, legal, financial, and accounting services or consulting to the company or its affiliates; not owner, partner, director, manager, or spouse of such person of firms of sole proprietorship or partnership, companies, or institutions providing aforementioned services or consulting to the company and its affiliates.

(8) Without cases mentioned in various clauses of Article 30 of Company Law

(2) Information on Members of Compensations Committee

A. There are three members in Compensations Committee

B. The term of the current committee: June 11, 2015 to June 10, 2018. The committee has met three times (A) in the recent year. The attendance and qualifications of committee members follow:

Title	Name	Number of attendance (B)	Number of attendance via proxy	Actual attendance rate (%) (B/A) (note)	Note
Original Chairman	Tian-Jy, Chen	1	0	100%	Resigned (2016.5.12)
New Chairman	Chien-Yuan, Lin	3	0	100%	Newly Elected as a chairman (2015.6.16)
Member	Ting- Wong, Cheng	2	0	100%	Newly Elected (2016.6.16)
Member	Charles Kau	2	1	66.7%	

Other items needing registration:

1. In case the board of directors declines or modifies the suggestions of the compensations committee, specify the date, number, contents, and resolutions of the meeting of the board and its handling of the opinions of the compensations committee: None.
2. If a member opposes or has reservation, on record or in written form, about the resolutions of the compensations committee: None

3.3.5 Social Responsibility

Fulfillment of social responsibility: The company's system, measures, and fulfillment for events related to social responsibility, including environmental protection, communal participation, social contribution, social services, public benefits, consumer rights, human rights, and security and hygienic.

Items	Implement Status			Difference with " Corporate Social Responsibilty Best Practice Principles for TWSE/GTSM-Listed Company"and reasons
	Yes	No	Summaried Explanation	
A. Implementation of corporate governance a. Whether the company has formulated social responsibility policy or system and reviewed the implementation result. b. Whether the company has held education and training on social responsibility regularly. c. Whether the company has instituted unit for pushing fulfillment of corporate social responsibility, either on full- or part-time basis, in addition to having the board of directors authorize ranking management to handle the issue before reporting the outcome to the board of directors. d. Whether the company has formulated sound compensations policy and integrated the evaluation system for staffer performance and corporate social responsibility policy, in addition to putting in place a clear and effective system of incentives and penalties.	V		a. The company has stipulated "Corporate Social Responsibilty Best Practice Principles for TWSE/GTSM-Listed Company," and reviews and improved its CSR performance in various aspects when compling its CSR report. In addition, performance in key talent cultivation and training and development of green products was reviewed quarterly. b. The company constantly gets hold of information on courses on corporate social responsibility and conducts training on environment, vocational safety and related laws/regulations every year, in addition to providing timely related training for members of the corporate responsibility committee and panel, in order to achieve consensus among staffers and the vision of corporate sustainability. c.The company has instituted corporate social responsibility committee. President is the chairman, assistant vice presidents are members, directly subordinated by CSR working group. Corporate social responsibility committee is chaired by chairman, which oversees a panel responsible for handling CSR-related affairs, including performance evaluation, compilation and publication of annual CSR report, and irregular reporting to the board of directors on the execution and tracking of corporate social responsibility. d. In order to provide protection of reasonable compensations to staffers, the company's compensations policy calls for provision of reasonable and competitive compensations, not below minimum wage regulated by the Authority and linkage of staffer performance with incentives, as stipulated in the "performance-evaluation measures" and "measures for management and assistance of staffer performance." To materialize linkage between performance evaluation and corporate social responsibility, the company has formulated "measures or implementation of goal management," which list talent and system and forward-looking deployment as key performance-evaluation criteria, in line with the mission of upholding human value and achieving corporate sustainability.	No difference
B.Environment for sustainable development a. Status for the dedication of the company to enhancing the utilization efficiency of	V		a. Develop IE3/IE4 high-efficiency motor and air conditioners and home appliances with first-grade energy performance, and achieve energy conservation in production process via adoption of high-efficiency motor and	No difference

Items	Implement Status			Difference with " Corporate Social Responsibilty Best Practice Principles for TWSE/GTSM-Listed Company"and reasons
	Yes	No	Summaried Explanation	
various resources and utilizing recycled materials in lowering the impact on the environment; b. Status of the company in establishing proper environmental-management system according to its industrial features; c. Whether the company has noticed the effect of climate change on its business activities, conducted check on greenhouse gases, and formulated strategy on energy conservation and carbon/greenhouse gases abatement. d. Status of the company in formulating carbon-abatement and greenhouse-gases reduction strategy, in line with its concern for climatic change on its operation.			energy-saving lighting. Recycle and melt scissels of silicon-steel plants for motor for casting of motor housings. Use environmental protection coolant, material and recyclable containers. b. Set up Environment management system based on ISO 14001 and passed the certification. c. On the issue of climate change, in adherence to the vision of "TECO GO ECO," the company has been developing wind-mill products and high energy-efficient products, in the hope of maximizing its contribution to energy conservation and carbon abatement. Various factories have also been improving their manufacturing process, taking into account energy conservation and carbon abatement. d.In addition, the company started to have external party check its greenhouse-gases emission in 2012, to assure the accuracy of data, as the basis for the effort of energy conservation and carbon abatement, whose outcome is disclosed in the annual CSR report.	
C. Upholding of public benefits a. Whether the company has formulated relevant management policy and procedure, according to related laws/regulations and international convention on human rights. b. Whether the company has instituted mechanism and channel for complaints by staffers and handled the complaints properly.	V		a. Posting of employee work rules, performance evaluation measures, rules for employee leave on corporate poster. To demonstrate its emphasis on and executive power for human right, formulate "Declaration of TECO Corp. on Human-Right Policy" and post it on the company's website. In addition, require suppliers to sign "commitment to human right and environmental sustainability," along with contracts, to contribute to the cause of human right jointly. b. The company has set up an "opinion mailbox" for employees to communicate directly with the management and obtain rapid services from the company. As for employee reward and discipline, formulate procedure on the handling of employee reward and discipline, mandating objective investigation and fact finding before any discipline and the setup of personnel evaluation committee to assist in cases of major disciplines. Moreover, establish dedicated e-mail (HRI@teco.com.tw) as a channel for filing complaints, to ward off irregularities or unfair treatments at workplace, and dedicated e-mail (HRP@teco.com.tw) as a channel for consulting and reporting of workplace violence, to prevent such violence and illegal damage. Formulate "measures on reporting and handling of sexual harassments," to handle complaints of sexual harassments at workplace filed by staffers, so as to uphold a safe and friendly working environment.	No Difference

Items	Implement Status			Difference with “ Corporate Social Responsibilty Best Practice Principles for TWSE/GTSM-Listed Company”and reasons
	Yes	No	Summaried Explanation	
c. Whether the company has provided staffers safe and healthy working environment and held regular safety and health education for staffers.			c. In compliance with the requirement of laws/regulations related to vocational hygiene and safety, carry out safety and hygiene education, disaster-prevention training, and health management, needed by employees in their works. In addition, conduct safety protection of equipment and install personal-safety gear according to standard norm, on top of safety inspection and supervision by managerial staffers in charge, to safeguard safety of employees at workplace.	
d. Whether the company has established mechanism for regular communications with staffers and inform, in a reasonable manner, staffers possible material influence which may be caused by changes in its operation.			d. In accordance with the measures for labor-management meeting, the company holds labor-management meeting regularly to exchange opinions and solve problems via consultation. For listening to the opinions of staffers, the chairman and managerial staffers at various levels hold seminars irregularly to understand the work status of staffers and learn their suggestions for the company. As for the company's business performance, the headquarters convene quarterly meeting, wherein the chairman would explain the company's business performance in the quarter and the management policy. In addition, the chairman would meet with cadres of the labor union twice a year, to exchange opinions for achieving a win-win outcome for management and labor.	
e. Whether the company has established effective cultivation plan for staffers in developing capabilities essential for their career.			e. Cultivate the expertise of staffers along the dual lines of professional jobs and management jobs and combine the training with staffers' individual development plan (IDP) for follow-up tracking and confirmation. Provide complete and plural training to staffers to improve their expertise and expand their knowledge and experience. Carry out performance evaluation every half year, when staffers and their direct superiors would talk for full communication on their personal career development plan. In addition, the company will continue the endeavor for institutionalizing the promotional channel and the system of job rotation, so as to augment and diversify staffers' capabilities and putting in place a complete career development channel. In addition, it embraces institutionalized promotion channel and the system of job rotation, to help staffers develop plural capabilities. The institution of a complete career development route is an objective of the company.	
f. Whether the company has formulated consumer-right protection policy and complaint procedure on the flow of R&D, procurement, production, operation, and service.			f. The company adheres to ISO 9001/ISO/TS 16949 in various work flows, on a process-oriented basis, in contrast to the customer orientation for marketing, including presales, sales management, and after-sales service, which, along with payback to customers, constitutes a cyclic system, materializing a complete customer service system.	

Items	Implement Status			Difference with “ Corporate Social Responsibilty Best Practice Principles for TWSE/GTSM-Listed Company”and reasons
	Yes	No	Summaried Explanation	
g. Whether the company has complied with related laws/regulations and international norms in the marketing and labeling of products and services. h. Whether the company has checked the track record of prospective suppliers on anti-environment and –society behaviors. i. Whether the contracts between the company and major suppliers include a clause empowering the company to terminate or revoke the contracts, in case the suppliers involve in behaviors which run counter to the company’s CSR policy and have marked adverse influence on environment and society.			g. The company acquires certification of products’ safety, reliability, and functionality according to the following standards: CE, IEEE, CNS, CQC., etc. Product fact conform with related regulation. h. The company demands suppliers to fill in the questionnaire produced by the company, which includes their practice in the human rights and environment. i. i. Note 41 in “Basic Engagement of Transaction with Supplier”	
D. Whether the company has disclosed essential and reliable CSR-related information on its website and the Market Observation Post System.	V		The company has instituted “CSR section” on its website for disclosure of related information and has third party certify its 2012-2014 CSR report.	No difference
E. Describe the operation of company’s Corporate Social Responsibilty Best Prectice Principles, should it exist, and its difference with “Corporate Social Responsibilty Best Prectice Principles for TWSE/GTSM-Listed Companies.” No difference				
F. Other key information conducive to the understanding of the company’s CSR-related affairs: (1) Via the function of the TECO Technology Foundation, the company supports the humanistic aspect of Taiwan with its technological expertise, encourages sci-tech innovation, and holds “Green Tech” international contest, to highlight the “TECO GO ECO” spirit and encourages young students to engage in sci-tech R&D on energy conservation and carbon abatement. During 23 consecutive, TECO Award (1994-2016), there are 119 winners from Electric Machinery/ Information/ Communication, Machinery/ Energy/ Environment, Chemical/ Material, Biology/ Medical professionals/ Agriculture, four “science “category and one “human culture”. In order to consolidate the humanistic power of Taiwan, the company pushes “creativity education,” to innovate and update teaching model of schools’ teaches, also provide school children in remote area with high quality learning opportunities resources. The “heritage education” rallies various parties to make contributions for the expense of the event, with the aim of recruiting teachers for the program as TECO’s staffers and helping tribal children learn related technologies. 1,500 aboriginal teachers and students from 11 tribes benefited from the program. (2) Other related information is contained in the CSR report, which has been posted on TECO’s website. http://tecocsr.teco.com.tw/				
G. In case the company’s report on products or corporate social responsibility has passed the certification of related certification bodies, describe the inspection standards: The company’s 2015 CSR report was certified by PricewaterhouseCoopers according to ISAE 3000 and GRI G4 guideline on global sustainability report.				

Note 1: Whether check "yes" or "no," explain the reason in the brief explanation section

Note 2: Companies which have compiled CSR report can substitute explanation of method for checking CSR report and its index page for brief explanation.

3.3.6 Adherence to the Ethical Corporate Management and Measures

The company executes ethical corporate management based on “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”

Items	Implementation Status			Difference with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summaried Explanation	
A. Formulate policy and program for ethical corporate management a. Whether the company has explicitly express the policy and methods of ethical corporate management in its charter and outbound documents and whether the board of directors and management have fulfilled the commitment to the policy of ethical corporate management b. Whether the company has program preventing unethic behaviors with the principle of ethical corporate management, in addition to specifying and executing operating procedure, behavioral guidelines, penalties for violation of regulations and complaint system. c. Whether the company has adopted precautionary measures against business activities with higher risk of violating the principle of ethical corporate management, as specified in item 2 of article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”	V		a. The company has yet to formulate “Ethical Corporate Management Best Practice Principles” on August 14 in 2014, announced and carried out “The Principle of Antitrust” on October 1 in 2015, amended “Rules of Ethical Conduct to Directors and Managers” on March 20 in 2015.The company’s directors and management have been cautiously fulfilling their duties in compliance with the obligation of attention of a prudent administrator. b. The company has formulated “behavioral guidelines,” strictly forbidding staffers to accept without permission of superiors gifts worth more than NT$3,000 from other firms or individuals with business dealings with the company. They can also pass the gifts to the general-affairs unit for keeping before donating them for charity under the Company’s name. c. The company’s legal divisione screens contracts and prevents violation of law in signing contracts, while the audit office irregularly checks and continuously tracks status of improvement.	No major difference
B. Materialize ethical corporate management a. Whether the company has evaluated the track record on the integrity of business partners and whether the contracts with business partners include an article on behavioral integrity. b. Whether the company has instituted unit pushing ethical corporate management, either on a full-time or part-time basis, which is under the jurisdiction of the board of directors and reports to the latter regularly. c. Whether the company has formulated policy preventing conflict of interest and provided, as well as faithfully executed,			a. The company’s legal division reviews contracts signed by company for outbound business activities, to avoid dealing with those violating the principle of integrity of management on record. b. The company sets up a legal division office, under the direct jurisdiction of the board of directors, in charge of the formulation and implementation of the policy of integrity-oriented management and would be supervised by an auditing unit before being reported to the board of directors regularly. Auditing unit audited related operation in August 2016,and reported to the board on December 23 in 2016. c. The company has formulated “behavioral guidelines,” demanding all staffers not to take benefits and sacrifice the company’s interests for personal	No major difference

Items	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summaried Explanation	Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
proper channel for complaints. d. Whether the company has instituted effective accounting system and internal control system for the materialization of the policy of ethical corporate management, which is audited regularly by in-house auditing unit or certified public account under its entrustment. e. Whether the company had held internal or external education and training regularly on ethical corporate management.			benefits. When discovering violation of integrity-related regulations, one can make compliant or report, according to the company's "measures for handling reports on illegal, unethical, or dishonest behaviors." d. To assure the materialization of ethical corporate management, the company has instituted effective accounting system and internal-control system, with in-house auditors checking their compliance regularly. e. The company holds education and training on ethical corporate management regularly.	
C. Status of the company's reporting system: a. Whether the company has formulated concrete reporting and rewarding system, as well as convenient reporting channel, in addition to designation of specific person handling the reporting. b. Whether the company has instituted standard operating procedure for handling reported items and related confidentiality mechanism. c. Whether the company has adopted measures to protect informants from improper treatment.	V		a. As part of the company's reporting system, the company has formulated "behavioral guidelines," containing ethical norms for staffers, and has instituted reporting e-mail address HRI@teco.com.tw, with the human-resources center responsible for handling reported items, in conjunction with the audit division and the legal division office. b. The "behavioral guidelines" specify, in article 17, reporting methods and flow, and in article 16, confidentiality mechanism for informants. c. The guidelines also specify, in article 16, protection mechanism for informants.	No major difference
D. Intensifying information disclosure a. Whether the company has disclosed its "Ethical Corporate Management Best Practices Principles" on its website and the implementation effect.	V		a. The company has disclosed information related to "Ethical Corporate Management Best Practice Principles" on website, and disclosed the operation situation in year book and CSR Report.	No major difference
E. Should the company formulate own ethical corporate management principles according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Company," specify its execution and difference with the principles: The company has already formulated its own ethical corporate management principles and disclosed on the Company's webite. There is no major difference between its execution and principles.				
F. Other key information conducive to the understanding of the company's ethical corporate management (such as review and revision to the company's ethical corporate management): The company materializes ethical corporate management via compliance with Company Law, Securities Exchange Act, and regulations and laws governing listed firms, in addition to forbidding unethical behaviors in business dealings.				

3.3.7 Corporate Governance Guidelines and Regulations

The company has instituted “Corporate Governance Best Practice Principles”. The document could be accessed “Corpoarte Goverance” on Market Observation Post System (http://mops.twse.com.tw) comforming to related regulations.

3.3.8 Other Important Information Regarding Corporate Governance

A. The important information regarding corporate governance has been disclosed on Market Observation Post System (http://newmops.twse.com.tw) comforming to related regulations.

B. Advanced studies for directors and independent directors in 2016:

Title	Name	Date	Organizer	Training Course	Time
Chairman	Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy, Chiu	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Managing Director	Tong Kuang Investment Co., Ltd Representative：Chao-Kai, Liu	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Managing Director	Cheng-Tsung, Huang	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis conduct good tax-affairs management, in response to changes in taxation environment?	3 hrs
Managing Director	Creative Sensor Inc. Representative: Yu-Ren, Huang	2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
		2016.12.29	Chunghwa Corpporate Governance Association	How to build to last in the era of black swan	3 hrs
Managing & Independent Director	Chien-Yuan, Lin	2016.7.20	Securities & Futures Institute	Legal responsibility of board directors and supervisors in M&A issue	3 hrs
		2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.11.15	Chunghwa Corpporate Governance Association	Anti tax evasion law, adaptive strategy and updated tax law	3 hrs

Title	Name	Date	Organizer	Training Course	Time
Independent Director	Jing-Shown, Wu	2016.8.12	Chunghwa Corppporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.10.20	Financial Supervisory Committee	11th Corporate Governance Forum in Taipei	3 hrs
		2016.12.23	Chunghwa Corppporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Independent Director	Ting-Wong, Cheng	2016.8.12	Chunghwa Corppporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corppporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Director	Mao-Hsiung, Huang	2016.6.16	Securities & Futures Institute	Awarding ceremony and forum of 2nd corporate governance evaluation	3 hrs
		2016.8.12	Chunghwa Corppporate Governance Association	Corporate social responsibility and sustainable competitiveness	3hrs
		2016.12.23	Chunghwa Corppporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Director	Po-Chih, Huang	2016.8.12	Chunghwa Corppporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corppporate Governance Association	How the board director and supervisor assist in handling risk and crisis market	3 hrs
Director	Hisen- Sheng, Kuo	2016.8.12	Chunghwa Corppporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.9.2	Securities & Futures Institute	Forum of ethical Corporate Management and corporate social responsibility	3 hrs
Director	Yaskawa Electric Corporation Representative：Ogi Hiroyuki	2016.8.12	Chunghwa Corppporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.27	Chunghwa Corppporate Governance Association	How the board director and supervisor assist in handling risk and crisis market	3 hrs
Director	Kuang Yuan Industrial Co., Ltd. Representative: Shih-Chien, Yang	2016.8.12	Chunghwa Corppporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.27	Chunghwa Corppporate Governance Association	How the board director and supervisor assist in handling risk and crisis market	3 hrs

Title	Name	Date	Organizer	Training Course	Time
Director	Tung Kuang Investment Co., Ltd. Representative : Hong-Hsiang, Lin	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.27	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis market	3 hrs
Director	Lien Chang Electronic Co., Ltd. Representative: Ming-Feng, Yeh	2016.3.24	Chinese National Association of Industry and Commerce , Taiwan	The annual amendment to regulation and notice for AGM	3 hrs
		2016.3.31	Chinese National Association of Industry and Commerce , Taiwan	Cornerstone of corporate operation and sustainability/ Inheritance and sustainability of family-owned business	3hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis market	3hrs
Director	Mao Yang Co., Ltd. Representative: Yung-Hsiang, Chang	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis market	3 hrs

C. Advanced studies for managing staffers in 2016:

Title	Name	Date	Organizer	Traning course	Time
President	Chwen-Jy, Chiu	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Vice President	George Lien	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Executive Consultant	Hong-Hsiang, Lin	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs

Title	Name	Date	Organizer	Traning course	Time
Assistant Vice President	S. C. Lin	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Assistant Vice President	Steven Chiang	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Assistant Vice President	Pin Chang	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Assistant Vice President	K.R. Chen	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs
Assistant Vice President	Kevin Yeh	2016.8.12	Chunghwa Corpporate Governance Association	Corporate social responsibility and sustainable competitiveness	3 hrs
		2016.12.23	Chunghwa Corpporate Governance Association	How the board director and supervisor assist in handling risk and crisis	3 hrs

D. The situation of resignation in the Company: None

3.3.9 Internal Control System

Please refer to page 52 of the Chinese annual report.

3.3.10 In the recent year and up to the publication of the annual report, legal penalties for the company and internal staffers, penalties of internal staffers by the company for violation of internal control system and regulation, major defects and improvement status

None

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of Shareholders' Meeting and Board Meetings in the recent two years

2016/03/21	(1)The board of directors resolved to convene 2016 shareholders' meeting on June 16, 2016. (2)The Board of Directors resolved 2015 financial statements with consolidated sales revenue NT$48,598,573 thousand, EPS 1.6, and plans to pay cash divident NT$0.8 per share with the total amount NT$ 1,602,154 thousand. The related financial reports material would be submitted to 2016 shareholders' meeting. (3) The board of directors approved employees' compensation of NT$ 257,361 thousand and directors' remunerationof NT$114,382 thousand in 2015. The above amount will be distributed through cash. There is no difference from the expense amounts in 2015 recognized by the board of directors.
2016/04/12	(1)The Board of Directors resolved the agenda of 2016 AGM , by-election for Independent Director and removing the restrictions of newly elected Independent Director's non-competition clauses. (2)The Board of Director approved an additional endorsement and guarantees of NT$2,993,820 thousand to the subsidiary, Motovario.
2016/05/11	The board of directors acknowledged the financial statement for the first three months of 2016,showing consolidated sales revenue of NT$11,678,422 thousand and after-tax net profit of NT$0.34 per share.
2016/06/16	Important resolutions in Annual Shareholders' Meeting (1) Acknowledged 2015 business report and financial statement. (2) Acknowledged 2015 earnings allocation, amounting to NT$0.8 per share for cash dividend payment. (3) Approve Articles of Incorporation (4) Finish re-election for independent directors. New independent director: Ting-Wong Cheng (5) Approved to remove the restrictions on the newly elected independent director's non-competition clauses
2016/06/16	The board of directors set the "ex-dividend base date" on July 11, 2015, paying out cash dividend of NT$1,602,154 thousand, or NT$0.8 per share, and setting the dividend payout date on July 29, 2016.
2016/08/12	The board of directors acknowledged the financial statement for the first half of 2016, showing consolidated sales revenue of NT$24,492,501 thousand and after-tax net profit of NT$0.87 per share.
2016/11/14	The board of directors acknowledged the financial statement for the first nine months of 2016, showing consolidated sales revenue of NT$36,496,207 thousand and after-tax net profit of NT$1.32 per share.
2017/3/24	(1)The board of directors resolved to convene 2017 shareholders' meeting on June 16, 2017. (2)The Board of Directors resolved 2016 financial statements with consolidated sales revenue NT$49,923,836 thousand, EPS 1.76, and plans to pay cash divident NT$0.88 per share with the total amount NT$ 1,762,370 thousand. The related financial reports material would be submitted to 2017 shareholders' meeting. (3) The board of directors approved employees' compensation of NT$ 283,999 thousand and directors' remunerationof NT$125,333 thousand in 2016. The above amount will be distributed through cash. There is no difference from the expense amounts in 2016 recognized by the board of directors. (4) Board of Directors resolved to terminate the GDRs program, and authorize chairman to deal with the related issues about GDRs and deposit contracts.

B. Implemntation of Resolutions made in Annual Shareholders' Meeting on June 16, 2016.

Number	Resolution	Implementation
1	Approve Amendment to Articles of Incorporation	1. The proposal was approved by the participating Shareholders with 85.60% approved percentage. 2. Amendment based upon the letter No. 10501218360, 2016.9.6, Ministry of Economic Affairs.
2	Acknowledged of the 2015 Business Report and Financial Statements	※ The proposal was approved by the participating Shareholders with 85.04% approved percentage.
3	Acknowledged of cash dividend payout of NT$0.8 per share for the distribution of 2015 profits.	1. The proposal was approved by the participating Shareholders with 85.56% approved percentage. 2. Ex-Dividend Trading Date: 2016/07/11. Cash Dividend Payout date: 2016/07/29.
4	By-election of one independent director	Cheng, Ting-Wong was elected. Newly elected Directors were registered in line with the letter of Ministry of Economic Affairs No.10401123040.
5	Approval of the proposal for removal of restrictions on non-competition clauses for the company's 24th term newly elected Directors	※ The proposal was approved by the participating Shareholders with 83.68% approved percentage.

3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

3.3.13 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports

None

3.4 Information on CPA fee

3.4.1 Accountant Information

Name of accounting firm	CPA names		Auditing period	Note
Pricewaterhouse Coopers, Taiwan	Dexter Chang	Audrey Tseng	2016	

3.4.2 Table of Brackets for CPA Fees

Fee brackets \ Fee item		Auditing fee	Non-auditing fee (Note)	Total
1	Lower than NT$2 M.		V	V
2	NT$2-4 M.			
3	NT$4-6 M.			
4	NT$6-8 M.			
5	NT$8-10 M.			
6	NT$10 M. and higher	V		V

Note: NT$1,350,000 of non-auditing public expense, including certification expense for auditing business income tax return and English-language translation fee for financial report and consolidated financial report.

3.4.3 Non-inspection fees for CPAs, accounting firms, and its affiliates account for over one quarter of inspection fee: Nil

3.4.4 Replacement of accounting firm and auditing fee for the replacement year is lower than amount in the year prior to the replacement: Nil

3.4.5 Auditing fee decreases by over 15% from the previous year: Nil

3.5 Information on replacement of CPA: Not applicable

3.6 Information on service of the company’s chairman, president, and financial or accounting managers at the accounting firm or its affiliates: Nil

3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

3.7.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Share

Title	Name	2016		Apr. 30, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Tong Kuang Investment Co., Ltd.	0	(300,000)	0	(1,807,912)
	Representative: Chwen-Jy, Chiu	0	0	0	0
Managing Director	Tong Ho Gloabal Investment Co., Ltd.	0	0	0	0
	Representative：Chao-Kai, Liu	0	0	0	0
Managing Director	Cheng-Tsung, Huang	0	0	0	0
Managing Director	Creative Sensor Inc.	0	0	0	0
	Representative: Yu-Ren, Huang	0	0	0	0
Managing & Independent Director	Tian-Jy, Chen (Note 3)	0	0	0	0
Managing & Independent Director	Chien-Yuan, Lin (Note 3)	0	0	0	0
Independent Director	Jing-Shown, Wu	0	0	0	0
Independent Director	Ting-Wong, Cheng (Note 3)	0	0	0	0
Director	Mao-Hsiung, Huang	0	0	0	0
Director	Po-Chih, Huang	0	0	0	0
Director	Hisen Sheng, Kuo	0	0	0	0
Director	Yaskawa Electric Corporation	0	0	0	0
	Representative：Hiroyuki Ougi	0	0	0	0
Director	Kuang Yuan Industrial Co., Ltd.	0	0	0	(3,960,000)
	Representative: Shih-Chien, Yang	0	0	0	0
Director	Tong Kuang Investment Co., Ltd.	0	(300,000)	0	(1,807,912)
	Representative: Hong-Hsiang, Lin	(43,000)	0	0	0

Title	Name	2016		Apr. 30, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Lien Chang Electronic Co., Ltd.	0	0	0	0
	Representative: Ming-Feng, Yeh	0	0	0	0
Director	Mao Yang Co., Ltd.	0	0	0	0
	Representative: Yung-Hsiang, Chang	0	0	0	0
President	Chwen-Jy, Chiu	0	0	0	0
Vice President	George Lien	0	0	0	0
Executive Consultant	Hong-Hsiang, Lin	(43,000)	0	0	0
Management	Steven Chiang	0	0	0	0
Management	Pin Chang	0	0	(6,000)	0
Management	K.R. Chen (note 4)	0	0	0	0
Management	S. C. Lin (note 4)	N/A	N/A	0	0
Management	Kevin Yeh (note 4)	N/A	N/A	0	0
Management	Albert Peng (note 4)	N/A	N/A	0	0
Management	Fei-Yuan, Kao (note 4)	N/A	N/A	0	0
Major Shareholder	None	0	0	0	0

Note 1: Managing&Independent Director, Tian-Jy, Chen resigned on May 12 2016. By-election for independent director took place on June 16, 2016 during AGM, and Ting-Wong Cheng is the newly elected independent director. By-election for managing director took place on June 16, 2016 during the board meeting, and Chien-Yuan, Lin was elected.

Note 2: Assist Vice President, K.R. Chen was on board on August 12 2016. S.C Lin, Kevin Yeh, Albert Peng and Fei-Yuan, Kao were on board on January 1 2017.

3.7.2 Shares Transfer with Related Parties

Name	Reason of Transfer	Date of Transaction	Transferee	Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Transaction Price (NTD)
Not Applicable						

3.7.3 Shares Pledged with Related Parties

Name	Reason of Pledge	Date of Transaction	Transferee	Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Shares holding %	Shares Pledged %	Pledged Amount
Not Applicable								

3.8 Information Disclosing the Relationship between any of the Company's Top Ten Shareholders

April 30, 2017

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Silchester International Investors International Value Equity Trust	51,422,000	2.57%	0	-	0	-	None	-	-
WGI Emerging Markets Smaller Companies Fund, LLC	35,135,000	1.91%	0	-	0	-	None	-	-
Vanguard Emerging Market Index Fund	34,230,000	1.71%	0	-	0	-	None	-	-
M&G Global Emerging Markets Fund	32,322,000	1.61%	0	-	0	-	None	-	-
Silchester International Investors Tobacco Free International Value Equity Trust	30,445,000	1.52%	0	-	0	-	None	-	-
Tong Kuang Investment Co., Ltd	30,341,364	1.52%	0	-	0	-	None	-	-
Yaskawa Electric Corporation	29,541,089	1.48%	0	-	0	-	None	-	-
Government of Singapore	28,369,000	1.42%	0	-	0	-	None	-	-
Vanguard Emerging Market Index Fund	28,092,725	1.40%	0		0		None		
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	29,425,725	1.40%	0		0		None		

3.9 Long-Term Investments Ownership

December 31, 2016

Investee	Ownership by TECO		Direct / Indirect Ownership by Directors, Supervisors and Management		Total Investment	
	Shares	%	Shares	%	Shares	%
Tong Dai Co., Ltd.	5,290,800	92.63%	0	0.00%	5,290,800	92.63%
Teco Nanotech Co., Ltd.	21,502,098	86.01%	205,000	0.82%	21,707,098	86.83%
TECO International Investment Co., Ltd.	52,584,480	100.00%	0	0.00%	52,584,480	100.00%
TECO Holding, USA	1,680	100.00%	0	0.00%	1,680	100.00%
TECO Electric & Machinery Pte Ltd. Singapore	7,200,000	90.00%	800,000	10.00%	8,000,000	100.00%
TECO Electric Europe Ltd.	4,500,000	100.00%	0	0.00%	4,500,000	100.00%
Tong An Assets Management & Development Co., Ltd.	147,323,399	100.00%	0	0.00%	147,323,399	100.00%
Appliance (HK) Ltd.	1,499,999	99.99%	0	0.00%	1,499,999	99.99%
Tong An Investment Co., Ltd.	415,851,528	99.60%	1,630,944	0.40%	417,482,472	100.00%
TECO Electro Devices Co., Ltd.	15,386,949	62.57%	371,324	1.51%	15,758,273	64.08%
Tecnos International Consultant Co., Ltd.	5,034,378	57.52%	1,263,404	16.02%	6,297,782	73.54%
Tong Tai Jung Co., Ltd.	3,960,000	60.00%	0	0.00%	3,960,000	60.00%
UVG Investment Co., Ltd.	195,416,844	100.00%	0	0.00%	195,416,844	100.00%
Information Technology Total Services Co., Ltd.	12,123,248	60.62%	2,135,250	10.68%	14,258,498	71.30%
Tesen Electric & Machinery Co., Ltd.	20,000,000	100.00%	0	0.00%	20,000,000	100.00%
GD TECO Taiwan Co., Ltd.	15,000,000	100.00%	0	0.00%	15,000,000	100.00%
Taitec Technology CO.,LTD.	950,000	95.00%	0	0.00%	950,000	95.00%
Yatec Engineering Corp.	7,799,996	64.95%	0	0.00%	7,799,996	64.95%
Taian (Subic) Electric Co., Inc.	17,131,155	76.70%	0	0.00%	17,131,155	76.70%
Taian (Malaysia) Electric Sdn. Bhd.	13,113,235	66.85%	1,961,934	10.00%	15,075,169	76.85%
An Tai International Investment Co., Ltd.	22,910,337	100.00%	0	0.00%	22,910,337	100.00%
Micropac (BVI)	14,883,591	100.00%	0	0.00%	14,883,591	100.00%
Taian-Etacom Technology Co., Ltd.	7,033,000	84.73%	0	0.00%	7,033,000	84.73%
Taian Electric Co., Ltd.	100,000	100.00%	0	0.00%	100,000	100.00%
Tecom	400,602,050	63.52%	0	0.00%	400,602,050	63.52%
E-Joy International Co., Ltd.	9,500,000	93.60%	400	1.64%	9,500,400	95.24%
A-Ok Technical Co., Ltd.	1,950,000	86.67%	0	0.00%	1,950,000	86.67%
TECO Technology (Vietnam) Co., Ltd.	13,772,799	100.00%	0	0.00%	13,772,799	100.00%
TECO (Philippines) 3C & Appliances, Inc.	2,604,000	60.00%	0	0.00%	2,604,000	60.00%
An-Sheng Travel Co., Ltd.	480,000	16.00%	2,400,000	80.00%	2,880,000	96.00%
Taiwan Pelican Express Co., Ltd.	24,121,700	25.27%	6,570,940	6.88%	30,692,640	32.15%
Kuenling machinery refrigerating Co., LTD.	15,218,642	19.98%			15,218,642	19.98%
YASKAWA TECO MOTOR ENGINEERING CO.	2,800	70.00%	0	0.00%	2,800	70.00%
Eagle Holding Co.	1	100.00%	0	0.00%	1	100.00%
Century Development	87,776,520	28.67%	73,736,289	24.08%	161,512,809	52.75%

3.10 Procedure of Material Information: The company has stipulated Rules of Anti Insider Transaction in internal control system, and announced to the emploees.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Type of Stock

April 30, 2017

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	2,002,692,886	1,027,857,114	3,030,550,000	-

4.1.2 Status of Shareholders

April 30, 2017

Item	Government Agencies	Financial Institutions	Other Juridical Person	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	1	84	142	788	80,465	81,480
Shareholding (shares)	528	120,825,021	216,510,804	1,085,651,453	579,705,080	2,002,692,886
Percentage	0.00%	6.03%	10.81%	54.21%	28.95%	100.00%

4.1.3 Shareholding Distribution Status

The par value for each share is NT$10

April 30, 2017

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	40,586	9,636,915	0.48%
1,000 ~ 5,000	27,798	63,594,634	3.17%
5,001 ~ 10,000	6,001	45,023,463	2.25%
10,001 ~ 15,000	2,100	25,813,516	1.29%
15,001 ~ 20,000	1,138	20,580,459	1.03%
20,001 ~ 30,000	1,231	30,561,941	1.53%
30,001 ~ 40,000	529	18,467,132	0.92%
40,001 ~ 50,000	359	16,359,679	0.82%
50,001 ~ 100,000	723	51,313,062	2.56%
100,001 ~ 200,000	331	47,067,993	2.35%
200,001 ~ 400,000	245	68,933,834	3.44%
400,001 ~ 600,000	92	45,581,166	2.28%
600,001 ~ 800,000	59	41,198,256	2.06%
800,001 ~ 1,000,000	34	30,262,377	1.51%
1,000,001 or over	254	1,488,298,459	74.31%
Total	81,480	2,002,692,886	100.00%

4.1.4 List of Major Shareholders

Shareholder's Name	Shares	Percentage
Silchester International Investors International Value Equity Trust	51,422,000	2.57 %
WGI Emerging Markets Smaller Companies Fund, LLC	35,135,000	1.75 %
Vanguard Emerging Market Index Fund	34,230,000	1.71 %
M&G Global Emerging Markets Fund	32,322,000	1.61 %
Silchester International Investors Tobacco Free International Value Equity Trust	30,445,000	1.52 %
Tong Kuang Investment Co., Ltd	30,341,364	1.52 %
Yaskawa Electric Corporation	29,541,089	1.48 %
Government of Singapore	28,369,000	1.42 %
Vanguard Emerging Market Index Fund	28,092,725	1.40 %
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	24,709,193	1.23 %

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$

Item	2015	2016	April 30, 2017
Market Price per Share (Note 3)			
Highest Market Price	33.00	29.00	31.85
Lowest Market Price	21.70	23.50	27.55
Average Market Price	27.40	26.74	29.17
Net Worth per Share			
Before Distribution	23.97	25.11	25.63
After Distribution	23.16	Note 1	Note 2
Earnings per Share			
Weighted Average Shares (thousand shares)	1,980,250	1,980,250	1,980,250
Earnings Per Share	1.60	1.76	0.34
Dividends per Share			
Cash Dividends	0.8	0.88	Note 2
Stock Dividends			
• Dividends from Retained Earnings	0	0	0
• Dividends from Capital Surplus	0	0	0
Accumulated Undistributed Dividends	0	0	0
Return on Investment			
Price / Earnings Ratio (Note 4)	17.23	15.19	21.45
Price / Dividend Ratio (Note 5)	34.45	30.39	Note 2
Cash Dividend Yield Rate (Note 6)	0.03	0.03	Note 2

Note 1: Pending for approval of Shareholders' meeting
Note 2: Pending for approval of Shareholders' meeting and Board of Directors' meeting
Note 3: List the highest and lowest market price in each year and calculate average market price by total trading volume/total trading shares
Note 4: Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 5: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 6: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

TECO deals in a line of business characterized by steady growth, but many of its investees have yet to take off. Therefore, its distribution of earnings must take into account the need for further expansion and more reinvestments going forward. After legal and special reserves are set aside, 1% to 5% of the remaining earnings in a given year will be appropriated for remunerations to Directors and Supervisors, and 1% to 10% for employee bonuses. In principle, 80% of the remainder and retained earnings from the previous year will be drawn upon as dividend payments to shareholders. Of all dividend payments, cash generally accounts for 50% but must not run below 5%

B. Proposed Distribution of Dividend

Cash dividend of NT$0.88 per share.

4.1.7 Impact on Company's business performance, EPS and ROI from the stock grant proposed by Shareholders Meeting:

Not applicable.

4.1.8 Employee and Directors' Remuneration

A. The company should allocate 1%-10% of profit for employee remuneration based upon its profit in a given year

The above-mentioned "profit" means pre-tax income before allocating employee and directors' remuneration

B. Estimate of Employee Remuneration and Directors' Remuneration

a.Foundation of estimation
1.Amount of net income
2.Regulations in Article of Corporation
3.Historical record of distribution

b.Foundation of share calculation for stock dividend: Not Applicable

c.No difference between total amount paid and number of estimation

C. Profit Distribution of Year 2016 Approved in Board of Directors Meeting for Employee and Directors' Remuneration

a.Recommended Distribution of Employee and Directors' Remuneration:

	(NT$ thousand)
Employee Bonus – in Cash	$ 283,999
Employee Bonus – in Stock	0
Directors' Remuneration	125,333

No difference from the number of estimation

b.Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings:
Not applicable

c.Recounted EPS after Recommended Distribution of Employee Bonus and Directors’ and Supervisors’ Remuneration: (NT$ thousands)

Not applicable

D.Information of 2015 Earnings Set Aside to Employee Bonus and Directors’ and Supervisors’ Remuneration:

Unit：NT$ thousand

	Amount recommended by the Board of Diretors	Amount resolved by the Shareholders’ Meeting
Employee Bonus - Cash	257,361	257,361
Directors' Remuneration – Cash	114,382	114,382
Total	371,743	371,743

The actual distribution of employee bonus and directors’ and supervisors’ remuneration above is parallel with the recommended resolution of the Board of Directors.

4.1.9 Buyback of Treasury Stock

None

4.2 Corporate Bonds

4.2.1 Issuance of Corporate Bonds

Type of Corporate Bond		1st Unsecured Ordinary Corporate Bonds in 2013	1st Unsecured Ordinary Corporate Bonds in 2015
Issue date		2013/05/20	2015/06/18
Par value		RMB$100,000	NT$ 1,000,000
Issue and Trading Place		Domestic	Domestic
Issue Price		According to face amount	According to face amount
Total Amount		RMB$ 0.3 billion	NT$ 3 billion
Interest Rate		3%	1.45%
Duration		3 years, Expiration date: 2016/05/20	5 years, Expiration Date: 2019/06/18
Assurance Institution		None	None
Assignee		Hua Nan Commercial Bank Ltd.	Hua Nan Commercial Bank Ltd.
Underwriting Institution		None	None
Signed Lawyer		Handsome Attorneys-at-Law Ya-Wen Chiu	Handsome Attorneys-at-Law Ya-Wen Chiu
Signer Accountants		PricewaterhouseCoopers, Taiwan Ping-Chiun Chih Audrey Tseng	PricewaterhouseCoopers, Taiwan Audrey Tseng Dexter Chang
Repayment		Accrual Bond	Accrual Bond
Outstanding Amount		RMB$ 0.3 billion	NTD$ 3 billion
Redeption or Advanced Repayment		N/A	N/A
Restrictive Clauses		N/A	N/A
Credit Rating Institution, Credit Rating Date and the Outcome of the Rating		Taiwan Ratings Rating Date:2013/4/22 Rating Result:TwA	Taiwan Ratings Rating Date:2014/2/12 Issuer Ratng: twA IssueRating: N/A
Others	Amount Already Be Converted	None	None
	Issue and Conversion Methods	None	None
Shares Dilution & Influence on Srockholders' Equity		None	None
Entrust Institution of Exchange Object		None	None

4.2.2 Information of the Convertible Bond

None

4.3 Global Depositary Shares

Item \ Issuance Date			March 28, 1997
Listing & Exchange			London
Issue Amount			US$107,643,862
Offer Price			US$20.08
Unit Issued			5,539,880
Underlying Security			Newly issued common shares from rights offer
Total Shares of Underlying Security			55,398,800 common shares
Rights & Obligations of GDS Holders			Same as Holders of Common Shares
Trustee			None
Depositary Bank			Bank of New York Mellon
Custodian Bank			Mega International Commercial Bank
Outstanding Balance			113,712 GDSs
Apportionment of expenses for the issuance and maintenance			Mainly by the issuer
Important terms and conditions of depositary and custodian contracts			Depositary bank acts on behalf of GDS holders; custodian bank holds on to the underlying common shares
Market Price (US$)	2016	Highest	9.11
		Lowest	6.97
		Average	8.29
	Year to date as of March 31, 2017	Highest	10.51
		Lowest	8.62
		Average	9.27

Note: The resolution of the board on March 24, 2017 terminated Global Depositary Shares and its contrast.

4.4 Employee Stock Options

4.4.1 Issuance of Employee Stock Options

None

4.4.2 List of Executives Receiving Employee Stock Options and the Top 10 Employees with Options Valued in Excess of NT$30 Million

None

4.4.3 Status on Restricted Share Award

None

4.4.4 List of Executives and Top 10 Employees Receiving Restrcied Share Award

None

4.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

4.6 Financing Plans and Implementation

There is no fund raising this year.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Business Scope

Business Scope	Sales %
Industrial Products	56%
Home Appliances	17%
Construction	5%
Others	22%
Total	100%

B. New products development

a. Industrial Products Business:

The development of the large sized motor with high pole for water circulating pump in power plant and water resource, the induction motor with the largest power, density and voltage, IE3 high-temperature exhausting motor, high voltage explosion-proof motor, JIS IE4 motor, GBI IM motor, CNS IE3 Exd T4, smart motor and auto motor.

b. Home-appliances business:

In line with the core values of "energy conservation, carbon abatement, smart application, and automation" for new product development, the home appliances business division has developed entire-range air conditioners and fully smart home appliances, dedicated to applications of cloud-end technologies, and rolled out various new products with EMS integrating information, communications, and variable frequency. The company also put forth the goal of " combination of cloud end and variable frequency for public sharing," extending the application of cloud-end management technology from home appliances to business market, schools, institutions, so as to create a cozy environment for all the people. TECO home appliances division integrates the group's solid ICT strength and R&D capability for electric control and TECO household smart air conditioners are 100% supportive of the Internet, which, coupled with the rollout of smart home appliances, on step ahead of rivals, will make TECO a an excellent leader of "smart home appliances" in Taiwan. In addition, the company plans to develop.

I. In the light of the restriction from government, CSPF, the technology and system of domestic and commercial air-conditioner will be upgrated and integrated.

II. The technology of under frozen fridge, and occupy the market share from Japanese brands.

III. Low temperature logistics (freezing, frozen storage, low temperature cage car, multi-temperature cage car) and related products.

IV. VRF system of inverter machine in parallel outdoor to satisfy the demand of green building and advanced business office.

c. The ECO Energy business focuses on large-scale 2MW wind-power generating units, in addition to covering 5MW and larger-scale offshore wind-power systems, KW-grade horizontal small-scale wind-power generating units, generators, power converters, solar energy-power converter, and self-consumption-system, for both products and engineering works. Furthermore, through TECO’s core business, motor and system automation, cooperating with Industrial Technology Research Institute and transportation dealer, we began with the development, design, produce, test and sale of the electric vehicle with specific function.

d. The power business division integrates the group's multiple industrial products, maximizing synergy effect. For engineering business, the company focuses on the provision of engineering services featuring smart application, green energy, energy conservation, and energy storage, in an extensive range, such as luxury houses, biotech/dedicated cancer hospitals, hi-tech factory buildings, large-scale public exhibition halls; major transportation and aviation projects, and Internet data centers (IDC). As for power equipment, the company offers switchboards and generators, notably products featuring smart application, green energy, and energy conservation, such as "smart generators," "smart switchboards," "smart micro grids," and "power charging posts for electric cars."

5.1.2 Industry Overview

A. Industrial Product Business

With industrial motors featuring extensive applications and steady demand on the global market, Taiwan’s industrial motor is a major export item for heavy-electricity products, thanks to the excellent evaluation it enjoys. Under the energy-conservation and carbon abatement policy of governments worldwide, the development of industrial motor centers on high efficiency, environmental protection, and low carbon emission. Due to the trend of energy conservation, carbon abatement, and green environmental protection, as well as the trend of automated industrial production, system automation focus in its development on products featuring high efficiency, energy saving, and precision system control.

System Automation products stand at the terminal in the development of the heavy-electricity industry, offering controlling components for products at the electricity-consumption end. They include control components for motors, including inverter, servo drive, and low-voltage devices for protecting peripherals, products essential to safety in industrial electricity consumption and products for automation and energy conservation.

B. Home-appliances industry

Energy conservation and environment-protection is a major appeal in product development at present. The application of DC inverter duty technology and environment-friendly coolant in home appliances can lead to the achievement of high COP value, which embodies the care of enterprises for “energy conservation” and “environmental protection.” TECO is first domestic firm producing air conditioner featuring R32 coolant. In order to combat global warming, it takes advantage its experience in smart technology and energy conservation in developing energy management system and applies IOT in the entirety of its products successively, in line with the extent of market acceptance.

C. New Energy industry:

a. There are two trends in the development of wind-power turbine: One is large scale and offshore models. 1.5MW and 2MW are mainstream on-shore models, 3MW models are of both on-shore and offshsore usage, while over 3MW models are mainly installed offshore. Various system suppliers have been rolling out models with ever larger capacities. Regarding solar power, the DPP government has been vigorously pushing the development of renewable energy since coming into power, aiming to raise the nation's total PV power capacity to 20GW by 2025, 20 times the existing level (around 0.94GW).

b. Pollution problem of tricycle taxes: The Philippines has 4 million tricycles featuring traditional engines, 200,000 of which in Manila, which account for two thirds of the city's CO2 emission. The Philippine government is joining hands with the private sector in removing the tricycles under a PPP (public-private-partnership) scheme.

5.1.3 Research and Development

A. The company spent NT$1,393,604 thousand on R&D in 2016

a. Industrial Motors Category

1. vertical motor for circulating water pump
2. medium voltage motor for chiller , certificated with VFD(Variable-frequency Drive) by Intertek in North-America
3. high efficiency TEFC(totally enclosed fan cooled) vertical motor
4. ultra-high voltage (up to 13.8kV) ODP(open drip-proof) and WP1&2(weather- proof) motor

b. System Automation Category

1. Functional safety inverter series product development
2. Netcom-type inverter series product development
3. Speed search algorithm development
4. Intelligent brake algorithm development
5. High frequency injection technology development
6. Slim-type servo drive product development
7. EtherCat Communication technology development
8. Online self-adjusting motor parameters technology development
9. Online/Offline controller parameter self-tuning technology development
10. Sync.RM control technology development
11. Sync.RM sensorless control technology Development
12. Development of Flux-weekness control technology for Servo Motor
13. Functional safety technology development
14. Functional safety certification technology development

c. Renewable energy- green energy

1. 5000KW Direct Drive Offshore wind turbine
2. utility electric vehicle

d. Freezing and Air-Conditioning Category

1. High CSPF(Cooling Seasonal Performance Factor) inverter air conditioner (split/multi split)
2. New refrigerant R32 inverter air conditioner
3. Inverter air conditioner with intelligent mobile control
4. Energy-saving inverter refrigerator
5. High EF(Energy Factor) refrigerator
6. Low temperature cabinet cart for delivery service
7. Air conditioner for elevator
8. Intelligent inverter chiller for machine center
9. Thermal cool box for delivery service
10. Intelligent cloud centrifugal chiller
11. Packaged air conditioner
12. Commercial air-cooled split conditioner
13. Multi split VRF(Variable Refrigerant Flow) inverter air conditioner with high CSPF(Cooling Seasonal Performance Factor)

14. High efficiency inverter centrifugal chiller
15. Air handling unit
16. Air conditioner for train

5.1.4 Long-term and Short-term Development

For industrial motor business, the company’s long-term goal is to become the world’s best motor manufacturer. In the short run, with the company’s factories in Wuxi, Jiangxi, Qingdao, Fujian, Japan, Middle East and Turkey, gradually manifesting their benefits, the company will continue its global deployment exploring emerging market, such as Iran, Philippine, Turkey, Africa and India, and involve in new application, such as vessel and motor-trolley. In addition, TECO developed positively in industry low and nedium voltage inverter, servo drive, so that TECO can integrate sales and marketing to create commercial possibilities of energy saving by M (motor) plus D (drive). Under the main trend of global automation production, TECO provides high efficient and energy saving products which are good in machine precision control. TECO also provides control device going well with motor, such as inverter, servo drive and low voltage products which can protect the equipment to satisfiy the requiment of electricity safty, automation and energy saving. TECO sold motor, inverter and control device as single product originally. To respond the trend of IIOT, TECO has started to integrate the selling of electrification, maximize the profit of stategy, and streghthen the customer mastery. Furthermore, TECO can create more potencial opportunity on resource integration, so that reach selling target fastly.

For home appliances, in the long run, the company aspires to become the leading brand in Taiwan and actively penetrate overseas market. Household refrigerators embrace TECO's patented variable-frequency technology, which has been applied to all models with 300L capacity or larger. Develop and market lower-freezing refrigerator as well and plan to roll out mirror-glass refrigerator, in the hope of enhancing the market penetration of TECO's home appliances via new usage habit and brand-new appearance. Regarding commercial air conditioners, acquire the largest chiller contract manufacturer in Taiwan, TECO also developes the market of high end air conditioner for clean room related to medical care and high tech companies. In addition, TECO strategically conbined the main key components of compressor company to involve in the area of low and large voltage inverter VFD centrifugal chiller, so that TECO can make efforts in large infrastructure and grab market share from replacement market. Furthermore, based upon the experience in Taiwan, TECO develop in China and Southeast Asian market positively. As for liquid crystal products, backed by integrated cross-Strait supply chain, the appeal of extensive product lineup and functions/specifications, and stable product quality and supply, actively expand the share of the Taiwanese market. Thanks to enhancement of local people's living standard, proliferation of Internet business, home delivery, and low-temperature products, and urbanization, cold-chain logistics has emerged. According to the study of the Industrial Technology Research Institution, with annual output value of Taiwan's low-temperature foods reaching NT$280 billion, the output value of cold-chain logistics amounts to NT$50 billion, including over NT$8 billion for low-temperature logistics and delivery. With freezing and air-conditioning business, home-delivery business, and IT business under the auspices of TECO Group, TECO can integrate logistics, payment flow, and information flow, thereby tapping the blue-sea market of low-temperature logistics business, which promises handsome potential.

Adhering to the concept of "quality and innovation" and backed by abundance engineering experience in electric machinery of buildings, MRT, and high-speed rail, the power division has spared no effort in soliciting engineering businesses in the fields of large commercial buildings, MRT, and rail. In recent years, the division has managed to land businesses for a number of major projects, including construction of IDC central offices and IDC centers for some cloud-end Internet firms, foraying into the booming cloud-end industry. In addition, it successfully tapped emerging business opportunities for smart energy conservation and overseas markets.

For wind-power business, the company will also start to develop and produce the offshore wind power system for adapting the wind condition in Taiwan. Regarding solar power, in line with the government's policy promoting green energy, the company, in addition to installing PV cells atop its factory buildings, has been vigorously tapping overseas markets, such as the Philippines and Vietnam.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Sales (Service) Region

The company is shipping industrial products to such major regions as America, Europe, Australia, Japan, China and Taiwan, and targets to extend the reach to the Middle East, India and Turkey. Home appliances are shipped mainly to the domestic market, with minor markets including Australia, Southeast Asia, Singapore, and Japan. The company plans to tap the home-appliances markets in China, Vietnam, Indonesia and Turkey. For wind-power products, in addition to the Chinese market, the company is set sight on the markets of Southeast Asia, New Zealand, and Australia, where awareness of clean energy has emerged. For electrical vehicle, Philippines would be the main market, and then extending to other Asean countries. The business mode of PV ESCO is also appropriate to the Asean. So far, solar power generation on Philippine factory's roof is being planned positively.

B. Market Share (%) of Major Product Categories

(1) Industrial Product

The company boasts 50% domestic market share in general purpose sector; regarding overseas market, TECO takes over high market share in North America, South East Asia and Australia. TECO also offers customers custom motor featuring special usage and specifications, with the capacity reaching 30,000 horsepower in induction motors, ranking Top 5 around the world.

(2) Home Appliances and Air Conditioner

The company is one of the top three makers of home appliances and air conditioners in Taiwan, with market share reaching 9% for household air conditioners, 14% for refrigerators, 15% for washing machines, 10% for LCD, and 35% for commercial-use air conditioners.

(3) Wind-power business

The first wind-power turbine was erected in 2010 and got the certification of wind turbine the next year. So far TECO is the biggest wind turbine producer in Taiwn market, meanwhile TECO is the wind turbine producer with high local content. TECO's wind turbine can not only confront typhoon, but also cold and frosty weather, and it is applicable globally.

C. Market Trend of Major Product Categories

(1) Industrial Products

TECO originated from motor production, which has remained a core part of the company's operation, offering the dynamism for Taiwan's industrial development. After years of effort since the company's inception, it has set up various production and marketing bases through the world. It ranks among the world's top five heavy-electrical equipment suppliers and has hit world-class level, in terms of quality, variety, production scale, and sales channel.

The aspect of heavy-electric products, the company will continue intensifying integration of marketing and production, in order to boost market share and cut cost, development new products, and develop, via concerted effort of domestic and overseas companies under the group, OEM markets and emerging markets, in addition to aggressively soliciting orders for domestic and overseas civil-engineering works, so as to achieve the high-growth target. To tap the global business opportunities related to energy conservation and carbon abatement. To adapt to the trend of system sale, TECO lauched transmission system solution of I+M+G (I: Iinverter, M: motor, G: gear reducer), and expects to provide customers with connected sequence of service enhancing customer's satisfication.

(2) Home Appliances

Growth of market demand for home appliances is limited, since they are mature products. In addition to existing products, the company will develop or introduce new products with high added value or key components/parts, such as smart appliance, full seriel of large-size (39” ~65”)4k2k LCD TV, LED TV, inverter refrigerator with high EF value, muti-temperature-layer refrigerator, flexible multi-unit inverter air conditioner, remote-control SAA(Smart Appliance Alliance), energy-saving air conditioner with power consumption display, HEPA(air conditioner with medical level filter), and other home appliances with health appeal. The purpose is to expand sales channel and increase revenue and profit with differentiated products.

Meanwhile, the company has been constantly rolling out new models for industry-use air-conditioning and freezing products, such as package air conditioner, central air conditioning equipment, flooded water chiller, centrifugal water chiller, inverter multi-evaporator VRF air conditioner, and train air conditioner, thereby creating optimal and the most comfortable workplace for domestic and overseas industries. The company also offers various air-conditioning and freezing engineering service with cutting-edge technology, to help with industrial upgrading.

Along with the development of new technologies and the increasing convenience of the Internet, information products have integrated with home appliances, giving birth to information appliances. The company will marry its decades-long experience for home appliances with cutting-edge information technologies of the members of the group in developing information appliances suited to market needs, thereby creating even larger profits for shareholders.

Besides domestic market, the company has also made major inroads into the international market, following years of strenuous effort, especially for LCD TV and air conditioner which have enjoyed very good sales to Southeast Asia, Australia, and Europe. In the future, along with increase in national income and the advent of the information age, the company will continue to launch various even more human-friendly new products, so as to meet market demand.

(3) ECO Energy Business

In line with government policy, eco-energy and southern policy, the company targets Thailand and Vietnam, whose governments support renewable energy and full of wind power, oberving these markets and doing investment evaluation.

Regarding electric vehicle, the company viewes replaceing old vehicles in Philippines with functional electric vehicle as business. Regarding solar power, in line with new government promotes eco-energy, the company raise the ratio of renewable energy to 20%. The company has developed a series of solar power products, including converter, monitor, cooperation with solar module development team, and erecting solar power genertaion system on our rooves. If it is mature in the futhure, the company would not only promote in the domestic market but also Southeast Asia, asuch as the Philippines.

D. Favorable and Unfavorable Factors in the Long-range Future and Countermeasures

(1) Industrial Product

The company’s industrial product has won very good repute, in terms of quality and function, in the industry. It has established a far-reaching operation network on both domestic and overseas fronts, including production and marketing bases in the U.S., China, and Southeast Asia, and marketing offices in Japan, Europe, and Australia. However, rapid change in the business climate and the transformation of economic conditions and industrial structure has posed major challenge to the company’s future development.

Favorable and unfavorable factors for industrial product business, along with countermeasures follow:

a. Favorable factors

- Good brand image
- Higher production scale and market share than peers
- Solid market channel
- Reliable quality

- Complete product lineup
- Huge market potential of the greater China market, for which the company has established a firm foothold in China

b. Unfavorable factors

- Low-price competition from imported products in the domestic market due to WTO membership
- Market saturation leading to price competition among machinery firms and increasingly rigorous demand for price and delivery by buyers
- Transplantation of traditional machinery firms to China and other countries, due to their declining competitiveness and demand of emigrated downstream customers

c. Countermeasures

- Reduce cost, shorten delivery schedule, enhance competitive edge, and boost market share.
- Accelerate new-product development, develop products with high added value, and establish a production system featuring cross-strait division of labor.
- Increase overseas marketing offices and establish an effective service network.
- Strive for emerging business opportunities related to environmental production and energy conservation.
- Join hands with foreign engineering firms in soliciting project orders.

(2) Home Appliances and Air-Conditioning Business

a. Favorable factors

- TECO's home-appliances division has constantly rolled out innovative high-performance products, taking advantage of the company's good brand image, synergy resulting from resource sharing of the group, and its variable-frequency drive technology, which was transformed via re-platform from heavy-electricity variable-frequency drive technology. At the juncture of its 60th anniversary, TECO's home appliances have entered a new era.
- Roll out, one step ahead of peers, around-the-clock service and grasp channel, to augment competitive edge. Establish inverter common platform for products, enabling precision variable-frequency drive for various motor compressors and coordinate the control logics of different products, such as air conditioner, refrigerator, and washing machine, creating dynamism for innovation for the creation of new products and new functions. In addition, commit to the satisfaction of consumers in service quality and stock of materials.
- Dedicate to the pushing of R32 coolant and green manufacturing, becoming the only company producing R32 coolant in Taiwan, safeguarding Taiwan's carbon-repellant environment. For energy conservation and carbon abatement, pioneer the mapping of the blueprint of home-appliances green factory in Taiwan. Put in place a gold-medal dealership system, successfully augmenting the satisfaction of dealers.
- Join "smart home-appliances industry R&D alliance," integrating communications technology of smart home appliances and Internet digital-communications products of emerging products.
- Roll out, leading peers, models with first-grade energy performance conforming to MIT label.
- Pioneer the rollout of cloud-end smart air conditioners, in order to tap IOT (Internet of things) business opportunities.

b. Unfavorable factors

- To over the Japanese myth among Taiwanese people, TECO has no other choice but augment its product technologies and thereby compete with Japan's common models, boosting production cost.

- Home appliances/household air conditioning market has saturated, featuring acute competition and low margin.
- WTO membership entails tariff cuts, bringing in competition from renowned brands of Japan, the U.S., Korea, and China.
- The Taiwanese market is limited in scale and it’s difficult to develop the global branding, due to high expense for marketing own brands and insufficient price competitiveness.
- Competition from hypermarkets and chain sales channels impacts the traditional channel of agents.
- The current of bilateral or regional free-trade agreements in recent years has posed major challenge to Taiwan.

c. Countermeasures

- Make transformation in the direction of the Internet, expand online sales, develop high-performance IoT cloud-end fashion home appliances, dedicate to the pushing of marketing 4.0, so as to appeal to white-collar workers aged under 4.0.
- Expand the professional ability of research and marketing, keep innovation.
- Expand product lineup and cut cost via OEM (original equipment manufacturer) strategic alliance, thereby raising market share.
- Create the edge combining Taiwan's innovation and the large-scale cost advantage of mainland China's hardware, via SKD assembly in China.
- Grasp product development trend in domestic and overseas markets via the operation of product panel and new-product review sessions, thereby introducing innovative products timely.

(3) ECO Business

a. Favorable factors

- The company boasts complete product lineup and cutting-edge technology, capable of meeting the rigorous demands for connection to grid in the future. Its products suit both 50/60Hz, facilitating logistics work and cost control.
- The company has sound communications channel with its affiliates worldwide, enabling it a firm grasp of the latest development in renewable-energy laws/regulations and demands of grids worldwide.
- TECO’s factories are good beginning for the solar power, and they are experience and real result.

b. Unfavorable factors

- Shortage of domestic R&D talents for wind tubine, impeding technological development
- Taiwan’s wavering policy is adverse to long-term decision-making.
- Market of solar power is full of keen competition. The request for quality improves, however request for cost decrease.

c. Countermeasures

- Set up Asian supply chain by utilizing the wind-power production capacity of China, thereby gaining a local edge.
- Take advantage of Taiwan offshore model wind farm, tap technoloty transfer from Europe and integrate domestic component supply chain to develop the technology which can adapt to the unique environment in Tawian Strait.
- Enhance self ability of design and supervise, and manage quality efficiently. Acuire sales result of PV ESCO.

5.2.2 The Production Procedures of Main Products

Industrial Products:

Products	Use	Production Process
High-efficiency motors, single-phase motors, low- and high-voltage 3-phase motors, synchronous motors, explosion-proof motors, brake motors, variable-pole motors, gear-reducing motors, crane motors, high-temperature exhaust gas fan motors, inverter-duty motors, high-thrust motors, steel-cased motors, aluminum-cased motors, eddy-current motors, wound rotor motors, submersible motors, DC motors, ventilation blowers, wind-powered generators.	Provision of power for industrial production	Casting, Stamping, Electrical Engineering, Mechanical Engineering, Design, Planning, Assembly, Integration
Electric vehicle power motioned permanent magnetic motor, Electric vehicle power motioned induction motor, permanent magnetic motor, AC/permanent magnetic servo motor,	Industrial and electric vehicle used	Stamping, Electrical Engineering, Engineering, Magnet, Design, Planning, Assembly, Integration

ECO Energy Products:

Products	Use	Production Process
Wind power system	Energy supply	Power, Control, System integration, Composite materials, Casting, Stamping , Electrical Engineering, Mechanical Engineering, Design, Planning, Assembly, Integration, Shipping, Marine engineering
Solar energy system	Decentralized power supply	Solar energy system

Home Appliances & Air Conditioners:

Products	Use	Production Process
CSPF-first class air conditioner , new environment-friendly coolant inverter duty air conditioner (one to one and VRF type), smart air conditioner, energy-saving inverter duty refrigerator, high EF-value refrigerator, direct-drive inverter duty washing machine, dehumidifier, clothes dryer, small home appliances, home-delivery low-temperature table trolley, elevator air conditioner, cooling device for machine tool, low-temperature logistics freezer, heat-dissipation module for PC	Household, commercial, industrial use	Design, planning, assembly, and peripheral
LED TVs, DVD Players, Recordable DVD players, Stereo Systems	Home Entertainment	Design, Planning, Assembly
Chillers for centralized air-conditioning systems, package air conditioners, split-type air conditioners, inverter multi-evaporator VRF air conditioner, train air-conditioning systems, centrafigual chiller	Commercial, Industrial Applications; Transportation systems	Design, Planning, Assembly, Integration

5.2.3 Major Suppliers and Clients

A. Major Suppliers Information for the Last Two Calendar Years

None

B. Major Clients (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years

None

5.2.4 Production over the Last Two Years

Unit: Units; NT$thousand

Year / Output / Major Products	2015			2016		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Motor	1,343,571	1,195,783	13,353,943	1,343,571	1,074,182	11,569,305
System Automation	12,315,637	7,324,716	4,776,765	12,357,589	8,002,746	4,600,082
Home Appliance	371,130	277,584	4,418,147	361,910	312,567	4,329,808
Others	784,112	784,112	1,851,416	909,935	909,935	3,757,114
Total	14,814,450	9,582,195	24,400,271	14,973,005	10,299,430	24,256,309

5.2.5 Shipments and Sales over the Last Two Years

Unit: Units; NT$thousand

Year / Shipments & Sales / Major Products	2015				2016			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Motor & System Automation	1,444,261	6,068,272	3,101,482	21,191,035	1,538,689	6,578,052	3,393,508	21,142,887
Home Appliacne & Air Conditioner	798,348	7,024,925	118,488	669,282	873,687	7,189,917	105,554	611,487
Construction		2,943,060				2,466,811		
Other		8,787,569		1,914,430		9,567,638		2,367,045
Total	2,242,609	24,823,826	3,219,970	23,774,747	2,412,375	25,802,418	3,499,062	24,121,418

5.3 Human Resources

Year	2015		2016		March 31 2017	
	TECO	Global	TECO	Global	TECO	Global
Number of Employees	2,475	13,261	2,46	14,647	2,404	15,022
Average Age	40.3	37.7	41.1	39.4	41.8	39.3
Average Years of Service	13.5	8.5	14.0	9.4	13.6	9.6
Masters above	15	8.1	15.2	8.0	15.4	7.8
Bachelor’s Degree	50.8	49.7	51.0	49.9	51.1	49.5
Senior High School	27.7	32.5	27.4	31.0	27.1	31.9
Below Senior High School	6.5	9.7	6.4	11.1	6.4	10.8

5.4 Information on Outlays for Environmental Protection

Explain in the recent one year up to the publication of the yearbook, the total amount of the company’s loss (including compensation) from pollution and fines, plus possible outlay from countermeasures.

5.4.1 Loss resulted from polluting environment

None

5.4.2 Countermeasures

A. Improvement measures planned

a. Improvement plan for environmental-protection equipment

Installation of new environmental-protection equipment, waste reduction by strengthening the maintenance of existing equipment and improvement of production process, improvement of workplace, promotion of energy conservation, recycle and reuse of waste water, and reuse of waste materials, so as to prevent emission of pollutants and comply with legal requirements

b. Plan for management improvement

Continue pushing ISO14001 environment management system, pinpoint sections in the operational process (covering the entire product life which includes production, sales, the usage of product, and its disposal) which produce impact on the environment and improve the emission of pollutants, thereby alleviating the environmental impact and augmenting environmental performance.

Continue pushing OHSAS 18001 vocational safety and hygiene management system and the passage of the certification of CNS 15506 by the Council of Labor Affairs; incorporate safety and hygiene management into the corporate management culture; regularly hold environmental-protection and safety/hygiene training, fire-fighting drill and drill emergency response; regularly inspect operating environment and physical examination of employees, so as to lower the hazards of risk of workplace and prevent the occurrence of vocational disaster.

c. Continue pushing the program for checking and reduction greenhouse-gas emission

In response to global climate change, the company began to check greenhouse-gas emission in 2005 and passed external greenhouse gas inspection (ISO 14064-1) in 2012. The company started to push energy-conservation and carbon-abatement program, in 2006, especially power usage in the second category, which has been participated all the factories and staff units. The company has also established energy-conservation task force and hired experts to help with diagnosis and offer advices for the execution of the program.

TECO has been dedicating to the materialization of the strategic vision of “TECO GO ECO,” which calls for the production of energy-saving and environment-friendly products, via efforts in the fields of R&D, production, materials, process technology, and marketing. We also focus on green energy in business expansion and even organize various sci-tech and humanistic events via the foundation, in order to substantiate eco value and induce the company to develop in the direction of sustainability.

d. TECO Corporate Social Responsibility Report

Sustainable development for enterprise is an indispensable mindset for corporate management in the new century. At the time when enterprises are facing rigorous challenges, they need to rethink the direction and strategy for their sustainable development and manifest their management performance via report on corporate social responsibilities. The report covers information on the three major aspects of economy, society, and environment, so as to improve external image and help communicate with stakeholders. Corporate social reponsibility is the fifth information report unrelated to financial performance publicized by TECO in 2014, with the purpose of manifesting the company’s methods, achievements, and related strategies and goals of the company in fulfilling social responsibilities in a transparent and open manner for the social public and stakeholders. The report mainly covers various acts and performance figures concerning corporate governance, environmental protection, social participation, and concern for employees, clients, and consumers.

e. Projected capital outlay for environmental protection in the next three years

(a)Planned procurement of anti-pollution equipment and outlays

i. Plans in next three years

2017	2018	2019
Maintenance, improvement, or installation of air pollution-abatement equipment	Maintenance, improvement, or installation of air pollution-abatement equipment	Examination and founding of gas storage tank and heavy oil steam boiler. Improving surroundings.
Replacement of the consumption materials of activated carbon, filtering net, and filtering ball	Replacement of the consumption materials of activated carbon, filtering net, and filtering ball	Maintenance, improvement, or installation of air pollution-abatement equipment
Installation of energy-saving light and light-pervious window awning	Installation of energy-saving light and light-pervious window awning	Replacement of the consumption materials of activated carbon, filtering net, and filtering ball
Clean caking of oil in kitchen	Clean caking of oil in kitchen	Installation of energy-saving light and light-pervious window awning
Improvement of waste-water equipment	Improvement of waste-water equipment	Pipeline for waste-water

ii. Projected outlays (Unit: NT$thousand)

2017	2018	2019
$ 35,568	$ 53,280	$ 27,632

(b) Expected improvements

i. Cut emission of air pollutants and waste water to the level in compliance with legal requirement.

ii. Push cut on industrial waste by reducing output of waste materials, strengthening mechanism for the recycle of waste materials, implementing control for emission reduction.

iii. Establish energy-conservation and carbon-abatement task force, which will pinpoint equipment with larger energy consumption and areas with higher power consumption, as well as formulate feasible energy conservation programs after consulting experts/scholars and push their execution, thereby slashing carbon emission.

iv. Push to cut emission of greenhouse gas and dedicate to the development of energy-conserving environment-friendly products, to alleviate the impact on the environment and fulfill corporate social responsibility.

v. Install high-efficiency power-saving lighting to enhance the efficiency of existing lighting equipment and adopt proper power deployment and control circuit to save power.

vi. Carry out risk evaluation for workplace, so as to assure the provision of a safe workplace.

f. Expected effect of improvement

(a) Effect on net profits

i. Avoidance of loss from fines

ii. Avoidance of loss from suspension of operation

iii. Avoidance of disputes for environmental pollution

iv. Cut production cost via reduction of environmental-protection outlays, thanks to waste abatement and pollution prevention.

(b) Effect on competitiveness status

i. Augment the corporate image and meet the expectation of related parties.

ii. Comply with the global environmental-protection current, avoid trade barriers, and boost sales opportunities.

B. Failure to adopt countermeasures

a. Failure to adopt improvement measures: Nil

b. State of pollution: Nil

c. Possible loss and compensation amount: Nil

5.4.3 Workplace and Protection Measures for the Personal Safety of Employees

A. The safety and hygiene management system was vertified and passage of performance certification.

The safety and hygiene management system of various plants (Plant Chung-Li, Plant Kuan-Yin, and Plant Hu-Kou) has passed the “OHSAS 18001,” “Taiwan Occupational Safety & Health Management Sysytem (CNS15506),” and its following check.

B. Special environmental-protection and safety/hygiene units are presented at the headquarters, every department, and factory.

Complying with “Enforcement Rules of the Occupational Safety and Health Act”, specialized units and staffers are instituted to handle affairs related to environmental protection and safety/hygiene and practices related to safety/hygiene affairs are carried out regularly, according to legal requirement.

C. Environmental-protection and safety/hygiene training are conducted regularly:

New employees and employees shifted to new positions must undertake safety/hygiene training courses, whose duration and contents comply with legal requirement. Only trained personnel with necessary licenses can operate dangerous machines or equipment, such as overhead traveling crane, forklift, organic solvent, boiler, and high-pressure gases. Specialized staffers or technicians all must undertake retraining regularly.

D. Workplace safety

In addition to the Occupational Safety and Health Act for machinery equipment and norms for use and safe utilization of personal protective gears, the company has managerial staffers carry out safety inspection regularly, to assure compliance by employees to safety norms in their operation and detect points of further improvement, thereby fostering the safety awareness among all employees and achieve safety protection better than legal requirement, to assure safety of workplace.

E. Pushing Globally Harmonized System of Classification & Labeling of Chemicals

To highlight dangerous and hazardous substances, safety labels for materials have been installed in workplaces, where updated information on safety data sheet (SDS) is available as reference for employees. Change in raw materials and production process cannot be made before the review, collection of information on safety data sheet (SDS), and completion of training of related employees in accordance with the company’s management measures.

F. Detection of operating environment

According to “Enforcement Measures for Detecting Laborers’ Operating Environment,” detect the operating environment for chemical and physical elements, with the former including carbon dioxide, dust particle, and organic solution, and the latter including noise and overall temperature index. Entrust qualified operating-environment detecting institutions to carry out the detection periodically, to assure compliance of the operating environment with law/regulation.

G. Fire-fighting drill and emergency-response drill for special workplaces are held regularly:

Ordinary fire-fighting drill takes place every half a year and covers such training items as team organization, practice, response to emergency, and post-accident handling. Emergency-response drill for special workplaces is conducted every year, in order to train employees’ capability in handling accidents.

H. Health care and management

Employee health is the largest assets of the company. The Company respectively exercised health examination for regular task and special dangerous task acoording to “Labr Safety and Health Act”. Organize health classes, publicize health information and organize health-improvement activities. Continue pushing employees to stress self-health management and create a safe and comfortable working environment, so as to enhance employees’ health and physical strength and further extend the concept to their families.

I. Carry out the event of environmental-protection and industrial-safety month

TECO carries out the event of environmental-protection and industrial-safety month in June and August every year, consisting of various activities, including hanging of event banners and posting of posters on environmental protection and industrial safety, holding of training on environmental protection and industrial safety and awarded answers for questions, a blending of education and fun for all staffers, so as to augment staffers' knowledge of environmental protection and industrial safety and arouse their awareness of environmental protection and industrial safety, on top of plant inspection by external experts, for enhancing the performance for the execution of environmental protection and industrial safety.

5.5 Labor Relations

5.5.1 The company's various employee welfare measures, advanced study, training, and retirement system, along with their execution, as well as labor-management agreements and various employee-benefit protection measures follow:

A. Employee welfare measures

The company has high regard for employee welfare and work safety constantly, as evidenced by the setup of employee welfare committee back in 1964, which handles various employee welfare measures, so that employees can share the profits of the company. The company's welfare measures follow:

a. Employee welfares provided by the company

(a) Marriage and funeral subsidy

(b) Physical examination for employees

(c) Company uniform

(d) Dividend sharing and stock option

(e) Year-end bonus

(f) Pension fund

(g) Meal subsidy

(h)Labor insurance, health insurance, group insurance, pension hand over and accident insurance

(i) Preferential rates for purchase of the company's products

b. Welfare measures provided by the employee welfare committee

(a) Subsidy for travel, marriage, funeral, and hospitalization

(b) Group parties

(c) Birthday gift

(d) Childbirth subsidy

(e) Gifts for three major festivals

(f)Scholarship for employees' children

(g)Other employee welfares

B. Advanced study, education, and training

The company appropriates 0.1% of its annual revenue for employee training, which is included in the annual corporate plan, holding regular courses on professional and management knowledge for employees at various positions and cultivating excellent talents with aggressive working attitude and innovative concept, according to training plans for various stages for their career.

In 2016, the company held courses on executive training, common knowledge, professional capability, and company policy, which boasted 13,329 persons of attendance, on top of 163 persons of attendance for outside courses. Every employee received 19.75 hours of training on average.

C. Retirement system and its implementation

The company has formulated "measures for labor retirement," in compliance with legal requirements, according to which the company appropriate a certain amount of fund to be deposited into a specialized account at the Central Trust of China for care of employees after their retirement. For employees who embrace labor-pension system after July 1, 2005, the company appropriates a sum equivalent to 6% of their monthly pays, set according to an official pay scale, to their individual accounts at the Labor Insurance Bureau every month.

D. Labor-management agreements and protection measures for employee benefits

The company has enjoyed harmonious labor-management relationship, thanks to open-minded management style of executives and the understanding of company policy by laborers.

The company set up TECO employee welfare committee in April 1964, in charge of various employee welfare affairs, which was followed by the establishment of TECO labor union in July, 1974. In March 1980, the company's factories initiated labor-management meeting, in order to boost working efficiency, improve labor conditions, and bridge the opinions of management and labor. The company has reported to the regulator for the establishment of those organizations, which have been functioning normally over the past years.

To safeguard the interests of both labor and management and assure their harmonious relationship, the company signed a group contract with representatives of the labor union on December 28, 1981, which was then forwarded to and approved by the regulator.

In 1999, the company was granted the "national good labor-management relationship business award" and "exemplary labor-management meeting award" by the Council of Labor Affairs and the "good labor-management relationship award" by the Taoyuan County government. In 2009, it passed the certification for healthy workplace by the Bureau of Health Promotion and in 2010 it was granted the award of "national manpower innovation" by the Council of Labor Affairs and "excellent award for healthy workplace" by Taipei city government, in 2012 it was awarded "2012 Corporate Citizen Award" by Common Wealth and was awarded "Happy Corporate Award" by Taiwan City Government in 2013, as well as "Employment Award" by Taoyuan County in 2015, in acknowledgement of the company's effort in achieving a harmonious and co-prosperous relationship between labor and management.

E. Guidelines for employee behavior or ethics

a. To uphold the working order at workplace and clearly define the rights and obligations of labor and management, the company has formulated "employee working rules," which has been approved by the regulator and publicized as the guidance for the company in employee management. The rules set out clear regulations on employees' position, title, employment, leave, service, salary, reward and punishment, evaluation, promotion, welfare, layoff, compensation for vocational injuries, and retirement. The company expects every employee to do his/her best to contribute to the achievement of the company's business goal and enhance his/her ethical standard. It, therefore, has formulated "behavioral guidelines," with major contents including:

(a) The staff in the implementation of the company's business, should avoid by means of its position in the company as of to themselves, spouse, parent, child or any other person to obtain improper benefits.

(b) The company's internal information (or information related to the company's interest or business), be it in the aspect of technology, finance, or business, is the company's business secret, for which employees have the obligation of confidentiality and cannot leak it to any outside party. In addition, after leaving the company, employees still have to abide by the confidentiality obligation according to the principle of integrity and refrain from leaking the company's secrets or utilize them in engaging in illegal competition.

(c) Stake with customers: Employees should obey the lawand related regulation of the company to avoid inappropriate present under any other's name or in any way. Trading with customers and suppliers sincerely fairly and transparently with steady, professional attitude.

(d) Political donation: Employees should not donate to or sponsor via other means political candidates under the name of the company or its affiliated institutions.

(e) Charitable donation: When making any charitable donation or sponsorship, staffers should check the outlet and purpose of such donation and sponsorship to make sure it doesn't become bribery in disguise.

(f) Obligation of reporting and informing: The company encourages open communication with staffers and third parties, who can report or inform management or human-resources unit for any question, finding, unfair treatment at worksites, or violation of the guidelines, without vicious fabrication, though. The company will handle such reporting or informing confidentially and protect those who take part in the investigation.

Subjects of the reporting or informing should not revenge or threaten the informants, who can report any revenge, threat, or harassment to human-resources unit upon which the company will act instantly.

5.5.2 Status of the company's staffers related to financial-information transparency in securing certificates designated by the regulator.

License	Number of People	
	Financial Accounting	Auditing
CPA	4	
US CPA	1	
CFA	2	
CIA	0	2
Investment trust and consulting representative	5	

5.5.3 The company had not incurred any loss from labor-management dispute as of the date for the publication of the annual report and expects no such loss in the future.

5.6 Important Contracts

Agreement	Counterparty	Period	Major contents	Restrictions
1. Agency contract	Top-Tower Enterprises Co., Ltd. and others, totaling 617 companies	One year after the starting of shipment, should any party fail to notify contrary opinion three months before the ending of the contract, the contract will be extended by one year automatically, an arrangement which will be repeated afterwards.	Rights and obligations for agency for home appliances, electric motor, and air conditioners.	Nil
2. Investment Agreement	Management Board of New Distriction, Wuxi Govement	Since April 30,2015 to December 31, 2016	Investment of Die-cast Center	Nil

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Balance Sheet

A. Condensed Balance Sheet-IFRS

Unit: NT$thousand

Item \ Year		Five-Year Financial Summary					Year-to-date 2017.3.31
		2012	2013	2014	2015	2016	
Current assets		12,946,119	12,500,840	12,849,769	10,117,285	10,599,153	N/A
Fixed assets		3,600,750	3,592,858	3,959,960	3,877,206	3,643,822	
Intangible assets		0	0	0	0	0	
Other assets		41,361,194	43,687,688	51,317,452	53,603,223	55,941,655	
Total assets		57,908,063	59,781,386	68,127,181	67,597,714	70,184,630	
Current liabilities	Before distribution	8,120,862	8,515,760	9,362,494	12,426,835	9,029,583	
	After distribution	9,987,512	10,718,722	11,565,456	14,028,989	Note 1	
Long-term liabilities		12,612,512	8,402,192	9,493,858	7,706,837	11,423,480	
Total liabilities	Before distribution	20,733,374	16,917,952	18,856,352	20,133,672	20,453,063	
	After distribution	22,600,024	19,120,914	21,059,314	21,735,826	Note 1	
Equity attriubutable to owners of parent		37,174,689	42,863,434	49,270,073	47,464,042	49,731,567	
Capital stock		18,490,969	20,026,929	20,026,929	20,026,929	20,026,929	
Capital surplus		5,881,995	7,493,180	7,600,552	7,638,417	7,671,889	
Retained earnings	Before distribution	14,768,524	16,606,382	18,444,591	19,363,279	21,187,539	
	After distribution	12,901,874	14,403,420	16,241,629	17,761,125	Note 1	
Other equity interest		(1,645,960)	(941,494)	3,519,564	756,980	1,166,773	
Treasury Stocks		(320,839)	(321,563)	(321,563)	(321,563)	(321,563)	
Non-Controlling Interest		0	0	0	0	0	
Total shareholders' equity	Before distribution	37,174,689	42,863,434	49,270,073	47,464,042	49,731,567	
	After distribution	35,308,039	40,660,472	47,067,111	45,861,888	Note 1	

Note 1: Earnings allocation has not yet to be passed by shareholders' meeting.

B. Condensed Balance Sheet-IFRS

Unit: NT$thousand

Item \ Year		Five-Year Financial Summary 2012	2013	2014	2015	2016	Year-to-date 2017.3.31
Current assets		37,027,731	40,843,355	43,275,334	42,292,402	45,296,310	43,896,669
Fixed assets		14,544,940	15,132,587	14,569,687	15,018,217	18,463,450	18,172,139
Intangible assets		74,087	320,236	174,250	5,541,844	5,636,766	5,134,583
Other assets		20,559,306	20,593,875	24,693,774	21,581,789	22,977,430	24,010,560
Total assets		72,206,064	76,890,053	82,713,045	84,434,252	92,373,956	91,213,951
Current liabilities	Before distribution	17,682,039	19,983,776	18,075,827	22,715,038	17,507,668	22,693,357
	After distribution	19,548,689	22,186,738	20,278,789	24,317,192	Note 1	Note 1
Long-term liabilities		15,238,335	10,182,303	11,348,496	10,286,710	17,690,568	17,484,928
Total liabilities	Before distribution	32,920,374	30,166,079	29,424,323	33,001,748	34,992,596	35,296,204
	After distribution	34,787,024	32,369,041	31,627,285	34,603,902	Note 1	Note 1
Equity attriubutable to owners of parent		37,174,689	42,863,434	49,270,073	47,464,042	49,731,567	50,190,811
Capital stock		18,490,969	20,026,929	20,026,929	20,026,929	20,026,929	20,026,929
Capital surplus		5,881,995	7,493,180	7,600,552	7,638,417	7,671,889	7,673,407
Retained earnings	Before distribution	14,768,524	16,606,382	18,444,591	19,363,279	21,187,539	21,726,061
	After distribution	12,901,874	14,403,420	16,241,629	17,761,125	Note 1	Note 1
Other equity interest		(1,645,960)	(941,494)	3,519,564	756,980	1,166,773	1,085,977
Treasury Stocks		(320,839)	(321,563)	(321,563)	(321,563)	(321,563)	(321,563)
Non-Controll Interesting	Before distribution	2,111,001	3,860,540	4,018,649	3,968,462	5,992,976	6,030,544
	After distribution	2,111,001	3,860,540	4,018,649	3,968,462	Note 1	Note 1
Total shareholders' equity	Before distribution	39,285,690	46,723,974	53,288,722	51,432,504	55,724,543	56,221,355
	After distribution	37,419,040	44,521,012	51,085,760	49,830,350	Note 1	Note 1

Note 1: Earnings allocation has not yet to be passed by shareholders' meeting.
Note 2: Financial data (consolidated) as of March 31, 2017 had been audited by certified public accountants.

C.Consolidated Condensed Balance Sheet-GAAP

Unit: NT$thousand

Item \ Year		Five-Year Financial Summary				
		2012	2013	2014	2015	2016
Current assets		13,221,379				
Funds and Investment		38,932,580				
Fixed assets		3,495,068				
Intangible assets		0				
Other assets		2,286,752				
Total assets		58,666,543				
Current liabilities	Before distribution	8,510,598				
	After distribution	10,377,248				
Long-tem liabilities		10,101,577				
Other liabilities		1,834,253				
Total liabilities	Before distribution	20,446,428				
	After distribution	22,313,078		N/A		
Capital stock		18,490,969				
Capital surplus		5,919,258				
Retained earnings	Before distribution	11,534,303				
	After distribution	9,667,653				
Unrealized gain or loss on financial instruments		(438,596)				
Cumulative translation adjustment		715,660				
Unrecognized Pension Cost		(310,486)				
Total shareholders' equity	Before distribution	38,220,115				
	After distribution	36,353,465				

D. Consilidated Condensed Balance Sheet-GAAP

Unit: NT$thousand

Item \ Year		Five-Year Financial Summary 2012	2013	2014	2015	2016
Current assets		37,510,159	N/A			
Funds and Investment		16,561,132				
Fixed assets		14,859,315				
Intangible assets		77,008				
Other assets		3,178,470				
Total assets		72,407,417				
Current liabilities	Before distribution	17,631,665				
	After distribution	19,498,315				
Long-tem liabilities		11,254,142				
Other liabilities		3,059,839				
Total liabilities	Before distribution	31,945,646				
	After distribution	33,812,296				
Capital stock		18,490,969				
Capital surplus		5,919,258				
Retained earnings	Before distribution	11,534,303				
	After distribution	9,667,653				
Unrealized gain or loss on financial instruments		(438,596)				
Cumulative translation adjustment		715,660				
Unrecognized Pension Cost		(310,486)				
Total shareholders' equity	Before distribution	40,461,771				
	After distribution	38,595,121				

6.1.2 Condensed Statement of Income

A. Condensed Statement of Income-IFRS

Unit: NT$thousand

Year / Item	Five-Year Financial Summary					Year-to-date 2016.3.31
	2012	2013	2014	2015	2016	
Operating revenue	25,461,139	25,604,449	24,256,762	21,809,717	20,274,047	
Gross profit	5,219,877	5,182,344	5,374,654	4,846,552	4,739,556	
Income from operations	1,822,367	1,712,416	1,949,849	1,617,491	1,615,152	
Non-operating income & expenses	1,605,995	2,432,127	2,497,774	1,888,953	2,007,272	
Income from operations of continued segments - before tax	3,428,362	4,144,543	4,447,623	3,506,444	3,622,424	
Income from operations of continued segments - after tax	3,079,802	3,759,872	4,062,960	3,177,291	3,481,480	
Income from discontinued departments	0	0	0	0	0	
Net income	3,079,802	3,759,872	4,062,960	3,177,291	3,481,480	
Other Comprehensive Income for the year Other Comprehensive Income for the year	(366,201)	704,547	4,385,963	(2,818,225)	354,727	N/A
Total Comprehensive Income for the year	2,713,601	4,464,419	8,448,923	359,066	3,836,207	
Total Comprehensive Income for the year profit (loss) attributable to owners of parent	3,079,802	3,759,872	4,062,960	3,177,291	3,481,480	
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest	0	0	0	0	0	
Extraordinary gain or loss	2,713,601	4,464,419	8,448,923	359,066	3,836,207	
Cumulative effect of accounting principle changes	0	0	0	0	0	
Earnings per share	1.69	2.01	2.05	1.60	1.76	

B. Consoladated Condensed Statement of Income-IFRS

Unit: NT$thousand

Item \ Year	Five-Year Financial Summary					Year-to-date 2017.3.31 (Note 1)
	2012	2013	2013	2014	2016	
Operating revenue	48,730,193	56,618,537	53,820,604	48,598,573	49,923,836	11,916,183
Gross profit	11,449,961	13,484,726	13,377,967	12,400,311	13,134,395	2,991,296
Income from operations	3,829,058	4,625,594	4,396,971	3,787,627	4,189,481	898,656
Non-operating income & expenses	579,684	777,890	1,306,964	775,644	743,810	(54,747)
Income from operations of continued segments - before tax	4,408,742	5,403,484	5,703,935	4,563,271	4,933,291	843,909
Income from operations of continued segments - after tax	3,326,446	4,177,256	4,406,231	3,514,116	4,036,998	635,037
Income from discontinued departments	0	0	0	0	0	0
Net income	3,326,446	4,177,256	4,406,231	3,514,116	4,036,998	635,037
Other Comprehensive Income for the year	(482,503)	774,035	4,593,197	(2,953,958)	323,292	(108,311)
Total Comprehensive Income for the year	2,843,943	4,951,291	8,999,428	560,158	4,360,290	526,726
Total Comprehensive Income for the year profit (loss) attributable to owners of parent	3,079,802	3,759,872	4,066,924	3,177,291	3,481,480	535,809
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest	246,644	417,384	339,307	336,825	555,518	99,228
Extraordinary gain or loss	2,713,601	4,464,419	8,456,178	359,066	3,836,207	457,726
Cumulative effect of accounting principle changes	130,342	486,872	543,250	201,092	524,083	69,000
Earnings per share	1.69	2.01	2.06	1.60	1.76	0.27

Note 1: Financial data (consolidated) as of March 31, 2017 had been audited by certified public accountants.

C. Condensed Statement of Income-GAAP

Unit: NT$thousand

Item \ Year	Five-Year Financial Summary				
	2012	2013	2014	2015	2016
Operating revenue	25,461,139	N/A			
Gross profit	5,190,315				
Income from operations	1,754,248				
Non-operating income	2,023,454				
Non-operating expenses	463,902				
Income from operations of continued segments - before tax	3,313,800				
Income from operations of continued segments - after tax	2,964,701				
Income from discontinued departments	-				
Extraordinary items	-				
Cumulative effect of change in accounting principle	-				
Net income	2,964,701				
Earnings per share	1.63				

D. Consolidated Statement of Income-GAAP

Item \ Year	Five-Year Financial Summary				
	2012	2013	2014	2015	2016
Operating revenue	48,730,193	N/A			
Gross profit	11,421,622				
Income from operations	3,754,345				
Non-operating income	1,322,586				
Non-operating expenses	783,872				
Income from operations of continued segments - before tax	4,293,059				
Income from operations of continued segments - after tax	3,211,345				
Income from discontinued departments	0				
Extraordinary items	0				
Cumulative effect of change in accounting principle	0				
Net income	3,211,345				
Earnings per share	1.63				

6.1.3 Auditors' Opinions from 2011 to 2015

Year	CPA Firm	CPA's Name	Auditing Opinion
2016	PricewaterhouseCoopers, Taiwan	Audrey Tseng Dexter Chang	Unqualified Opinion
2015	PricewaterhouseCoopers, Taiwan	Audrey Tseng Dexter Chang	Modified Unqualified Opinion
2014	PricewaterhouseCoopers, Taiwan	Audrey Tseng Dexter Chang	Modified Unqualified Opinion
2013	PricewaterhouseCoopers, Taiwan	Audrey Tseng, Albert Hsueh	Modified Unqualified Opinion
2012	PricewaterhouseCoopers, Taiwan	Ping-Chiun Chih, Audrey Tseng	Modified Unqualified Opinion

6.2 Five-Year Financial Analysis

6.2.1 Five-Year Financial Analysis-IFRS

Item \ Year		Financial analysis in the past five years					Year-to-date 2017.3.31
		2012	2013	2014	2015	2016	
Financial structure (%)	Ratio of liabilities to assets	35.80	28.30	27.75	29.78	29.14	N/A
	Ratio of long-term capital to fixed assets	1,312.96	1,356.54	1,417.72	1,354.68	1,603.47	
Solvency (%)	Current ratio	159.42	146.80	137.25	81.41	117.38	
	Quick ratio	103.50	98.40	93.80	51.71	71.64	
	Times interest earned ratio	32.93	43.16	47.76	31.27	30.34	
Operating ability	Accounts receivable turnover (turns)	5.05	5.56	6.64	5.24	5.01	
	Average collection period	72.28	65.65	54.97	69.66	72.85	
	Inventory turnover (turns)	5.28	5.67	5.41	5.20	4.89	
	Accounts payable turnover (turns)	3.83	4.02	3.68	3.71	3.50	
	Average days in sales	69.13	64.37	67.47	70.19	74.64	
	Fixed assets turnover (turns)	7.04	7.12	6.42	5.57	5.39	
	Total assets turnover (turns)	0.43	0.44	0.38	0.32	0.29	
Profitability	Return on total assets (%)	5.39	6.53	6.48	4.82	5.20	
	Return on stockholders' equity (%)	8.41	9.40	8.83	6.57	7.16	
	Ratio of pre-tax income to issued capital (Note7)	18.56	21.10	22.23	17.51	18.09	
	Profit ratio (%)	12.10	14.68	16.77	14.57	17.17	
	Earnings per share ($)	1.69	2.01	2.06	1.60	1.76	
Cash flow	Cash flow ratio (%)	45.48	36.44	32.69	21.81	25.78	
	Cash flow adequacy ratio (%)	105.88	126.35	98.75	86.16	81.11	
	Cash reinvestment ratio (%)	3.47	1.96	1.27	0.80	1.03	
Leverage	Operating leverage	3.48	3.80	3.40	3.68	3.49	
	Financial leverage	1.06	1.06	1.05	1.08	1.08	

Explain changes in various financial rates, as well as reasons, in recent two years.

A. Current ratio and quick ratio rose, due to short term loan this year is lower than last year.

B. Reinvestment/cash ratio rose, due to cash dividend was less than last year.

6.2.2 Consoladated Five-Year Financial Analysis-IFRS

Item	Year		2012	2013	2014	2015	2016	Year-to-date 2017.3.31 (Note1)
			Financial analysis in the past five years					
Financial structure (%)	Ratio of liabilities to assets		45.59	39.23	35.68	39.09	39.68	38.36
	Ratio of long-term capital to fixed assets		344.41	348.24	408.75	377.76	369.12	377.70
Solvency (%)	Current ratio		209.41	204.38	238.59	186.19	238.92	250.73
	Quick ratio		140.67	142.12	168.66	129.42	170.96	176.74
	Times interest earned ratio		23.89	33.85	27.07	22.99	19.47	14.63
Operating ability	Accounts receivable turnover (turns)		5.21	5.55	5.15	4.62	4.37	4.21
	Average collection period		70.06	65.77	70.87	79.00	83.52	86.70
	Inventory turnover (turns)		3.21	3.61	3.28	2.90	2.98	2.97
	Accounts payable turnover (turns)		4.78	5.47	5.15	4.99	5.03	4.78
	Average days in sales		113.71	101.11	111.28	125.86	122.48	122.90
	Fixed assets turnover (turns)		3.31	3.82	3.60	3.29	2.98	2.60
	Total assets turnover (turns)		0.68	0.76	0.67	0.58	0.56	0.52
Profitability	Return on total assets (%)		4.88	5.79	5.75	4.41	4.82	2.99
	Return on stockholders' equity (%)		8.64	9.71	8.82	6.71	7.53	4.54
	Ratio to issued capital (%) (Note7)	Pre-tax income	23.87	27.50	28.48	22.79	24.63	16.86
	Profit ratio (%)		6.83	7.38	8.19	7.23	8.09	5.33
	Earnings per share ($)		1.69	2.01	2.05	1.60	1.76	0.27
Cash flow	Cash flow ratio (%)		31.81	31.23	26.38	24.40	25.58	36.84
	Cash flow adequacy ratio (%)		96.85	142.40	111.64	118.38	117.84	148.81
	Cash reinvestment ratio (%)		5.40	5.55	3.03	3.86	3.26	6.46
Leverage	Operating leverage		4.28	3.42	3.56	3.79	3.57	4.52
	Financial leverage		1.05	1.04	1.05	1.06	1.07	1.07

Explain changes in various financial rates, as well as reasons, in recent two years.

a.Current ratio and quick ratio rose, due to short term loan this year is less than last year.

Note 1: Financial data (consolidated) as of March 31, 2017 had been audited by certified public accountants.

6.2.3 Five-Year Financial Analysis-GAAP

<table>
<tr><th colspan="3" rowspan="2">Year
Item</th><th colspan="5">Financial analysis in the past five years</th></tr>
<tr><th>2012</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th></tr>
<tr><td rowspan="2">Financial structure (%)</td><td colspan="2">Ratio of liabilities to assets</td><td>34.85</td><td colspan="4" rowspan="22">N/A</td></tr>
<tr><td colspan="2">Ratio of long-term capital to fixed assets</td><td>1,382.57</td></tr>
<tr><td rowspan="3">Solvency (%)</td><td colspan="2">Current ratio</td><td>155.35</td></tr>
<tr><td colspan="2">Quick ratio</td><td>102.00</td></tr>
<tr><td colspan="2">Times interest earned ratio</td><td>31.86</td></tr>
<tr><td rowspan="7">Operating ability</td><td colspan="2">Accounts receivable turnover (turns)</td><td>4.83</td></tr>
<tr><td colspan="2">Average collection period</td><td>75.56</td></tr>
<tr><td colspan="2">Inventory turnover (turns)</td><td>4.73</td></tr>
<tr><td colspan="2">Accounts payable turnover (turns)</td><td>3.84</td></tr>
<tr><td colspan="2">Average days in sales</td><td>77.16</td></tr>
<tr><td colspan="2">Fixed assets turnover (turns)</td><td>7.24</td></tr>
<tr><td colspan="2">Total assets turnover (turns)</td><td>0.43</td></tr>
<tr><td rowspan="6">Profitability</td><td colspan="2">Return on total assets (%)</td><td>5.15</td></tr>
<tr><td colspan="2">Return on stockholders' equity (%)</td><td>7.87</td></tr>
<tr><td rowspan="2">Ratio to issued capital (%)</td><td>Operating Profit</td><td>9.50</td></tr>
<tr><td>Pre-tax income</td><td>17.94</td></tr>
<tr><td colspan="2">Profit ratio (%)</td><td>11.64</td></tr>
<tr><td colspan="2">Earnings per share ($)</td><td>1.63</td></tr>
<tr><td rowspan="3">Cash flow</td><td colspan="2">Cash flow ratio (%)</td><td>43.39</td></tr>
<tr><td colspan="2">Cash flow adequacy ratio (%)</td><td>105.88</td></tr>
<tr><td colspan="2">Cash reinvestment ratio (%)</td><td>3.51</td></tr>
<tr><td rowspan="2">Leverage</td><td colspan="2">Operating leverage</td><td>5.62</td></tr>
<tr><td colspan="2">Financial leverage</td><td>1.07</td></tr>
</table>

Explain reasons for changes in various financial ratios in the recent two years: N/A

6.2.4 Consoladated Five-Year Financial Analysis-GAAP

Item			Financial analysis in the past five years (Year)				
			2012	2013	2014	2015	2016
Financial structure (%)	Ratio of liabilities to assets		44.12				
	Ratio of long-term capital to fixed assets		348.04				
Solvency (%)	Current ratio		212.74				
	Quick ratio		141.08				
	Times interest earned ratio		23.29				
Operating ability	Accounts receivable turnover (turns)		5.21				
	Average collection period		70.06				
	Inventory turnover (turns)		3.21				
	Accounts payable turnover (turns)		4.79				
	Average days in sales		113.71				
	Fixed assets turnover (turns)		3.24				
	Total assets turnover (turns)		0.68		N/A		
Profitability	Return on total assets (%)		4.72				
	Return on stockholders' equity (%)		8.11				
	Ratio to issued capital (%)	Operating Profit	20.33				
		Pre-tax income	23.24				
	Profit ratio (%)		6.59				
	Earnings per share ($)		1.63				
Cash flow	Cash flow ratio (%)		32.02				
	Cash flow adequacy ratio (%)		98.00				
	Cash reinvestment ratio (%)		5.47				
Leverage	Operating leverage		3.57				
	Financial leverage		1.05				

Explain reasons for changes in various financial ratios in the recent two years: N/A

6.3 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

VII. Review of Financial Status, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NT$thousand

Item \ Year	2016/12/31	2015/12/31	Difference		Remark
			Amount	%	
Current Assets	$45,296,310	$42,292,402	3,003,908	7	
Fixed Assets	18,463,450	15,018,217	3,445,233	23	Note 1
Intangible Assets	5,636,766	5,541,844	94,922	2	
Other Assets	22,977,430	21,581,789	1,395,641	6	
Total Assets	92,373,956	84,434,252	7,939,704	9	
Current Liabilities	18,958,845	22,715,038	(3,756,193)	(17)	Note 2
Long-term Liabilities	17,690,568	10,286,710	7,403,858	72	Note 3
Total Liabilities	36,649,413	33,001,748	3,647,665	11	
Equity attriubutable to owners of parent	49,731,567	47,464,042	2,267,525	5	
Capital stock	20,026,929	20,026,929	0	0	
Capital surplus	7,671,889	7,638,417	33,472	0	
Retained Earnings	21,187,539	19,363,279	1,824,260	9	
Other Comprehensive Income for the year	845,210	435,417	409,793	94	Note 4
Non Controlling Interest	5,992,976	3,968,462	2,024,514	51	Note 5
Total Stockholders' Equity	55,724,543	51,432,504	4,292,039	8	

Note 1: Reason for increased fixed assets: because of adding new entity, Century Development, acquired in 2016.

Note 2: Reason for decreased Current Liabilities: The main reason is that repaying Formosa bond due within one year

Note 3: Reason for increased Long-term Liabilities: Contribution of New entity, Century Development

Note 4: Reason for increased Other Comprehensive Income for the year and comprehensive income attributable to owners of the parent and total stockholders' equity: The market price of investing target rose, therefore the adjustment of unrealized income and cumulative translation increased.

Note 5: Reason for increased Non Controlling Interest: because of New entity, Century Development, shareholding ratio is 52.75%, the rest 47.25% is Non Controlling Interest

7.2 Analysis of Operating Results

7.2.1 Operating Results

Unit: NT$thousand

Item / Year	2016	2015	Difference Amount	Difference %	Remark
Sales Revenue	49,923,836	48,598,573			
Operating Costs	(36,788,304)	(36,203,039)			
Gross Profit	13,135,532	12,395,534	739,998	6	
Realized(Unrealized) Profit from Sales	(1,137)	4,777	(5,914)		
Gross Profit - Net	13,134,395	12,400,311	734,084	6	
Operating Expenses	(8,944,914)	(8,612,684)	(332,230)	4	
Operating Profit	4,189,481	3,787,627	401,854	11	Remark 1
Non-operating Income and Gains	743,810	775,644	(31,834)	(4)	
Profit before income tax	4,933,291	4,563,271	370,020	8	Remark 1
Tax Expense	(896,293)	(1,049,155)	152,862	(15)	Remark 2
Net Income	4,036,998	3,514,116	522,882	15	Remark 1-2
Other comprehensive income	323,292	(2,953,958)	3,277,250	(111)	Remark 3
Total comprehensive income	4,360,290	560,158	3,800,132	678	Remark 4

Analysis and explanation for changes:
1. The main reason is the acqusition of Motovario, developing synergy, enhancing value added of products, so that net gross margin and operating profit are higher than last year
2. Due to tax benefit resulted from capital reduction of overseas subsidiary
3. The market price of investing target rose, therefore the adjustment of unrealized income increased.
4. In summary, total comprehensive income increased in the year.

7.2.2 Change in gross profit: No need of analysis since the change is less than 20%.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Two Years

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Remedy for Cash Deficit	
				Investment Plans	Financing Plans
14,919,042	4,850,429	5,779,645	13,989,826	-	-

A. Analysis of change in cash flow:
   a. Operating activities: Contributed by overseas profits, Profit of the year became major source of net cash flow for operating activities.
   b. Investing activities: Purchase of fixed assets and expansion of core business were major cash-outflow items for investing activities.
   c. Financing activities: Repayment of Formisa Bond and issuance of dividends for stocks was major cause for cash outflow for financing activities.

B. Remedy and liquidity analysis for insufficient cash: not applicable.

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT$thousand

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Remedy for Cash Deficit	
				Investment Plans	Financing Plans
13,989,826	5,332,367	2,464,031	16,858,162	-	-

A. Analysis of change in cash flow in the current year:
   a. Operating activities: Although the U.S. economy has been recovering stably, the economic growth of other regiens is weak and unstable. However, thanks to steady growth for core business, operation activities are expected to score net cash inflow this year.
   b. Investing activities: To expand core business, the company will adjust investment plan according to economic status and continue review long-term equity investment outside core business, for disposal at proper timing, so as to generate profits to support core-business investment. Investment activities are expected to continue generate net cash outflow this year. It’s expected that investing activities will result in cash outflow.
   c. Financing activities: Since cash inflow from operation and self-owned capital will be used to repay bank borrowings, it is expected that financing activities in the coming year will generate net cash outflow.

B. Remedy for Cash Deficit and Liquidity Analysis: Not Applicable

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT$thousand

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure		
				2013	2014	2015~2016
2015 Capital Expenditure – Equipment Renewal	Working Capital	2015/12/31	1,696,681	1,696,681		
2016 Capital Expenditure – Equipment Renewal	Working Capital	2016/12/31	1,464,972	-	1,464,972	
2017 Capital Expenditure – Equipment Renewal	Working Capital	2017/12/31	1,590,578			1,590,578

7.4.2 Expected Benefits

In addition to increasing the output of industrial products and home appliances, the above equipment renewal projects are expected to help reduce production costs and improve the quality of products.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

7.5.1 Equity Investment Policy

In line with changes in domestic and global economies, as well as the current of energy conservation, carbon abatement, environment protection and automation development in global industries, the company focuses its new equity investment on its core businesses of indstrial motor and home appliances, accompanies long-term development plan, and cautiously evaluate each investment plan.

7.5.2 Major reasons for profits or loss:

The company listed NT$90,260 thousands of investment loss on the basis of equity method in 2016, and it is much less than NT$153,936 thousands in 2015. It mainly came from new entity, Century Development and the joint venture Synergy, which just starts and has not gotten things move.

7.5.3 Investment plan for the next year

In the coming one year, investments will focus on energy saving, automation, automation intelligence. Business unit of motor will develop high efficiency motor, explosion proof motor, smart motor. Business unit of system automation will develop inverter with communication function, and Business unit of Home Appliance will develop intelligence control air conditioner, air cooling/ water cooling chiller. In addition, the main process and production line will be IoT.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A Effects of Changes in Interest Rates on Corporate Finance, and Future Response Measures

2016 Unit: NT$Thousand

Interest Income or Loss(1)	(110,014)
Sales Revenus(2)	49,923,836
Operating Income(3)	4,189,481
(1)/(2)	(0.22%)
(1)/(3)	(2.63%)

The company’s net interest expense amounted to NT$110,014 thousands in 2016, equivalent to -0.22% and -2.63%, respectively, of the revenues and operating profits, higher than 2015 level, due to increased interest expense and deposit interest decreased.

Major raw materials used by the company are steel, copper, and aluminum. In the second half of 2016, global oil priced rebounded, inducing price hikes of raw materials and basic metals and boosting procurement costs. However, global economic growth and recovery of oil and mining prospecting may inject fresh momentum to the company's business.

B.Effects of Changes in Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

2016 Unit: NT$thousand

Exchange Gain or Loss(1)	23,928
Sales Revenus(2)	49,923,836
Operating Income(3)	4,189,481
(1)/(2)	0.05%
(1)/(3)	0.57%

The company incurred net gain of NT$23,928 thousands from currency conversion in 2016, accounting for minuscule shares of 0.05% and 0.57%, respectively of revenues and operating profit.

Although interest rate raised in the U.S. would support for the performance of US dollar, protectionism rises gradually after Trump got on board. The country that views the U.S. as main trading partner faces more variable on currency having more challenges and risk of exchange rate management. The company always notices the fluctuation of exchage rate, and keeps carrying out the following counter-measures.

a. In addition to natural risk hedging associated with positions of assets and liabilities, the company will undertake substantial risk hedging via forward forex transactions.

b. The financial department will maintain close contact with the forex department of corresponding financial institutions and constantly collect information on change in exchange rate, so as firmly grasp trend and change in international exchange rates and respond actively, in forward forex transactions and foreign exchange settlement, to offset the adverse influence of exchange-rate swings.

c. The financial department regularly do internal evaluation reports for hedge on net asset and liability of foreign currency, so that the management team can determine if the company do the hedge or not.

C.The impact on company's performance reselted from inflation and counter measures

The main material that the company mainly used are steel, copper and alumni. Oil price rebounds since second half in 2016, and the material price and metal price grows. It affets purchase cost to a certain extent, however, it is expected that the recovery of world economy and oil&gas, mining exploring will raise the company's operarion.

TECO purchases materials using contract to negotiate prices. When the price grows, TECO can negotiate with the suppliers. In this case, there is no significant disadvantage torward company's performance based upon price vibration. However, the compny will still evaluate cautiously the trend of metal price and match up the operation drafting the appropriate strategy.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

A. The company abstains from high-risk and high leveraged investments.

B. At the end of 2016, outstanding loans extended by the company amounted to NT$55,071 thousands.

C. In 2016, the outstanding amount of the endorsement and guarantee extended by the company reached NT$171,198 thousand, for the company's subsidiaries, affiliates, and business partners. Since the company retains majority seats on the board of directors of its subsidiaries and appoints their management, it has absolute control and grasp of their operations, slashing the risk of endorsement and guarantee for them. In addition, the company regularly gets hold of its subsidiaries' financial statement and business status data for analysis of its profit level and evaluation of the risk for endorsement and guarantee, enabling it to embrace measures to cut risk in advance. In recent years, these subsidiaries gained steady profit growth, gradually lowering the risk of endorsement and guarantee extended by the company.

D. In 2016, derivatives held by the company was forward exchange trading, whose corresponding traders were mainly international financial institutions with outstanding credit. In addition, the company traded with many financial institutions to diversify risks, minimizing the possibility for default. Therefore, credit risk for the company in derivatives trading is very low. Moreover, derivatives held by the company are mainly for the purpose of risk hedging and the ensuing income/loss can be offset by the income/loss in the risk-hedging category, minimizing the market risk.

E. The company has formulated a number of investment guidelines for cutting risk, including "Procedure for the Acquisition and Disposal of Assets," "Procedure for Lending Capital to the Others," "Procedure for the Endorsement and Guarantee," and "Procedure for the Trading and Disposal of Derivatives."

7.6.3 Future Research & Development Projects and Corresponding Budget

TECO derives its growth momentum from R&D. In recent years, the company pooled the R&D strength and marketing experience of its R&D units all over the world, and cooperated with industrial, government, and academic units in strengthening its core businesses and stepping into the sector of green energy. The company has initiated a number of key R&D projects in the aspects of wind-power generation, PV inverter, rare-earth permanent magnet motor, power components of electric vehicle, drive motor for robotic arm, medium voltage inverter, and permanent magnet motor drive with free sensor, delicate servo motor, IE5 reluctance motor drive, high level algorithm and IOT.

For the R&D of new technologies and new products in the medium- and long-term and the short-term business need of the improvement in price-performance ratio, the TECO R&D team has been actively cultivating its technological strength via the search of external resources, such as technological consultation, cooperation, and transfer.

On the basis of existing core technologies, such as rotated machinery and generator design, machinery drive and design, power/electronic control and design, and internet-related technology, integrate new market needs, industrial specifications, new-materials application, sensor-application technology, wireless-network technology, and green-industry technology, thereby coordinating overall R&D strategy and technological planning.

The company formulates its future R&D plan on the following bases:

A. Grasp and analysis of industrial development, government policy, and market trend;

B. The establishment and rooting of key technologies;

C. Competitiveness relative to rivals in Europe, the U.S., and Japan;

D. Global market positioning and technological integration;

E. Grasp of R&D progress and quality.

Therefore, in 2016 TECO will dedicate to the R&D of:

(a) Forward-looking technology consulting committee

(b) High-efficiency motor and servo motor

(c) Motors with mining application in America and Canada

(d) Reluctive motor and drive

(e) Low energy-consumption inverter refrigerator

(f) EV motor and drive as well as joint development of whole vehicle

(g) R&D on generator and drive for offshore wind turbine

(h) Remote monitoring of motor and generator

(i) R&D on four-phase control for medium-voltage inverter and switch between industrial network and inverter

(j) High technology for system automation products

(k) R&D on KW-grade four-phase wind-power converter

(l) Multiple commercial air-conditioners systems and smart air-conditioners

(m) R&D on inverter air conditioner related products for specific occasion

(n) Development of high-performance energy saving centrifugal icy-water machine

(o) 2016 high-performance energy saving water-cooled packaged air conditioner

(p) Development of high-performance energy saving variable-frequency air-cooled icy-water machine

(q) Development of eliminating shaft voltage and shaft current

(r) Development of high-performance compact servo motor

(s) Development of IE5 comparable-grade magnetic-resistance motor drive

The goal is to develop products conforming to new European specifications in the existing market, seek high value-added innovative applications in existing sales channels, and strive for commercialization of emerging technologies and new market opportunities.

The company's general research institute oversees the overall R&D strategy, technology deployment and ongoing product R&D, with an eye on technological deployment and product development in short-, medium-, and long-term, including:

Term of R&D	Focus	Major R&D items
Short-term	Develop new-product application market, Enhance performance of existing products & Enhance product profitability and market share	High-performance servo motor and drive
		Inverter DD washing machine
		Super premium motor
		Permanent magnet motor drive with free sensor
		Permanent-magnet motor and drive
		Control for servo system
		High rotational-speed motor
		Multi-unit commercial-use package air conditioning unit
		Technology of sinusoidal sensorless drive
		Servo parameter automatic adjusting technology
		Electric vehicle power package
		Intelligence battery and battery management system
		Break energy recharge technology
		Energy –saving electric vehicle certification technology
		Electric vehicle battery certification technology
Mid-term	Accumulation of core technological strength & Development of new technological strength	Medium- and high-voltage inverter
		Advanced inverter technology
		Large high-efficiency motor (FSR)
		Hydraulic motor for hybrid injection molding machine
		R&D of wind-power technology
		Application technology of digital home in smart phone
		Remote monitoring technology of motor and generator
		Internet-related technology for system automation products
		Commercial air-conditioning for train
Long-term	Deployment in new business scope	Integration of Internet of Machine
		Integration of micro smart grid system
		Precise servo system focusing on market
		R&D for new-generation digital home appliances systems
		Micro-electric system in large high-efficiency power system
		R&D for new-generation industrial servo system
		Regional market oriented R&D for industrial technology
		R&D for integrated and innovative technology

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

None

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

In line with the social trend of decreasing population, as well as the need of green energy, the company has taken into account the global development trend, own technological strength, and growth potential of related industries. Therefore, in addition to strengthening its technological edges of high-performance motor, application of environment-friendly coolant in home appliances, and energy-saving inverter duty products, the company added the R&D of rare-earth permanent-magnet electric machinery in passenger/farm oriented vehicle, closely studied international technology trend’s and market trend’s reports, gave an impetus to innovative competition, sopported green energy international competition, and planned techchlogy forum in several areas and long-term technology development plan to accomplish planned-to-achieved strategies and time table.

In green energy, there include motor of electric vehicle, wind-power generators, peripheral equipments of smart grid,energy-saving home appliances and multiple air-conditioners systems.

The company has set up forward-looking technology consulting committee in 2016, to track cutting-edge forward-looking technologies. Add R&D on gateway technology for electric-control product series, R&D on remote-monitoring technology for motor and generator, R&D on high-end servo motor drive, and R&D on reluctance motor and drive, and R&D on digital-home and mobile communications-linked security products. In addition, the company will associate various business air conditioners with applications of the Internet of things, intensify intensity and depth of technological detection, further strengthen horizontal technological cooperation among affiliates, and actively seek foreign technological cooperation, so as to enrich R&D contents and meet long-term needs of the society.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures

The company has been pursuing sustained growth via “pluralized management” and “global deployment,” and has been striving to project a quality corporate image for a globalized group by manifesting in-depth social care via TECO Technology Foundation and rigorous demand for quality and service. The company’s crisis management plan covers its production bases worldwide and has helped the company respond properly to the ordeal of major incidents in recent years, thanks to the company’ constant effort in fostering crisis-management capability. In the future, the company will continue simulating the outbreak of major incidents and formulate response plans, in order to safeguard the interests of shareholders.

7.6.7 Expected Benefits from Risks Relating to and Response to Merger and Acquisition Plans

The business group purchased 12.12% stake in Century Development Corp. with NT$462,233,000 of cash on Feb. 5, 2016, boosting its interest in the latter to 52.75% and gaining a controlling power. In the wake of the takeover, the business group expects to intensify its realty development and management.

Risk managements for the aforementioned acquisitions were in the charge of the financial division and various business divisions at the headquarters.

7.6.8 Expected Benefits from Risks Relating to and Response to Factory Expansion Plans

The business group set up assembling line for small sized motor in India via join venture in August 2016, controling the cost by local supply chain to satisfy motor demand in Southeast Asia.

Risk management for project is in the charge of business unit and factory-construction task force.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

None

7.6.10 Effects of Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

The company doesn’t have a shareholder with over 10% of shareholding and there is no massive share transfer or swap among the company’s directors and supervisors in the latest year.

7.6.11 Effects of Risks Relating to and Response to Changes in Control over the Company

None

7.6.12 For litigation and non-litigation cases, specify the company and directors, supervisors, president, chief executive, and major shareholders with over 10% of shareholding, as well as affiliates. For major litigation, non-litigation, or administrative disputes with major effects on the interests of shareholders or stock prices, disclose the facts, target value, starting dates for litigation, major parties involved, and the status of the cases up to the publication of the yearbook

None.

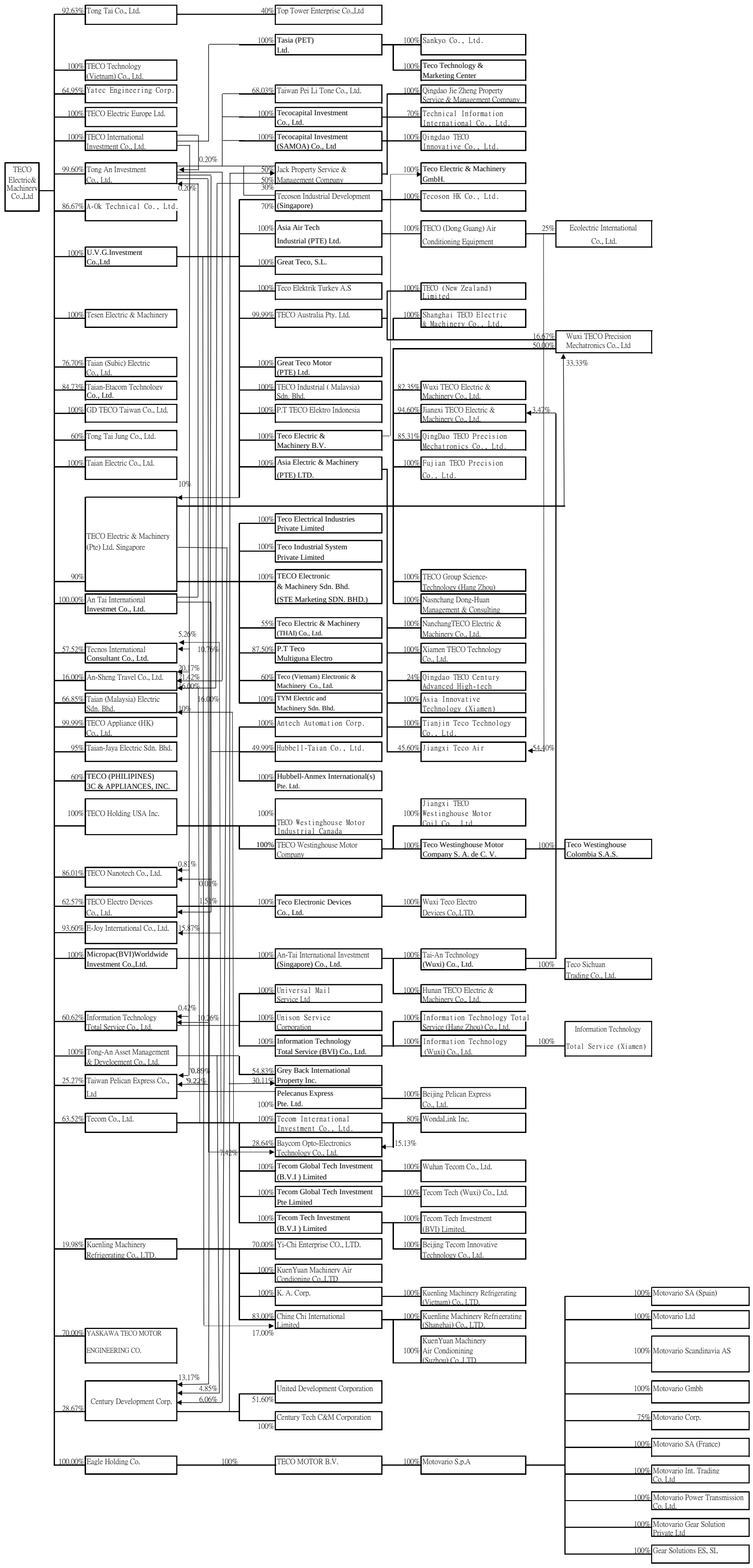
7.6.13 Other Major Risks

None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Chart of Affiliated Companies



8.1.2 Information Regarding Affiliated Companies

Unit: NT$thousand

Company	Date of Incorporation	Paid-in Capital	Major Business
Tong Dai Co., Ltd.	1972.06	57,120	Sales of Motors
TECO International Investment Co., Ltd.	1989.06	525,845	Investment Activity
TECO Holding USA Inc.	1995.03	861,301	Investment and Trading in USA
TECO Electric & Machinery (Pte) Ltd. Singapore	1972.09	178,320	Sales of Motors in Singapore and Other Countries Nearby
TECO Electric Europe Limited	1992.03	178,245	Sales of Motors in Europe
Tong-An Assets Management & Development Co., Ltd.	1997.07	1,473,234	Real Estate Business
Tong-An Investment Co., Ltd.	1998.08	4,175,216	Investment Activity
TECO Electro Devices Co., Ltd.	1998.03	245,926	Manufacture of Stepping Motors
Tecnos International Consultant Co., Ltd.	1998.06	87,524	Business Consulting and Human Resource Services
Tong Tai Jung Co., Ltd.	1996.04	66,000	Sales of Motors
United View Global Investment Co., Ltd. (UVG)	1999.08	7,592,084	Investment Holding Company
Information Technology Total Services Co., Ltd.	1990.12	199,990	Sales of Software
Tesen Electric & Machinery Co., Ltd.	2001.03	200,000	Manufacture of Home Appliance
GD TECO Taiwan Co., Ltd.	2002.02	150,000	Manufacture of IC Projects
Yatec Engineering Corporation	1993.01	120,100	Electric System Development and Service
Taian (Subic) Electric Co., Inc.	1997.03	215,775	Manufacture and Sales of Tools and Equipment
Taian (Malaysia) Electric Sdn. Bhd.	1989.03	180,671	Manufacture and Sales of Tools and Equipment
An-Tai International Investment Co., Ltd.	1990.09	229,103	Investment Activity
Micropac (BVI) Worldwide Investment Co., Ltd.	1993.03	479,996	International Trading
Taian-Etacom Technology Co., Ltd.	1999.12	83,000	Manufacture of Bus Way Components
E-Joy International Co., Ltd.	2004.06.25	101,500	Distributor of Home Appliance
A-Ok Technical Co., Ltd.	2004.10.07	22,500	Repair of Home Appliance
Taiwan Pelican Express Co., Ltd.	1999.09.10	954,670	Home Delivery Service
Tasia (Pte) Ltd.	1995.12	23,672	Investment Activity
Tecoson Industrial Development (Singapore)	1993.02	36,820	Investment and Trading Activities
Tecoson HK Co., Ltd.	1993.06	16,658	Investment Activity
Asia Air Tech Industrial (Pte) Ltd.	1999.06	274,125	Investment Activity
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	1999.11.09	324,838	Manufacture of Air Conditioning Equipment
TECO Australia Pty. Ltd.	1993.04	698,550	Sales of Motors and Home Appliance in Australia
TECO New Zealand Ltd.	1983.04	67,389	Sales of Home Appliances
Great Teco Motor Ltd.	2000.01.27	3,935,346	Investment Activity
Wuxi TECO Electric & Machinery Co., Ltd.	2002	1,547,157	Manufacture and Sales of Motors

Company	Date of Incorporation	Paid-in Capital	Major Business
TECO Industrial (Malaysia) Sdn. Bhd.	1989.06	543,484	Manufacture and Sales of Motors in Malaysia
P.T TECO Elektro, Indonesia	1997.08.14	820,763	Sales of Home Appliances
P.T TECO Multiguna Electro	1983.06	18,010	Investment and Trading Activities
TECO Electronic & Machinery (Thai) Co., Ltd.	1987.04	53,952	Investment and Trading Activities
TECO Westinghouse Motor Company	1988.01	665,156	Sales of Motors in USA
TECO Westinghouse Motor Industrial, Canada	1995.12	26,397	Sales of Motors
TECO Electro Devices Co., Ltd.	1998.03	109,973	International Trading
Wuxi Teco Electro Devices Co,.Ltd.	2001.12	127,119	Manufacture and Sales of Stepping Motors
An-Tai International Investment (Singapore) Co., Ltd.	1993.03	494,251	Investment Activity
Tai-An Technology (Wuxi) Co., Ltd.	2000.07	547,599	Manufacture and Sales of Optical Fiber
Asia Electric & Machinery Pte Ltd.	2000.06.05	1,792,616	Investments in Home Appliances Business
Jack Property Service & Management Company	2000.04.13	30,250	Asset Management
Great Teco, S.L.	2003.01	20,340	Sales of Home Appliances
Nanchang TECO Electric & Machinery Co., Ltd.	2003.11.10	526,804	Manufacture and Sales of Air Conditioning
Sankyo Co, Ltd.	1992.02.14	8,268	Sales of Home Appliances
TECO Electronic & Machinery B.V.	2005.04.18	22,374	Sales of Motors and LCD TV in Europe
STE Marketing Sdn. Bhd.	1987.12	63,617	Investment and Trading
Jiangxi TECO Electric & Machinery Co., Ltd.	2005.06.01	1,546,671	Manufacture and Sales of Motors
Qingdao TECO Precision Mechatronics Co., Ltd	2006.12	691,471	Manufacture and Sales of Compressors
TECO Westinghouse Motor Company S.A. de C.V	2005.12	56,454	Manufacture and Sales of Motors
Xiaman TECO Technology Co., Ltd.	2006.11	22,694	Sales of Motors and Home Appliances
TYM Electric & Machinery Sdn. Bhd.	2006.06	3,606	Sales of Motors
TECO (Vietnam) Electric & Machinery Company	2005.04	55,352	Manufacture and Sales of Motors
TECO Technology (Vietnam) Co., Ltd.	2006.08	222,058	Manufacture and Sales of Tools and Equipment
Asia Innovative Technology (Xiamen) Co., Ltd.	2006.12	861,176	R&D and Manufacture of LCD TV
TECO Group Science-Technology (Hang Zhou) Co., Ltd.	2007.06	10,490	R&D of Electronic Devices and System Automation
Tianjin TECO Technology Co., Ltd	2010.01.22	15,767	Operation Center in Central China
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	2010.02.05	171,138	Sales of Air Conditioners
TECO Sichuan Trading Co., Ltd.	2010.08.25	27,702	Sales of Home Appliances
Fujian TECO Precision Co., Ltd.	2008.05	388,312	Sales and Production of Motors and Generators
Teco Appliance (HK) Co., Ltd.	1991.02.12	6,247	Sales of Home Appliances
Taian Electric Co., Ltd.	2004.03.17	1,000	Manufacture and Sales of electric equipment
An-Sheng Travel Co., Ltd.	2005.03.15	30,000	Travel Business
Hubbell-Taian Co., Ltd.	1991.08.22	27,200	Import, export and sales of power distributors, lighting and explosion-proof tools

Company	Date of Incorporation	Paid-in Capital	Major Business
Hubbel-Anmex International(s) Pte. Letd.	2006.01.26	25,539	Sales of Electronic Products
Universal Mail Service Ltd.	1989.12	13,000	Business Docunment Processing
Unison Service Corporation	2001.08	17,000	Software, Data Processing and Information Provision
Information Technology Total Service (BVI) Co., Ltd.	2001.03	49,697	Investment Acitivities
Teco Group Science-Technology (Hang Zhou) Co., Ltd.	2002.10	2,484	Software, Data Processing and Information Provision
Information Technology (Wuxi) Co., Ltd.	2004.08	11,464	Software, Data Processing and Information Provision
Information Technology Total Service (Xiamen) Ltd.	2007.12	4,617	Software, Data Processing and Information Provision
GreyBack International Property Inc.	2007.02.28	32,253	Real Estate Business
Taian-Jaya Electric Sdn. Bhd.	1988.06.07	7,213	Manufacture and Sales of Motors
Nanchang Dong-Huan Management & Consulting Co., Ltd.	2008.01.07	3,319	Investment Activities
TECO CAPITAL INC.	2008.04.15	21,225	Investment Activities
TECO (PHILIPINES) 3C & APPLIANCES, INC.	2008.08.22	31,647	Sales of Home Appliance and Air Conditioners
Pelecanus Express Pte, Ltd	2010.04.19	29,025	Investment Activities
Qingdao TECO Innovation Co., Ltd.	2010.08.11	60,414	Merchant and Management Service for Science Park’s Development and Operation
TECO Technology & Marketing Center Co., Ltd.	2011.04.01	8,268	Investment Activities
TECO Capital Investment (SAMOA) Co., Ltd.	2011.01.18	64,500	Holding Company
Beijing Pelican Express Co., Ltd.	2010.10.13	25,164	Storge Services
TECO Nanotech Co., Ltd.	1989.06.01	250,000	Production & Sales of Nano-applied ingredients and products
Technical Information International Co., Ltd.	2008.07.28	46,170	Development & Sales of Software
Shanghai TECO Electric & Machinery Co., Ltd.	2012.08.04	23,400	Agency of Machinery and Electric Products
TECO Electric and Machinery GmbH.	2012.09.01	848	Production & Sales of Machinery
Tecom Co., Ltd.	1980.09.25	6,306,652	Production ans Sales of Business Communication Products
Tecom International Investment Co., Ltd.	1980.02.22	120,000	Investment Activites
Baycom Opto-Electronics Technology Co., Ltd.	1980.04.16	335,913	Research, Production & Sales of Fiber and Fiber Cables
Tecom Global Tech Investment (B.V.I)	2002.08.13	33.213	Investment Activites
Tecom Global Tech Investment Pte Limited	2004.07.19	487,166	Investment Activites
Tecom Tech Investment (B.V. I)	2008.09.25	49,556	Investment Activities
WondaLink Inc.	2010.03.18	41,237	Telecommunication and Production and Design of Electronic Components
Wuhan Tecom Co., Ltd.	2003.02.24	7,643	Internet Telecommunication Technnolgy Development and Related Services
Tecom Tech (Wuxi) Co., Ltd.	2004.09.06	522,372	R&D and Production of Telecommunication System
Tecom Tech Investment (BVI) Limited.	2008.11.03	31,576	R&D and Production of IT Products
Beijing Tecom Innovative Technology Co., Ltd.	2010.12.07	14,929	The Internet of Intelligent Home System and Related Services
Qingdao Jie Zheng Property Service & Management Company	2012.08.20	2,913	Property Management and Related Services

Company	Date of Incorporation	Paid-in Capital	Major Business
Kuenling Machinery Refrigerating Co., LTD.	1988.04.05	761,524	Manufacture and Rental of Refrigeration and Air-Conditioning
Ching Chi International Limited	2000.07.12	242,731	Investment
K.A Corp	2002.03.20	102,352	Sales and Trading
Yi-Chi Enterprise CO., LTD.	2000.07.10	11,000	Manufacture
KuenYuan Machinery Air Condioning Co.,LTD	2004.11.15	30,000	Manufacture
Kuenling Machinery Refrigerating (Shanghai) Co., LTD.	2000.09.01	181,713	Manufacture of Bonchiller
KuenYuan Machinery Air Condionining (Suzhou) Co.,LTD	2006.04.18	255,456	Manufacture
Kuenling Machinery Refrigerating (Vietnam) Co., LTD.	2005.11.25	89,325	Manufacture
Donghua Enterprise Co.,Ltd.	1968.07.30	18,000	Franchise of FA/GE Product
Hunan TECO Electric & Machinery Co., Ltd.	2013.06.20	226,961	Manufacture of Related Component of 200 MGW Wind Turbine
TECO Elektrik Turkey A.S	2013.08.01	37,481	Franchise of Home Appliance and FA/GE Product
Mocet Networks Inc.	2012.12.29	1,613	Sales of telephone and merchandise
Jiangxi TECO Westinghouse Motor Coil Co., Ltd	2014.07.24	113,912	Manufacture and Sales of electric machinery, coil and merchandise
Teco Westinghouse Colombia S.A.S.	2014.05.02	0	Manufacture and Sales of motor and generator
Motovario S.p.A.	1965.10.05	610,539	Manufacture and Sales of motor and gear reducer
Motovario S.A(Spain)	2001.2.14	32,578	Manufacture and Sales of motor and gear reducer
Motovario Ltd	1999.3.26	14,418	Manufacture and Sales of motor and gear reducer
Motovario Scandinavia A/S	1996.3.01	12,509	Manufacture and Sales of motor and gear reducer
Motovario GMBH	1997.2.28	10,916	Manufacture and Sales of motor and gear reducer
Motovario Corp.	1997.10.06	9,998	Manufacture and Sales of motor and gear reducer
Motovario S.A(France)	1995.2.09	10,950	Manufacture and Sales of motor and gear reducer
Motovario Int. Trading Co. Ltd	2004.7.22	1,043	Manufacture and Sales of motor and gear reducer
Motovario Power Transmission Co. Ltd.	2008.3.14	877	Manufacture and Sales of motor and gear reducer
Motovario Gear Solution Private Ltd	2011.7.15	5,933	Manufacture and Sales of motor and gear reducer
Gear Solutions ES, SL	2014.1.30	8,577	Manufacture and Sales of motor and gear reducer
Eagle Holding Co.	2010.8	3,584,620	Holding Company
TECO MOTOR B.V.	2015.7	3,390,339	Holding Company
TECO Yaskawa Motor Engineering Co.	2005	55,120	Manufacture and Sales of motor
Wuxi TECO Precision Mechatronics Co., Ltd	2015.7	908,681	Manufacture and Sales of electric machinery and component
Century Development Corporation	1993.2.9	3,061,972	Managemnet of property and industrial park development
Century Tech. C&M Corporation	1975.10.4	100,000	Construction industry
United Development Corporation	1994.3.8	66,044	Consultant service for industrial park and land investment

8.1.3 Operational Highlights of Affiliated Companies

Unit: NT$thousand

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT$)
Tong Dai Co., Ltd.	57,120	536,461	265,885	270,576	962,493	58,742	71,935	12.59
Tecnos International Consultant Co., Ltd.	87,524	299,028	182,517	116,511	1,606,498	22,621	18,686	2.13
TECO Electric Europe Limited	178,245	69,537	119,039	-49,502	140,800	-19,188	-19,852	-4.41
TECO International Investment Co., Ltd.	525,845	1,276,115	178,966	1,097,149	84,784	67,928	67,413	1.28
TECO Electro Devices Co., Ltd.	245,926	513,139	150,752	362,387	524,373	7,258	2,699	0.11
TECO Electric & Machinery (Pte) Ltd. Singapore	178,320	2,900,054	201,260	2,698,794	1,268,288	24,125	148,186	18.52
Tong Tai Jung Co., Ltd.	66,000	328,181	189,148	139,033	693,635	28,991	24,284	3.68
Information Technology Total Services Co., Ltd.	199,990	831,155	566,076	265,079	1,208,774	53,438	45,686	2.28
UVG Investment Co., Ltd.	7,592,084	8,363,544	443,938	7,919,606	43,385	44,932	37,984	0.16
Tong-An Investment Co., Ltd.	4,175,216	8,679,878	44,899	8,634,979	477,586	432,495	429,995	1.03
TECO Holding USA Inc.	861,301	11,049,753	1,710,475	9,339,278	7,344,195	512,261	441,493	16.53
TECO Westinghouse Motor Company	665,156	8,543,251	1,256,105	7,287,146	5,947,737	393,413	310,044	15.03
An-Tai International Investment Co., Ltd.	229,103	583,665	2,529	581,136	42,113	34,714	34,412	1.50
Taian (Subic) Electric Co., Inc	215,775	303,285	88,613	214,672	299,668	8,531	7,605	1.14
Taian (Malaysia) Electric Sdn. Bhd.	180,671	12,340	544	11,796	0	-79	-79	0.00
Taian-Etacom Technology Co., Ltd.	83,000	525,660	347,279	178,381	636,527	53,843	40,530	4.88
Tasia (PTE) Ltd.	23,672	1,666	128	1,538	0	-163	-163	-0.15
Teco Electronic & Machinery (THAI) Co.,Ltd.	53,952	224,537	39,800	184,737	253,449	5,532	7,359	0.12
TECO Australia Pty. Ltd.	698,550	1,659,196	371,186	1,288,010	1,520,510	-16,349	-5,984	-0.20
TECO Industrial Malaysia Sdn. Bhd.	543,484	793,246	71,503	721,743	613,752	59,999	74,815	0.99
P.T TECO Elektro, Indonesia	820,763	441,954	6,934	435,020	28,939	-21,333	2,933	0.12
Asia Air Tech Industrial (PTE) Ltd.	274,125	158,293	7,391	150,902	-3,960	-4,165	-4,166	-0.49
Tecoson Industrial Development (Singapore)	36,820	25,766	128	25,638	0	-163	-163	-0.10
TECO Westinghouse Motor Industrial, Canada	26,397	2,302,366	182,338	2,120,028	1,452,272	119,307	88,317	80.00
Jiangxi TECO Westinghouse Motor Coil Co., Ltd	113,912	146,217	26,377	119,840	79,372	2,741	4,244	NA
Teco Westinghouse Colombia S.A.S.	0	1,659	9,102	-7,443	0	-1,429	-4,213	0
An-Tai International Investment (Singapore) Co., Ltd.	494,251	480,603	468	480,135	0	0	0	0.00
Tecoson HK Co., Ltd.	16,658	16,179	0	16,179	30,526	-447	-311	-0.08
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	324,838	171,011	13,849	157,162	54,565	-6,326	-3,960	NA
Micropac (BVI) Worldwide	479,996	1,530,206	631	1,529,575	72,448	72,386	72,386	4.86
Taian Technology (Wuxi) Co., Ltd	547,599	1,824,301	478,076	1,346,225	1,894,508	51,077	88,889	NA
Great Teco Motor Ltd.	3,935,346	4,443,658	67,980	4,375,678	117,236	116,953	96,056	0.79
Jack Property Service & Management Company	30,250	245,120	110,790	134,330	389,433	45,392	39,632	13.10
Universal Mail Service Ltd.	13,000	42,756	34,701	8,055	63,998	-424	1,070	0.82

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT$)
INFORMATION TECHNOLOGY TOTAL SERVICE (BVI) Co., Ltd.	49,697	82,050	576	81,474	0	-1,643	1,775	1.15
Tong-An Assets Management & Development Co., Ltd.	1,473,234	6,281,890	1,004,278	5,277,612	186,404	64,560	141,107	0.96
P.T. TECO Multiguna Electro	18,010	475,872	109,386	366,486	620,156	72,568	65,924	0.01
Yatec Engineering Corporation	120,100	317,306	99,684	217,622	441,154	19,542	14,979	1.25
TECO New Zealand Limited	67,389	69,716	122,374	-52,658	83,087	7,717	7,717	2.57
Asia Electric & Machinery	1,792,616	430,059	13,085	416,974	-88,393	-88,619	-88,611	-1.59
Wuxi TECO Electric & Machinery Co., Ltd	1,547,157	3,244,471	1,230,156	2,014,315	3,415,761	100,262	131,121	NA
GD TECO Taiwan Co., Ltd.	150,000	238,883	192,034	46,849	379,048	9,138	8,063	0.54
Tesen Electric & Machinery Co., Ltd.	200,000	300,434	82,970	217,464	2,616,392	19,271	16,487	0.82
Teco Electronic Devices Co.,Ltd.	109,973	95,803	0	95,803	0	-57	-14,226	-4.17
Wuxi Teco Electro Devices Co,.Ltd.	127,119	165,600	69,804	95,796	158,273	-13,455	-14,169	NA
Unison Service Corporation	17,000	41,266	59,804	-18,538	115,116	8,625	8,459	4.98
Information Technology Total Service (Hang Zhu) Ltd.	2,484	4,408	4,368	40	0	-318	-318	-5.92
Taian Electric Co., Ltd.	1,000	843	0	843	0	-12	-11	-0.11
E-Joy International Co., Ltd.	101,500	107,576	49,134	58,442	183,645	3,019	3,105	0.31
A-Ok Technical Co., Ltd.	22,500	121,725	87,463	34,262	355,664	25,235	21,064	9.36
Great Teco, S.L.	20,340	95,987	77,915	18,072	105,202	644	987	1.65
Nanchang TECO Electric & Machinery Co., Ltd.	526,804	34,997	49,199	-14,202	20,574	-10,098	-10,239	NA
Sankyo Co., Ltd.	8,268	157,970	290,730	-132,760	394,273	7,462	5,797	0.19
Teco Electric & Machinery B.V.	22,374	303,202	709,697	-406,495	533,902	-46,714	-47,958	-72.66
STE Marketing SDN. BHD	63,617	388,635	101,226	287,409	568,489	58,287	46,165	52.34
Jiangxi TECO Electric & Machinery Co., Ltd.	1,546,671	1,909,336	310,920	1,598,416	556,581	-90,533	-62,630	NA
Qingdao TECO Precision Mechatronics Co., Ltd	691,471	1,157,690	932,599	225,091	850,298	14,333	-9,012	NA
Teco Westinghouse Motor Company S. A. de C. V.	56,454	376,144	369,497	6,647	383,074	-683	-9,255	-0.26
Xiaman TECO Technology Co., Ltd.	22,694	111,996	84,391	27,605	179,774	2,289	2,037	NA
TYM Electric & Machinery Sdn. Bhd.	3,606	122,440	17,793	104,647	160,361	21,354	17,207	344.15
Teco (Vietnam) Electronic & Machinery Company Ltd.	55,352	234,498	85,113	149,385	258,786	31,515	24,346	0.01
TECO Technology (Vietnam) Co., Ltd.	222,058	275,636	101,612	174,024	37,674	-1,730	-3,156	0.00
Asia Innovative Technology (Xiamen) Co., Ltd.	861,176	450,021	121,783	328,238	40,088	-24,634	-30,965	NA
Fujian TECO Precision Co., Ltd.	388,312	271,734	182,254	89,480	148,318	-21,612	-29,517	NA
Nanchang Dong-Huan Management & Consulting Co., Ltd.	3,319	1,172	0	1,172	0	0	0	NA
Teco Appliance (HK) Co., Ltd.	6,247	3,023	0	3,023	0	-22	-22	-0.01
An-Sheng Travel Co., Ltd.	30,000	16,402	1,096	15,306	33,983	-1,533	-1,324	-0.44
Hubbell-Taian Co., Ltd.	27,200	136,421	52,487	83,934	135,930	10,624	13,288	4.89
Hubbel-Anmex International(s) Pte. Letd.	25,539	29,859	1,903	27,956	13,654	5,601	4,123	5.21
Information Technology (Wuxi) Co., Ltd.	11,464	55,667	37,824	17,843	89,226	1,561	1,171	NA

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT$)
Information Technology Total Service (Xiamen) Ltd.	4,617	7,223	4,222	3,001	8,466	-839	-811	NA
GreyBack International Property Inc.	32,253	43,218	6,882	36,336	32,242	4,564	4,012	4.01
Teco Group Science-Technology (Hang Zhou) Co., Ltd.	10,490	30,375	3,080	27,295	31,106	2,439	1,988	NA
Taian-Jaya Electric Sdn. Bhd.	7,213	196,611	77,931	118,680	123,461	21,888	10,176	10.18
TECO CAPITAL INC.	21,225	7,848	0	7,848	0	0	1,219	1.85
TECO (PHILIPINES) 3C & APPLIANCES, INC.	31,647	26,879	26,749	130	34,853	-483	-1,586	-1.62
Taiwan Pelican Express Co., Ltd.	954,670	2,242,858	618,859	1,623,999	2,638,239	71,593	83,162	0.87
Tianjin TECO Technology Co., Ltd.	15,767	15,206	315	14,891	-484	-1,748	276	NA
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	171,138	272,319	154,459	117,860	411,719	-227	1,068	NA
TECO Sichuan Trading CO.,LTD.	27,702	17,937	12,946	4,991	59,696	-5,187	-4,936	NA
Pelecanus Express Pte. Ltd.	29,025	4,931	0	4,931	0	-126	-9,705	-10.78
Qingdao TECO Innovation Co., Ltd.	60,414	97,987	63,529	34,458	5,875	-5,247	-4,866	NA
TECO Technology & Marketing Center Co., Ltd.	8,268	12,207	51,958	-39,751	0	-49	-225	-0.01
TECO Capital Investment (SAMOA) Co., Ltd.	64,500	34,481	0	34,481	0	0	-4,650	-2.33
Beijing Pelican Express Co., Ltd.	25,164	14,523	10,338	4,185	18,636	-9,908	-9,561	NA
TECO Nanotech Co., Ltd.	250,000	48,163	38,805	9,358	7,557	-13,674	266	0.01
Technical Information International Co., Ltd.	46,170	11,399	1,279	10,120	20,071	1,044	1,310	NA
Shanghai TECO Electric & Machinery Co., Ltd.	23,400	1,391,970	1,410,871	-18,901	3,129,318	-5,361	-4,923	NA
TECO Electric and Machinery GmbH.	848	7,322	1,581	5,741	37,826	274	129	5.17
Tecom Co., Ltd.	6,306,652	2,899,978	2,352,462	547,516	4,101,045	44,995	63,362	0.10
Tecom International Investment Co., Ltd.	120,000	282,144	778	281,366	0	-204	39,801	3.32
MOCET Networks Inc.	1,613	229	51	178	0	0	0	0.00
Baycom Opto-Electronics Technology Co., Ltd.	335,913	570,504	87,834	482,670	479,495	7,257	15,564	0.46
Tecom Global Tech Investment (B.V.I)	33,213	3,857	0	3,857	0	0	304	0.01
Tecom Global Tech Investment Pte Limited	487,166	3,091	0	3,091	857	1	-2,124	0.00
Tecom Tech Investment (B.V. I)	49,556	0	0	0	22	0	688	0.01
WondaLink Inc.	41,237	115,106	49,544	65,562	203,277	38,869	22,295	5.41
Wuhan Tecom Co., Ltd.	7,643	23,510	19,692	3,818	71,159	547	539	NA
Tecom Tech (Wuxi) Co., Ltd.	522,372	5,255	363	4,892	0	-1,884	-1,805	NA
Tecom Tech Investment (BVI) Limited.	31,576	3,242	0	3,242	0	236	-67	NA
Beijing Tecom Innovative Technology Co., Ltd.	14,929	7,819	15,058	-7,239	10,667	-747	309	NA
Qingdao Jie Zheng Property Service & Management Company	2,913	323	545	-222	0	0	0	NA
Kuenling Machinery Refrigerating Co., LTD.	761,524	1,956,621	638,113	1,318,508	1,611,658	220,085	229,007	3.01
Ching Chi International Limited	242,731	869,417	298,398	571,019	1,088,196	40,251	49,113	NA
K.A Corp	102,352	118,580	58,940	59,640	86,422	12,747	10,263	0.10
Yi-Chi Enterprise CO., LTD.	11,000	24,643	7,098	17,545	27,487	5,490	4,551	4.14
Kuenyuan Machinery Air Conditioning Co.,Ltd	30,000	44,574	11,259	33,315	3,613	2,722	2,127	0.71

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT$)
Kuenling Machinery Refrigerating (Shanghai) Co., LTD.	181,713	574,096	283,687	290,409	845,648	31,560	41,075	NA
Kuenyuan(Suzhou) Refrigeration Co.,Ltd	255,456	329,129	49,430	279,699	242,548	8,985	9,472	NA
Kuenling Machinery Refrigerating (Vietnam) Co., LTD.	89,325	121,191	42,027	79,164	85,999	10,841	9,682	0.11
Donghua Enterprise Co.,Ltd.	18,000	224,042	141,443	82,599	442,403	67,067	57,190	31.77
Hunan TECO Electric & Machinery Co., Ltd.	226,961	191,013	6,905	184,108	475	-26,131	-16,439	NA
TECO Elektrik Turkey A.S	37,481	16,751	640	16,111	2,211	-5,949	-5,949	-1.46
Motovario S.p.A.	610,539	7,683,774	4,293,977	3,389,797	3,428,128	198,765	2,666	0.15
Motovario S.A(Spain)	32,578	135,600	95,835	39,765	292,263	16,211	15,962	NA
Motovario Ltd	14,418	118,949	84,686	34,263	204,107	3,948	-5,858	NA
Motovario Scandinavia A/S	12,509	1,932	11,390	-9,458	0	-995	-1,209	NA
Motovario GMBH	10,916	47,019	77,936	-30,917	146,398	-5,617	-6,008	NA
Motovario Corp.	9,998	380,518	45,989	334,529	553,156	96,935	62,583	201.88
GR Genesis Llc	10,950	124,854	117,362	7,492	217,358	1,031	782	NA
Motovario S.A(France)	1,043	26,672	34,618	-7,946	71,327	5,685	5,564	NA
Motovario Int. Trading Co. Ltd	877	17,111	18,076	-965	2,533	-1,049	-1,924	NA
Motovario Power Transmission Co. Ltd.	5,933	105,666	157,228	-51,562	85,606	-3,911	427	NA
Motovario Gear Solution Private Ltd	8,577	299,303	293,709	5,594	260,303	-30,112	-39,924	NA
Gear Solutions ES, SL	3,584,620	3,866,840	0	3,866,840	0	0	284,135	2.56
Eagle Holding Co.	3,390,339	3,866,871	0	3,866,871	0	0	284,335	2.84
TECO MOTOR B.V.	55,120	128,021	11,066	116,955	85,921	276	366	0.00
TECO EMM S.R.L.	908,681	916,201	23,735	892,466	2,522	-30,347	-17,619	NA
TECO Yaskawa Motor Engineering Co.	610,539	7,683,774	4,293,977	3,389,797	3,428,128	198,765	2,666	0.15
Wuxi TECO Precision Mechatronics Co., Ltd	32,578	135,600	95,835	39,765	292,263	16,211	15,962	NA
Century Development Corporation	3,061,972	6,188,636	2,162,568	4,026,068	754,283	292,814	253,579	0.83
Century Tech. C&M Corporation	100,000	232,736	39,075	193,661	45,889	-12,794	-11,394	-1.14
United Development Corporation	66,044	132,390	16,439	115,951	3,155	664	9,549	1.45
Teco Industrial System Private Limited	7,108	10,543	6,551	3,992	6,778	568	624	0.04
Teco Electrical Industries Private Limited	31,025	31,582	2,476	29,106	0	-1,927	-1,927	-0.03

8.2 Private Placement Securities in the Most Recent Years

None

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

Unit: NT$ thousand; Shares; %

Name of subsidiary	Stock capital collected	Fund source	Shareholding ratio of the company	Date of acquisition or disposition	Shares and amount acquired	Shares and amount disposed of	Investment gain (loss)	Shareholdings & amount in the most recent year	Mortgage	Endorsement amount made for the subsidiary	Amount loaned to the subsidiary
Tong An Investment Co., Ltd.	4,077,359	Working Capital	99.60%	Successive Acquisition	19,540,052Shares $232,969	-	-	19,540,052Shares $640,914	16,561,052Shares	-	-
An Tai International Investment Co., Ltd.	208,276	Working Capital	100.00%	Successive Acquisition	2,825,748Shares $26,308	-	-	2,825,748Shares $31,122	None	-	-
Donghua Enterprise Co.,Ltd.	18,000		0.00%	Successive Acquisition	77,222 shares $724	-	-	77,222 shares $2,533	None		

TECO ELECTRIC & MACHINERY CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

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

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 the 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, as described in the *Other matter* section of our report, the accompanying 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 its financial performance and cash flows for the years then ended, in conformity with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers"

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the *Independent accountant's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the 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. Based on our audits and reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Revenue recognition of export sales of heavy industrial products group

Description

Please refer to Note 4(32) of the parent company only financial statements for the accounting policies on revenue recognition. Heavy industrial products group handles the manufacturing and sales of various machinery, equipment and motors. T Aside from domestic sales in Taiwan, the customers of motor division are from China, America, South-East Asia and Europe and the sales terms vary for different customers. which is the same situation in the subsidiaries (listed as investments accounted for under equity method). Thus, we consider the revenue recognition of export sales of heavy industrial products group as a key audit matter.

How our audit addressed the matter

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

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

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

Description

Motovario S.p.A. is headquartered in Italy, and is engaged in the manufacturing and sales of gear reducers and other power transmission equipment. Motovario S.p.A. is considered a 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 NT$5,012,878 thousand. Please refer to Note 4(19) of the parent company only financial statements for the accounting policies on the impairment of non-financial assets and Note 5(2) for the uncertainty of the accounting estimate regarding impairment of goodwill. TECO Electric & Machinery Co., Ltd. assesses the impairment of investment in premium using the recoverable amount generated from the cash flow forecast discounted using a reasonable discount rate.

The aforesaid recoverable amount includes several assumptions such as the discount rate used and the preparation of financial projections to estimate the cash flows for the next five years. The discount 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 as a key audit matter.

How our audit addressed the matter

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

1. Assessed whether the valuation model used in TECO Electric & Machinery Co., Ltd. industry and environment is appropriate.
2. Assessed whether the future cash flows adopted in the valuation model was in accordance with Motovario S.p.A's operation plan, and reviewed the results of the previous operation plans prepared by management.
3. Evaluated the reasonableness of major assumptions (including the expected growth rate and discount rate) used in the model.
4. Reviewed the sensitivity analysis for the above significant assumptions and parameters prepared by management and confirmed whether management has adequately addressed the possible impact of the estimation uncertainty on the impairment assessment.

Business combination - acquisition of Century Development Corporation

Description

Please refer to Note 4(33) for the accounting policies of business combination. As described in Note 6(8), the Group acquired 12.12% of the common stocks of Century Development Corporation with cash consideration of NT$462,233 thousand in February 2016, which along with the 40.63% of the common stocks that the Group owned before the acquisition made the Group to own 52.75% of the common stocks of Century Development Corporation and gained the control power over the company. The business combination was achieved in stage and the Group evaluated the previously owned common stocks using fair value. As Century Development Corporation is not a listed company, the Group evaluated the fair value of the common stocks using appraisal report prepared by valuation experts. Due to the parameters adopted in the valuation model to generate fair value were subject to management's judgment and had significant impact on the result of the business combination, we considered the valuation as a key audit matter.

How our audit addressed the matter

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

1. Assessed the reasonableness of valuation model, assumptions and parameters adopted in the appraisal report prepared by valuation experts.
2. Assessed the relevance of industrial characteristics and financial information of comparative target companies selected by valuation experts with company under valuation.
3. Reviewed relevant data sources and supporting documents for comparative target companies selected.

Other matter – Reports 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. Those financial statements were audited by other independent accounts, whose reports thereon have been furnished to us, and our opinion express herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the reports of other independent accounts. These investments amounted to NT$4,037,283 thousand and NT$8,265,099 thousand, constituting 6% and 12% of the related total assets as of December 31, 2016 and 2015, respectively, and the comprehensive income amounting to NT$60,193 thousand and NT$290,837 thousand, constituting 2% and 81% of the total comprehensive income for the years ended then ended.

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

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

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

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

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

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

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

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

Chou Tseng, Hui-Chin　　　　Chang, Ming-Hui

For and on behalf of 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
DECEMBER 31
(Expressed in thousands of New Taiwan dollars,)

	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	Inventories, net	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, net	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
DECEMBER 31
(Expressed in thousands of New Taiwan dollars,)

	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
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	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 COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			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 ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings			Other equity interest			
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement 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 earnings (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)
Profit 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
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
Appropriations of 2014 earnings (Note)	6(19)									
Legal reserve		-	-	317,729	-	(317,729)	-	-	-	-
Cash dividends		-	-	-	-	(1,602,154)	-	-	-	(1,602,154)
Effect of changes in the net equity of associates and joint ventures accounted for under the equity method		-	33,472	-	-	-	-	-	-	33,472
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	(20,771)	(1,064,783)	1,651,872	-	566,318
Share of other comprehensive loss of subsidiary, associates and joint venture accounted for under the equity method	6(20)	-	-	-	-	(34,295)	-	(177,296)	-	(211,591)
Profit for the year		-	-	-	-	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, 2015 and 2014, directors' and supervisiors' remuneration amounting to $114,382 and $146,409, respectively, and employees' bonus amounting to $257,361 and $329,421, 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)

	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

(Continued)

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)

	Notes	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other receivables - related parties		$ 20,766	($ 29,222)
Increase (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
Decrease in bonds payable		(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.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Teco Electric & Machinery Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The Company primarily engages in the manufacture, installation, wholesale, retail of various types of electronic equipment, telecommunication equipment, office equipment, and home appliances.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These financial statements were authorized for issuance by the Board of Directors on March 24, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

Except for the following, the above standards and interpretations have no significant impact to the

Company's financial condition and operating results based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques(s) used and key assumptions.

B. Annual improvements to IFRSs 2010-2012 cycle

(a) IFRS 13, 'Fair value measurement'

When issuing IFRS 13, 'Fair value measurement', the IASB removed the guidance that an entity could measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, when the effect of not discounting is immaterial. The amendment clarifies the deletion was made by IASB noting that paragraph 8 of IAS 8 already permits entities not to apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial. The IASB did not intend to change the aforementioned measurement requirements, thus, entities can still apply above standard.

(b) IAS 24, 'Related party disclosures'

The standard is amended to include, as a related party, an entity (or any member of a group of which it is a part) that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

C. Annual improvements to IFRSs 2011-2013 cycle

(a) IFRS 13, 'Fair value measurement'

The amendment clarifies that the exception of measuring the fair value of a group of financial assets and financial liabilities (portfolio exception) applies to all financial assets, financial liabilities and other contracts within the scope of IFRS 9 or IAS 39.

(b) IAS 40, 'Investment property'

This amendment clarifies that preparers should refer to the guidance in IFRS 3 to determine whether the acquisition of a property is an asset acquisition or a business combination, and refer to the guidance in IAS 40 to distinguish between owner-occupied property and investment property.

D. Annual improvements to IFRSs 2012-2014 cycle

IAS 19, 'Employee benefits'

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds or not is based on corporate bonds in that currency, and not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions(amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments'with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers'(amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments toIAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment. The uantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

(a) Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, ‘Revenue from contracts with customers’

IFRS 15, ‘Revenue from contracts with customers’ replaces IAS 11 ‘Construction contracts’, IAS 18 ‘Revenue’ and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from Contracts with Customers‘

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

E. Amendments to IAS 40, ‘Transfers of investment property’

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management’s intentions, in isolation, does not provide evidence of the change in use. In addition, the amendments added examples for the evidence of a change in use. The examples include assets under construction or development (not completed properties) transfer from investment property to owner-occupied property at commencement of development with a view to owner-occupation and transfer from inventories to investment property at inception of an operating lease to another party.

F. Annual improvements to IFRSs 2014-2016 cycle

(a) Amendments to IFRS 12, ‘Disclosure of interests in other entities’

The amendments clarified that when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified as held for sale in accordance with IFRS 5, ‘Non-current assets held for sale and discontinued operations’, the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information for that subsidiary, joint venture or associate in accordance with paragraphs B10–B16.

(b) Amendments to IAS 28, ‘Investments in associates and joint ventures’

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities (including investment-linked insurance funds), IAS 28 allows the entity to elect measuring that investment at fair value through profit or loss in accordance with IFRS 9. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities”.

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost, and less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

(a) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even the Company still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

(b) When the foreign operation is partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(c) Good will and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at balance sheet date.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

B. On a regular way purchase or sale basis, financial assets held for trading are recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(8) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) The disappearance of an active market for that financial asset because of financial difficulties; or

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reverse by adjusting the carrying amount of asset through the use of impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reverse by adjusting the carrying amount of asset through the use of impairment allowance account.

(10) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive cash flows from the financial asset expire.

B. The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(11) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Construction contracts

A. IAS 11, 'Construction Contracts', defines a construction contract as a contract specifically negotiated for the construction of an asset. If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue should be recognised by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. Contract costs are expensed as incurred. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. An expected loss where total contract costs will exceed total contract revenue on a construction contract should be recognized as an expense as soon as such loss is probable. If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable.

B. Contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.

C. The excess of the cumulative costs incurred plus recognised profits (less recognised losses) over the progress billings on each construction contract is presented as an asset within 'receivables from customers on construction contracts'. While, the excess of the progress billings over the cumulative costs incurred plus recognised profits (less recognised losses) on each construction contract is presented as a liability within 'payables to customers on construction contracts'.

(14) Investments accounted for under the equity method / associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealised profit (loss) arising from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company's.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. If changes in shareholdings in subsidiaries do not result to loss of control (transaction with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.

E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost. The Company's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss arising through subsequent assessments.

F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

G. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

K. The Company accounts for its interest in a joint venture using equity method. Unrealised profits and losses arising from the transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the joint venture. The Company's share of joint ventures' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

L. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10 ～ 50 years
Machinery and equipment	3 ～ 15 years
Transportation equipment	3 ～ 5 years
Other equipment	2 ～ 15 years

(16) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 15 to 60 years.

(18) Intangible assets

Intangible assets except goodwill are mainly computer software, which is stated at cost and amortised on the straight-line basis over the estimated economic useful life.

(19) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(21) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(24) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Financial liabilities and equity instruments

A. Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

(a) Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(c) Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognised in 'capital surplus—stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable—net' as stated above. Conversion options are not subsequently remeasured.

(d) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

(e) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above mentioned liability component plus the book value of capital surplus - stock warrants.

B. Ordinary corporate bonds issued by the Company are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(26) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognised at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortisation and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(27) Provisions for other liabilities

Provisions (mainly for product warranties, etc.) are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(28) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior period. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense when it can no longer withdraw an offer of termination benefits or it recognises related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' remuneration and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(29) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

G. Based on the “Income Basic Tax Act”, if the regular income tax is equal or more than the basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas, if the regular income tax is less than basic tax, the income tax payable shall be equal to the basic tax. The difference between the regular income tax and basic tax shall not be subject to deductions of investment tax credits granted under the provisions of other laws.

(30) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(31) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities.

(32) Revenue recognition

A. Sales of goods

(a) The Company manufactures and sells various types of mechanical equipment, air-conditioning units and electronic equipment products. Revenue is measured at the fair value of the consideration received or receivable taking into account value – added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company’s activities. Revenue arising from the sales of goods should be recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) The Company offers customers volume discounts and right of return for defective products. The Company estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. The volume discounts are estimated based on the anticipated annual sales quantities.

B. Sales of services

The Company provides products repair services. Revenue from rendering services is recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are likely to be recoverable.

C. Construction contract

Revenue and cost from long-term construction contracts are recognised under the percentage-of-completion method when the outcome of construction contract can be estimated reliably. If the outcome of construction contract cannot be estimated reliably, it should be recognised under completed contract method. An expected loss where total contract costs will exceed total contract revenue on a construction contract should be recognised as contract loss regardless of the method.

D. A sale agreement comprising of multiple components

A sale agreement offered by the Company might comprise of multiple components, including sale of goods and subsequent repair services, etc. If a sale agreement comprises of multiple identifiable components, the fair value of the consideration received or receivable in respect of the sale agreement shall be allocated between those components based on the relative fair value of each component. The amount of proceeds allocated to each component is recognized as revenue in profit or loss following the revenue recognition criteria applied to each component. The fair value of each component is determined by its market value when it is sold separately.

(33) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquire that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquirer's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the fair value of any previous equity interest in the acquire over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquire recognized and the fair value of previously held equity interest in the acquire is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below

(1) Critical judgments in applying the Company's accounting policies

A. Financial assets—impairment of equity investments

The Company follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Company would recognise impairment loss in its financial statements, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss.

B. Investment property

The Company uses part of the property for its own use and part to earn rentals or for capital appreciation. When the portions cannot be sold separately, the property is classified as investment property only if the own-use portion accounts for less than 20% of the property.

C. Revenue recognition on a net/gross basis

The determination of whether the Company is acting as principal or agent in a transaction is based on an evaluation of Company's exposure to the significant risks and rewards associated with the sale of goods or the rendering of service in accordance with the business model and substance of the transaction. Where the Company acts as a principal, the amount of received or receivable from customer is recognised as revenue on a gross basis. Where the Company acts as an agent, net revenue is recognised representing commissions earned.

The following characteristics of a principal are used as indicators to determine whether the Company shall recognise revenue on a gross basis:

(a) The Company has primary responsibilities for the goods or services it provides;
(b) The Company bears inventory risk;
(c) The Company has the latitude in establishing price for the goods or services directly or indirectly;
(d) The Company bears credit risk of customer.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Company's subjective judgment, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

B. Calculation of net defined benefit liabilities

When calculating the present value of defined pension obligations, the Company must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of December 31, 2016, the carrying amount of net defined benefit liabilities was $1,649,970.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and revolving funds	$ 380	$ 547
Checking accounts and demand deposits	760,202	697,457
Cash equivalents	-	413,214
	$ 760,582	$ 1,111,218

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company's special bank account used for government grants amounted to $4,819 (shown as 1470 'Other current assets'). Please refer to Note 8 for details of restricted terms.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2016	December 31, 2015
Current items:		
Financial assets held for trading		
Non-hedging derivatives	$ 30,832	$ -

A. The Company recognised net gain of $30,832 and $33,672 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2016		
Nature	Contract period	Contract amount (Notional amount)	Fair value
Forward exchange:			
BUY USD/SELL JPY	Jan. 25, 2017~Feb. 27, 2017	JPY 800,000,000	$ 20,006
SELL EUR/BUY USD	Jan. 25, 2017~Mar. 22, 2017	EUR 11,000,000	10,826
			$ 30,832

Details of transactions and contracts of the Company's non-hedge derivatives as of December 31, 2015 are provided in Note 6(13).

C. The Company entered into forward foreign exchange contracts to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

D. The Company has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

Items	December 31, 2016	December 31, 2015
Non-current items:		
Listed and OTC stocks	$ 5,573,864	$ 995,065
Emerging stocks (Note)	907,234	5,607,027
Unlisted stocks	620,816	559,259
	7,101,914	7,161,351
Valuation adjustment of available-for-sale financial assets	(973,804)	(2,625,676)
Accumulated impaiment	(404,518)	(308,328)
	$ 5,723,592	$ 4,227,347

Note: The Company's equity investment, Taiwan High Speed Rail Corporation, has been reclassified from listed stocks to emerging stocks on October 27, 2016.

A. The Company recognised $1,651,872 and$102,005 in other comprehensive income for fair value change and reclassified ($110,944) and ($340,206) from equity to profit or loss for the years ended December 31, 2016 and 2015, respectively.

B. The fair values of Cando Co., Ltd. and others, the Company's investments accounted for using equity method, declined significantly below its initial investment cost due to financial difficulty. The Company therefore recognised impairment loss of $96,190 and $308,328 on those equity investments for the years ended December 31, 2016 and 2015, respectively, including the amount of $96,190 and $308,328 that was transferred from equity to profit or loss, respectively.

C. The Company has no available – for – sale financial assets pledged to others.

(4) Notes receivable

	December 31, 2016	December 31, 2015
Notes receivable	$ 355,816	$ 309,717
Less: allowance for bad debts	(738)	(608)
	$ 355,078	$ 309,109

The credit quality information of the notes receivable of the Company was provided in Note 6(5).

(5) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	$ 1,971,821	$ 1,606,806
Less: allowance for bad debts	(30,484)	(30,762)
	$ 1,941,337	$ 1,576,044

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
Up to 30 days	$ 178,058	$ 83,415
31 to 90 days	252,799	70,299
91 to 180 days	13,570	7,729
Over 181 days	278,746	291,138
	$ 723,173	$ 452,581

The above ageing analysis was based on past due date.

B. Movements on the Company's provision for impairment of accounts receivable are as follows:

(a) As of December 31, 2016 and 2015, the amounts of the Company's accounts receivable that were impaired were $31,222 and $31,370, respectively.

(b) Movement on allowance for bad debts is as follows:

	2016		
	Individual provision	Group provision	Total
At January 1	$ 25,250	$ 6,120	$ 31,370
Provision for impairment	-	1,005	1,005
Write-offs during the period	-	(1,153)	(1,153)
At December 31	$ 25,250	$ 5,972	$ 31,222

	2015		
	Individual provision	Group provision	Total
At January 1	$ 25,250	$ 7,002	$ 32,252
Provision for impairment	2,545	(882)	1,663
Write-offs during the period	(2,545)	-	(2,545)
At December 31	$ 25,250	$ 6,120	$ 31,370

C. The Company holds land, buildings, time deposits, letter of guarantee and letter of quality guarantee collateral as security for accounts receivable.

D. The credit quality of notes receivable and accounts receivable that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

	December 31, 2016	December 31, 2015
Group 1	$ 995,670	$ 857,233
Group 2	240,128	247,014
Group 3	89,026	105,759
Group 4	108,569	100,623
Group 5	139,849	121,943
	$ 1,573,242	$ 1,432,572

Group 1:Clients without substantial risk, such as government institutions and listed companies.

Group 2: Clients with extremely low risk, which have excellent reputation and prospect, as ratified by the director of credit management of the Company.

Group 3:Clients with low risk, which operate well and have had business relationships with the Company for many years with normal payment condition.

Group 4:Clients with risk at an acceptable level, where the Company shall monitor their credit condition regularly.

Group 5:Clients, which do not operate so well and their management shall be improved.

(6) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 723,051	($ 36,788)	$ 686,263
Work in process	519,281	(82)	519,199
Finished goods	1,617,770	(207,963)	1,409,807
Inventory in transit	378,413	-	378,413
	$ 3,238,515	($ 244,833)	$ 2,993,682

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 733,083	($ 19,619)	$ 713,464
Work in process	437,431	(51,134)	386,297
Finished goods	1,719,689	(87,211)	1,632,478
Inventory in transit	209,486	-	209,486
	$ 3,099,689	($ 157,964)	$ 2,941,725

The cost of inventories recognised as expense for the years ended December 31, 2016 and 2015 was $13,354,108 and $14,886,682, respectively, including the amount of $103,859 and $27,559, respectively, that the Company wrote down from cost to net realisable value accounted for as cost of goods sold.

(7) Construction in progress

	December 31, 2016	December 31, 2015
Aggregate costs incurred plus recognised profits (less recognised losses)	$ 12,729,756	$ 13,813,177
Less: progress billings	(11,800,120)	(13,426,144)
Net balance sheet position for construction in progress	$ 929,636	$ 387,033
Presented as:		
Due from customers for contract work	$ 1,112,235	$ 730,166
Due to customers for contract work	(182,599)	(343,133)
	$ 929,636	$ 387,033

As of December 31, 2016 and 2015, cumulative gain (loss) recognised under the percentage of completion method for major contracts are summarized as follows:

December 31, 2016

Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognised
Construction A	Dec. 2017	$ 2,242,567	$ 2,123,400	99%	$ 118,956
Construction B	June 2018	1,864,762	1,774,577	32%	29,009
Construction C	June 2017	1,391,992	1,226,377	99%	165,122
Construction D	Aug. 2017	1,189,638	1,149,219	91%	36,777
Construction E	June 2017	1,064,797	1,029,356	98%	34,757
Construction F	June 2017	1,063,130	950,529	95%	107,021
Construction G	Dec. 2017	941,452	1,536,563	96%	(595,111)
Construction H	Feb. 2019	899,714	809,743	37%	32,953
Construction I	Dec. 2017	621,282	674,470	99%	(53,188)
Construction J	June 2017	611,485	619,366	95%	(7,881)

December 31, 2015

Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognised
Construction A	Dec. 2017	$ 2,242,567	$ 2,123,400	99%	$ 118,909
Construction B	June. 2017	1,864,762	1,774,577	1%	1,257
Construction C	Dec. 2016	1,358,342	1,293,234	93%	60,838
Construction D	Dec. 2016	1,181,841	1,141,644	88%	35,410
Construction E	June. 2016	1,064,797	1,025,856	98%	38,016
Construction F	Dec. 2016	1,052,442	943,449	93%	101,364
Construction G	Dec. 2017	941,452	1,536,563	96%	(595,111)
Construction H	Feb. 2018	899,048	809,143	10%	9,169
Construction I	Dec. 2016	621,282	674,470	99%	(53,188)
Construction J	June. 2016	611,485	619,366	94%	(7,881)
Construction K	June. 2016	564,286	523,665	95%	38,396

(8) Investments accounted for under the equity method

	December 31, 2016	December 31, 2015
Subsidiaries:		
1.Tecom Co., Ltd	$ 154,295	$ 39,477
2.Tong Dai Co., Ltd.	248,469	240,896
3.Teco International Investment Co., Ltd.	1,096,953	1,100,519
4.Teco Holding USA Inc.	9,344,018	9,049,449
5.Teco Electric & Machinery (Pte) Ltd.	2,932,708	2,798,687
6.Tong-An Investment Co., Ltd.	8,010,325	8,099,249
7.Teco Electro Devices Co., Ltd.	226,209	232,065
8.United View Global Investment Co. Ltd.	7,917,780	8,346,737
9.GD Teco Taiwan Co., Ltd.	46,849	39,114
10.Taian (Subic) Electric Co., Inc.	164,183	161,017
11.Micropac Worldwide Investment (BVI)	1,523,096	1,575,457
12.Tong-An Assets Management & Development Co., Ltd.	5,277,612	5,166,421
13.Yatec Engineering Corporation	141,242	143,000
14.An-Tai International Investment Co., Ltd.	502,297	490,716
15.Teco Vietnam Electric Co., Ltd.	173,883	147,918
16.Information Technology Total Services Co., Ltd.	160,689	158,241
17.Tesen Electric & Machinery Co., Ltd.	215,772	214,361
18.Taiwan Pelican Express Co., Ltd.	410,337	410,238
19.Kuenling Machinery Refrigerating Co., Ltd.	337,056	328,347
20.Eagle Holding Co.	3,866,855	3,722,317
21.Century Development Corporation	1,294,865	-
22.Taian-Etacom Technology Co., Ltd.	151,151	136,314
23.Others	477,350	415,467
Subtotal	44,673,994	43,016,007
Associates:		
1.Tung Pei Industrial Co., Ltd	$ 1,965,442	$ 1,982,388
2.Lien Chang Electronic Enterprise Co., Ltd	570,069	560,558
3.Century Development Corporation	-	931,165
4.Others	148,849	183,490
Subtotal	2,684,360	3,657,601

		December 31, 2016		December 31, 2015
Joint Venture：				
1.Senergy Wind Power Co., Ltd.	$	177,243	$	249,524
2.Others		12,551		17,286
Subtotal		189,794		266,810
		47,548,148		46,940,418
Less: unrealised profit from downstream transactions	(	584,326)	(	550,823)
		46,963,822		46,389,595
Less: credit balance of long-term investments (gross amount before offset of accounts receivable-related parties, other receivables-related parties)	(	49,502)	(	38,557)
	$	46,914,320	$	46,351,038

The share of profit/loss of subsidiraries, associates and joint ventures accounted for under equity method for the years ended December 31, 2016 and 2015 are as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Subsidiaries:		
1.Tecom Co., Ltd.	$ 30,595	($ 49,583)
2.Tong Dai Co., Ltd.	66,630	70,267
3.Teco International Investment Co., Ltd.	80,067	50,160
4.Teco Holding USA Inc.	399,982	861,540
5.Teco Electric & Machinery (Pte) Ltd.	263,375	241,945
6.Tong-An Investment Co., Ltd.	371,009	247,623
7.Teco Electro Devices Co., Ltd.	1,489	2,023
8.United View Global Investment Co., Ltd.	38,585	106,018
9.GD Teco Taiwan Co., Ltd.	8,012	15,027
10.Taian (Subic) Electric Co., Inc.	5,993	7,306
11.Micropac Worldwide Investment (BVI)	71,930	80,104
12.Tong-An Assets Management & Development Co., Ltd.	141,107	53,001
13.Yatec Engineering Corporation	9,691	11,329
14.An-Tai International Investment Co., Ltd.	36,036	35,511
15.Teco Vietnam Electric Co., Ltd.	(3,273)	7,679
16.Information Technology Total Services Co., Ltd.	27,372	25,752
17.Tesen Electric & Machinery Co., Ltd.	17,572	17,490
18.Taiwan Pelican Express Co., Ltd.	21,013	25,575
19.Kuenling Machinery Refrigerating Co.,	45,766	37,524
20.Eagle Holding Co.	284,335	111,182
21.Century Development Corporation	73,238	-
22.Taian-Etacom Technology Co., Ltd.	32,898	31,707
23.Others	35,185	28,081
Subtotal	$ 2,058,607	$ 2,017,261
Associates:		
1.Tung Pei Industrial Co., Ltd	102,033	124,632
2.Lien Chang Electronic Enterprise Co., Ltd	33,074	11,966
3.Century Development Corporation	-	64,551
4.Others	(33,264)	(29,876)
Subtotal	$ 101,843	$ 171,273
Joint Venture:		
1.Senergy Wind Power Co., Ltd.	(72,281)	(466)
2.Others	(3,603)	(1,683)
Subtotal	($ 75,884)	($ 2,149)
	$ 2,084,566	$ 2,186,385

A. Subsidiaries:

(a) For the years ended December 31, 2016 and 2015, partial investments accounted for using equity method are valued based on the financial statements audited by the companies' independent accountants. Gain on investment accounted for using equity method and other comprehensive income, net were $60,193 and $290,837 for the years ended December 31, 2016 and 2015, respectively. The related balance of investment accounted for using equity method was $4,037,283 and $8,265,099 as of December 31, 2016 and 2015, respectively.

(b) The Company acquired 100% of share capital of Motovario S.p.A. and its subsidiaries through reinvestment of $3,989,850 (approximately €108,214 thousand) in Eagle Holding Co. on October 15, 2015,please refer to Note 6(32). As of December 31, 2016, the balance of investments accounted for under equity method was NT$5,012,878.

(c) As of December 31, 2016 and 2015, the Company's common stocks owned by its subsidiaries, Tong-An Investment Co., Ltd. and others, totaling $321,563 (22,443,000 shares), were treated as treasury stock.

(d) Please refer to Note 4(3) of the 2016 consolidated financial statements for related information about subsidiaries of the Company.

B. Associates

(a) The basic information of the associates that are material to the Company is as follows:

		Shareholding ratio			
Company name	Principal place of business	December 31, 2016	December 31, 2015	Nature of relationship	Method of measurement
Tung Pei Industrial Co., Ltd.	R.O.C	31.14%	31.14%	Hold more than 20% voting right	Equity method
Lien Chang Electronic Enterprise Co., Ltd.	R.O.C	33.84%	33.84%	〃	Equity method
Century Development Corporation	R.O.C	28.67%	21.39%	〃	Equity method

(b) The summarised financial information of the associates that are material to the Company is shown below:

Balance sheet

	Tung Pei Industrial Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 5,541,165	$ 5,776,433
Non-current assets	6,113,566	5,442,399
Current liabilities	(3,153,541)	(2,764,025)
Non-current liabilities	(1,417,967)	(1,769,642)
Total net assets	$ 7,083,223	$ 6,685,165
Share in associate's net assets	$ 1,965,442	$ 1,982,388
Goodwill	-	-
Carrying amount of the associate	$ 1,965,442	$ 1,982,388

	Lien Chang Electronic Enterprise Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 2,137,424	$ 1,971,176
Non-current assets	698,534	748,594
Current liabilities	(1,124,421)	(1,025,201)
Non-current liabilities	(30,056)	(38,269)
Total net assets	$ 1,681,481	$ 1,656,300
Share in associate's net assets	$ 570,069	$ 560,558
Goodwill	-	-
Carrying amount of the associate	$ 570,069	$ 560,558

	Century Development Corporation	
	December 31, 2016	December 31, 2015
Current assets	$ -	$ 1,111,138
Non-current assets	-	5,399,833
Current liabilities	-	(576,520)
Non-current liabilities	-	(2,074,553)
Total net assets	$ -	$ 3,859,898
Share in associate's net assets	$ -	$ 825,784
Goodwill	-	105,381
Carrying amount of the associate	$ -	$ 931,165

Note : A subsidiary that the Company obtained control in 2016.

Statement of comprehensive income

	Tung Pei Industrial Co., Ltd.	
	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	$ 6,561,385	$ 6,334,038
Profit for the period from continuing operations	338,383	400,173
Other comprehensive loss, net of tax	($ 155,530)	$ -
Total comprehensive income	$ 182,853	$ 400,173
Dividends received from associates	$ 78,290	$ 117,435

	Lien Chang Electronic Enterprise Co., Ltd.	
	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	$ 3,036,281	$ 3,636,049
Profit for the period from continuing operations	$ 95,571	$ 35,356
Other comprehensive loss, net of tax	(40,440)	(33,579)
Total comprehensive income	$ 55,131	$ 1,777
Dividends received from associates	$ 10,136	$ 6,758

	Century Development Corporation	
	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	$ -	$ 941,648
Profit for the period from continuing operations	$ -	$ 296,017
Other comprehensive income, net of tax	-	709
Total comprehensive income	$ -	$ 296,726
Dividends received from associates	$ -	$ 8,736

Note: A subsidiary that the Company obtained control in 2016.

(c) For the year ended December 31, 2016, the Company's subsidiary increased its investment in its associates, Century Development Corporation, thus, obtained majority control over Century Development Corporation. Please refer to Note 6(32) in the consolidated financial statements for details.

(d)The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarized below:

As of December 31, 2016 and 2015, the carrying amount of the Company's individually immaterial associates amounted to $148,849 and $183,490, respectively.

	Year ended December 31, 2016	Year ended December 31, 2015
Loss for the period from continuing operations	($ 33,264)	($ 29,876)
Total comprehensive loss	($ 33,264)	($ 29,876)

(e) The Company's material associate, Lien Chang Electronic Enterprise Co., Ltd., has quoted market price. The fair value is $531,222 and $563,132 as of December 31, 2016 and 2015, respectively.

C. Joint venture

(a) The basic information of the joint ventures that are material to the Company is as follows:

		Shareholding ratio (%)			
Company name	Principal place of business	December 31, 2016	December 31, 2015	Nature of relationship	Method of measurement
Senergy Wind Power Co., Ltd.	R.O.C	50%	50%	Joint venture	Equity method

(b) The summarized financial information of the joint ventures that are material to the Company is shown below:

Balance sheet

	Senergy Wind Power Co., Ltd. (Note)	
	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 233,663	$ 357,978
Other current assets	138,494	30,107
Current assets	372,157	388,085
Non-current assets	111,162	111,067
Total assets	483,319	499,152
Current liabilities	-	(85)
Total liabilities	-	(85)
Total net assets	$ 483,319	$ 499,067
Share in joint venture's net assets	$ 177,243	$ 249,524
Goodwill	-	-
Carrying amount of the joint venture (Note)	$ 177,243	$ 249,524

Note: Impairment loss has been included.

Statement of comprehensive income

	Senergy Wind Power Co., Ltd. (Note)	
	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	$ -	$ -
Depreciation and amortisation	$ 32	$ -
Interest income	$ 4,727	$ 562
Interest expense	$ -	($ 75)
Loss before income tax	($ 15,749)	($ 933)
Loss-net of tax	($ 15,749)	($ 933)
Total comprehensive loss	($ 15,749)	($ 933)
Dividends received from joint venture	$ -	$ -

(c) The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarized below:
As of December 31 2016 and 2015, the carrying amount of the Company's individually immaterial associates amounted to $12,551 and $17,286, respectively.

	Year ended December 31, 2016	Year ended December 31, 2015
Loss for the period from continuing operations	($ 3,603)	($ 1,683)
Total comprehensive loss	($ 3,603)	($ 1,683)

(9) Property, plant and equipment

	Land	Buildings	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Rental assets	Total
At January 1, 2016								
Cost	$ 1,684,530	$ 1,625,719	$ 4,776,218	$ 3,957	$ 89,741	$ 3,812,769	$ 853,873	$ 12,846,807
Accumulated depreciation and impairment	(34,697)	(595,933)	(4,420,111)	(2,742)	(67,659)	(3,129,022)	(719,437)	(8,969,601)
	$ 1,649,833	$ 1,029,786	$ 356,107	$ 1,215	$ 22,082	$ 683,747	$ 134,436	$ 3,877,206
2016								
Opening net book amount	$ 1,649,833	$ 1,029,786	$ 356,107	$ 1,215	$ 22,082	$ 683,747	$ 134,436	$ 3,877,206
Additions	-	100	100,532	1,200	21,294	191,080	-	314,206
Disposals	-	-	(711)	(16)	-	(10,122)	-	(10,849)
Reclassifications	(47,966)	(144,287)	(4,917)	-	-	(3,127)	8,044	(192,253)
Depreciation charge	-	(37,939)	(101,479)	(512)	(16,894)	(175,213)	(12,792)	(344,829)
Closing net book amount	$ 1,601,867	$ 847,660	$ 349,532	$ 1,887	$ 26,482	$ 686,365	$ 129,688	$ 3,643,481
At December 31, 2016								
Cost	$ 1,636,564	$ 1,481,532	$ 4,842,953	$ 5,047	$ 111,035	$ 3,887,344	$ 861,917	$ 12,826,392
Accumulated depreciation and impairment	(34,697)	(633,872)	(4,493,421)	(3,160)	(84,553)	(3,200,979)	(732,229)	(9,182,911)
	$ 1,601,867	$ 847,660	$ 349,532	$ 1,887	$ 26,482	$ 686,365	$ 129,688	$ 3,643,481

	Land	Buildings	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Rental assets	Total
At January 1, 2015								
Cost	$ 1,685,197	$ 1,643,688	$ 4,713,082	$ 5,757	$ 78,654	$ 3,727,383	$ 845,563	$ 12,699,324
Accumulated depreciation and impairment	(34,697)	(554,937)	(4,341,062)	(3,054)	(48,963)	(3,051,313)	(705,338)	(8,739,364)
	$ 1,650,500	$ 1,088,751	$ 372,020	$ 2,703	$ 29,691	$ 676,070	$ 140,225	$ 3,959,960
2015								
Opening net book amount	$ 1,650,500	$ 1,088,751	$ 372,020	$ 2,703	$ 29,691	$ 676,070	$ 140,225	$ 3,959,960
Additions	-	670	95,291	-	11,087	178,334	-	285,382
Disposals	-	(27)	(1,382)	(1,025)	-	(8,044)	-	(10,478)
Reclassifications	(667)	(18,253)	(8,163)	-	-	(147)	8,310	(18,920)
Depreciation charge	-	(41,355)	(101,659)	(463)	(18,696)	(162,466)	(14,099)	(338,738)
Closing net book amount	$ 1,649,833	$ 1,029,786	$ 356,107	$ 1,215	$ 22,082	$ 683,747	$ 134,436	$ 3,877,206
At December 31, 2015								
Cost	$ 1,684,530	$ 1,625,719	$ 4,776,218	$ 3,957	$ 89,741	$ 3,812,769	$ 853,873	$ 12,846,807
Accumulated depreciation and impairment	(34,697)	(595,933)	(4,420,111)	(2,742)	(67,659)	(3,129,022)	(719,437)	(8,969,601)
	$ 1,649,833	$ 1,029,786	$ 356,107	$ 1,215	$ 22,082	$ 683,747	$ 134,436	$ 3,877,206

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Amount capitalized	$ 217	$ 881
Interest rate	0.58%	0.36%~0.88%

B. The Company was unable to transfer the title of certain farmland to the Company's name due to legal restrictions. The land title was registered under an individual's name. Accordingly, the Company entered into an agreement with the said individual to secure the title and the first mortgage right.

(10) Investment property

	Land	Buildings	Total
At January 1, 2016			
Cost	$ 1,114,545	$ 1,678,549	$ 2,793,094
Accumulated depreciation and impairment	-	(733,777)	(733,777)
	$ 1,114,545	$ 944,772	$ 2,059,317
2016			
Opening net book amount	$ 1,114,545	$ 944,772	$ 2,059,317
Reclassifications	47,966	144,287	192,253
Depreciation charge	-	(42,142)	(42,142)
Closing net book amount	$ 1,162,511	$ 1,046,917	$ 2,209,428
At December 31, 2016			
Cost	$ 1,162,511	$ 1,822,836	$ 2,985,347
Accumulated depreciation and impairment	-	(775,919)	(775,919)
	$ 1,162,511	$ 1,046,917	$ 2,209,428

	Land		Buildings		Total
At January 1, 2015					
Cost	$ 1,113,878	$	1,660,296	$	2,774,174
Accumulated depreciation and impairment	-	(	692,843)	(	692,843)
	$ 1,113,878	$	967,453	$	2,081,331
2015					
Opening net book amount	$ 1,113,878	$	967,453	$	2,081,331
Reclassifications	667		18,253		18,920
Depreciation charge	-	(	40,934)	(	40,934)
Closing net book amount	$ 1,114,545	$	944,772	$	2,059,317
At December 31, 2015					
Cost	$ 1,114,545	$	1,678,549	$	2,793,094
Accumulated depreciation and impairment	-	(	733,777)	(	733,777)
	$ 1,114,545	$	944,772	$	2,059,317

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Year ended December 31, 2016	Year ended December 31, 2015
Rental income from investment property	$ 119,909	$ 120,334
Direct operating expenses arising from the investment property that generated rental income during the period	$ 19,434	$ 16,537
Direct operating expenses arising from the investment property that did not generate rental income during the period	$ -	$ -

B. The fair value of the investment property held by the Company as at December 31, 2016 and 2015 was $3,061,100 and $3,084,378, respectively. The valuation is based on average closing prices of investment property at the area where the property is located.

(11) Other non-current assets

	December 31, 2016	December 31, 2015
Prepayment for equipment	$ 169,127	$ 149,678
Refundable deposits	75,492	76,086
Deferred expenses	66,042	75,965
Other assets	1,207	1,207
	$ 311,868	$ 302,936

(12) Short-term borrowings

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 477,670	0.88%～1.46%	None

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 3,354,685	0.96%～1.1%	None

(13) Financial liabilities at fair value through profit or loss

Items	December 31, 2016	December 31, 2015
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	$ -	$ 1,962

A. The Company recognised net gain (loss) of $1,316 and ($1,962) on financial liabilities held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2015			
Nature	Contract period	Contract amount (Notional principal)		Fair value
Forward exchange				
SELL USD/BUY TWD	Jan. 6, 2016	USD	2,000,000	($ 16)
BUY USD/SELL JPY	Jan. 28, 2016	JPY	200,000,000	(431)
SELL EUR/BUY USD	Feb. 25, 2016~ Mar. 7, 2016	EUR	2,000,000	(1,515)
				($ 1,962)

(14) Bonds payable

	December 31, 2016	December 31, 2015
Issuance of bonds payable	$ 3,000,000	$ 4,457,100
Add: Foreign exchange gain, net	-	41,400
Less: Corporate bonds payable -current portion	-	(1,498,500)
	$ 3,000,000	$ 3,000,000

A. The terms of the first domestic unsecured and RMB-denominated ordinary corporate bonds issued by the Company in 2013 are as follows:

The Company issued $300,000,000 (in RMB dollars), 3% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on May 20, 2013. The bonds mature 3 years from the issue date (May 20, 2013 ~ May 20, 2016) and will be redeemed at face value at the maturity date.

B. The terms of the first domestic unsecured ordinary corporate bonds issued by the Company in 2015 are as follows:

The Company issued $3,000,000, 1.45% of the first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on June 18, 2015. The bonds mature 5 years from the issue date (June 18, 2015 ~ June 18, 2020) and will be redeemed at face value at the maturity date.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2016
Long-term bank borrowings				
HSBC Bank	Borrowing period is from Apr. 15, 2016 to Apr. 15, 2018; payable at maturity	0.95%	None	$ 1,000,000
Mizuho Bank	Borrowing period is from Oct. 15, 2016 to Oct. 15, 2018; payable at maturity	0.89%	None	1,230,000
Sumitomo Mitsui Banking Corporation	Borrowing period is from Aug. 3, 2016 to Aug. 3, 2018; payable at maturity	0.97%	None	500,000
Bank Of Taiwan	Borrowing period is from Feb. 2, 2015 to Feb. 2, 2018; payable at maturity	1.05%	None	400,000
First Commercial Bank	Borrowing period is from Feb. 10, 2016 to Feb. 10, 2018; payable at maturity	1.17%	None	261,000
				3,391,000
Commercial papers payable				
Mega Bills Finance Corporation	Borrowing period is from Mar. 30, 16 to Mar. 29, 2018; payable at maturity	0.60%~0.73%	None	700,000
China Bills Finance Corporation	Borrowing period is from Mar. 25, 2016 to Mar. 24, 2018; payable at maturity	0.50%	None	500,000
Grand Bills Finance Corporation	Borrowing period is from Mar. 21, 2016 to Mar. 20, 2018; payable at maturity	0.60%~0.81%	None	400,000
International Bills Finance Corporation	Borrowing period is from April 28, 2016 to April 28, 2018; payable at maturity	0.41%~0.62%	None	500,000
Taiwan Finance Corporation	Borrowing period is from June 23, 2016 to June 22, 2018; payable at maturity	0.70%~0.85%	None	200,000
				2,300,000
Less: discount on commercial paper				(402)
				2,299,598
				$ 5,690,598

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2015
Long-term bank borrowings				
HSBC Bank	Borrowing period is from Mar. 23, 2015 to Mar.23, 2017; Payable at	1.05%	None	$ 460,000
Mizuho Bank	Borrowing period is from Oct. 5, 2015 to Oct. 5, 2017; payable at maturity	0.96%	None	430,000
				890,000
Commercial papers payable				
Mega Bills Finance Corporation	Borrowing period is from Mar. 9, 2015 to Mar. 8, 2017; payable at maturity	0.76%~0.95%	None	370,000
China Bills Finance Corporation	Borrowing period is from Mar. 12, 2015 to Mar. 11, 2017; payable at maturity	0.63%~0.82%	None	200,000
Grand Bills Finance Corporation		0.78%~0.88%	None	200,000
International Bills Finance Corporation	Borrowing period is from April. 16, 2015 to April. 16, 2017; payable at maturity	0.65%~0.67%	None	200,000
Taiwan Finance Corporation	Borrowing period is from May. 27, 2015 to May. 26, 2017; payable at maturity	0.90%	None	200,000
				1,170,000
Less: discount on				(294)
				1,169,706
				$ 2,059,706

A. Under the long-term contracts with certain financial institutions, the Company is required to maintain certain financial ratios and capital requirements as well as meet certain restrictions relative to significant asset acquisitions or disposals.

B. As of December 31, 2016 and 2015, the Company has undrawn borrowing facilities of $12,614,238 and $14,576,073, respectively.

(16) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b)The amounts recognized in the balance sheet are as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	(1,838,969)	(1,911,606)
Fair value of plan assets	188,999	178,726
Net defined benefit liability	($1,649,970)	($1,732,880)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	($ 1,911,606)	$ 178,726	($ 1,732,880)
Current service cost	(19,080)	-	(19,080)
Interest (expense) income	(37,202)	2,869	(34,333)
	(1,967,888)	181,595	(1,786,293)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,363)	(1,363)
Change in financial assumptions	(48,937)	-	(48,937)
Experience adjustments	29,529	-	29,529
	(19,408)	(1,363)	(20,771)
Pension fund contribution	-	153,131	153,131
Paid Pension	144,364	(144,364)	-
Payment per books	3,963	-	3,963
Balance at December 31	($ 1,838,969)	$ 188,999	($ 1,649,970)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	($ 1,978,433)	$ 302,305	($ 1,676,128)
Current service cost	(22,380)	-	(22,380)
Interest (expense) income	(41,565)	5,869	(35,696)
Additional termination benefit costs paid in the plan during the current year	(13,306)	-	(13,306)
	(2,055,684)	308,174	(1,747,510)
Remeasurements:			
Return on plan assets (excluding amounts included in interest	-	2,369	2,369
Change in financial assumptions	(26,220)	-	(26,220)
Experience adjustments	(32,516)	-	(32,516)
	(58,736)	2,369	(56,367)
Pension fund contribution	-	31,850	31,850
Paid pension	163,667	(163,667)	-
Payment per books	39,147	-	39,147
Balance at December 31	($ 1,911,606)	$ 178,726	($ 1,732,880)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Discount rate	1.70%	2.00%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 80,483)	$ 86,126	$ 85,462	($ 80,658)

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 85,332)	$ 91,463	$ 91,033	($ 85,762)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2017 amounts to $141,031.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2016 and 2015 were $70,871 and $75,079, respectively.

(17) <u>Share capital</u>

A. As of December 31, 2016, the Company's authorized capital was $30,305,500, consisting of 3,030,550 thousand shares of ordinary stock, including 100 million shares reserved for employee stock options, and the paid-in capital was $20,026,929 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. For the years ended December 31, 2016 and 2015, there was no change to the Company's outstanding ordinary shares.

B. On December 17, 1996, the Board of Directors of the Company adopted a resolution that allows certain stockholders to issue 5,540 thousand units of global depository receipts (GDRs), represented by 55,399 thousand shares of common stock. A unit of GDR represents 10 shares of common stock. After obtaining approval from SFB, these GDRs were listed on the Securities Exchange of London, with total proceeds of US$107,644,000. The issuance of GDRs were presented by issuing common shares, therefore, there is about 7% dilutive effect on the common shares' equity. The main terms and conditions of the GDRs are as follows:

(a) Voting rights

GDR holders may, pursuant to the Depositary Agreement and the relevant laws and regulations of the R.O.C., exercise the voting rights pertaining to the underlying common shares represented by the GDRs.

(b) Redemption of the underlying common shares represented by the GDRs

When the holders of the GDRs request the Depositary to redeem the GDRs in accordance with the relevant R.O.C. regulations and the provisions in the Depositary Agreement, the Depositary may (i) deliver the underlying common shares represented by the GDRs to the GDR holders, or (ii) sell the underlying common shares represented by the GDRs in the R.O.C. stock market on behalf of the GDR holder. The payment of proceeds from such sale shall be made subject to the relevant R.O.C. laws and regulations and the provisions in the Depositary Agreement.

(c) Distribution of dividends, preemptive rights and other rights

GDR holders own the same rights as common shareholders.

(d) There were 114 thousand units of GDRs outstanding, representing 1,137 thousand common shares as of December 31, 2016.

C. All of the shares of the Company held by the Company's subsidiaries—Tong-An Investment Co., Ltd. and An-Tai International Investment Co., Ltd. were acquired in or before 2000 for the purpose of general investment. After a regulation of the Company Act was amended in 2000 wherein the shares of the holding company shall not be purchased nor be accepted as a security as pledge by its subsidiary, the two subsidiaries did not acquire additional shares of the Company. In addition, Top-Tower Enterprises Co., Ltd. also held the Company's shares before the Company obtained control of Top-Tower Enterprises Co., Ltd. in August, 2013, and did not acquire additional shares of the Company again after the Company obtained its control. As of December 31, 2016 and 2015, book value of the shares of the Company held by the three subsidiaries amounted to $321,563.

Details are as follows:

	December 31, 2016		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	$ 14.92	$ 27.90
An-Tai International Investment Co., Ltd.	2,826	10.37	27.90
Top-Tower Enterprises Co., Ltd.	77	9.37	27.90
	22,443		

	December 31, 2015		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	$ 14.92	$ 26.30
An-Tai International Investment Co., Ltd.	2,826	10.37	26.30
Top-Tower Enterprises Co., Ltd.	77	9.37	26.30
	22,443		

(18) Capital surplus

Pursuant to the R.O.C Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings and legal reserve

A. As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:

(a) Payment of taxes and duties.

(b) Covering prior years' accumulated deficit, if any.

(c) After deducting items (a) and (b), set aside 10% of the remaining amount as legal reserve.

(d) Set aside a certain amount as special reserve, if any.

(e) Distributing the remaining amount plus prior years' retained earnings to shareholders according to their shareholding percentage. The distribution rate is principally 80%, of which cash dividend shall account for 5% ~ 50% of the distributed amount.

(f) The Company may grant the employees of subsidiaries employee bonuses as described above if certain criteria prescribed by the Board of Directors are met.

B. The Company's dividend policy is summarized below:

The Company's operating environment is in the stable growth stage. However, investee companies are still in the growth stage. In view of the future plant expansion and investment plans, the appropriations of earnings are based on the distributable earnings and appropriate principally 80% to shareholders as dividends. Cash dividends shall account for at least 5% up to a maximum of 50% of total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The Company recognized dividends distributed to owners amounting to $1,602,154 ($0.8 (in dollars) per share) and $2,202,962 ($1.1 (in dollars) per share) for the years ended December 31, 2016 and 2015, respectively. On March 24, 2017, the Board of Directors proposed that total dividends for the distribution of earnings for 2016 was $1,762,370 at $0.88 (in dollars) per share.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6 (26).

(20) Other equity items

	Available-for-sale investments	Currency translation	Total
At January 1, 2016	$ 743,950	$ 13,030	$ 756,980
Unrealised gains and losses on financial assets:			
–Company	1,651,872	-	1,651,872
–Subsidiaries, associates and joint ventures	(177,296)	-	(177,296)
Currency translation differences:			
–Company	-	(1,064,783)	(1,064,783)
At December 31, 2016	$ 2,218,526	($ 1,051,753)	$ 1,166,773

	Available-for-sale investments	Currency translation	Total
At January 1, 2015	$ 3,166,632	$ 352,932	$ 3,519,564
Unrealised gains and losses on financial assets:			
–Company	102,005	-	102,005
–Subsidiaries, associates and joint ventures	(2,524,687)	-	(2,524,687)
Currency translation differences:			
–Company	-	(339,902)	(339,902)
At December 31, 2015	$ 743,950	$ 13,030	$ 756,980

(21) Operating revenue

	Year ended December 31, 2016	Year ended December 31, 2015
Sales revenue	$ 17,795,566	$ 19,443,606
Service revenue	299,724	298,491
Construction contract revenue	2,178,757	2,067,620
	$ 20,274,047	$ 21,809,717

(22) Other income

	Year ended December 31, 2016	Year ended December 31, 2015
Rental revenue	$ 145,273	$ 143,351
Dividend income	197,377	84,084
Interest income:		
Interest income from bank deposits	19,557	18,242
Other interest income	10,104	10,398
Other non-operating income	142,065	148,714
	$ 514,376	$ 404,789

(23) Other gains and losses

	Year ended December 31, 2016	Year ended December 31, 2015
Net gain (loss) on financial liabilities at fair value through profit or loss	$ 1,316	($ 1,962)
Net gain on financial assets at fair value through profit or loss	30,832	33,672
Net currency exchange (loss) gain	(84,610)	45,412
Net loss on disposal of property, plant and equipment	(8,991)	(5,479)
Gain (loss) on disposal of investments	23,971	(31,878)
Impairment loss	(96,190)	(308,328)
Non-operating expenses	(330,418)	(297,852)
	($ 464,090)	($ 566,415)

(24) Finance costs

	Year ended December 31, 2016	Year ended December 31, 2015
Interest expense:		
Bank borrowings	$ 54,591	$ 41,321
Corporate bonds	61,194	68,842
Others	7,894	6,565
Less: capitalisation of qualifying assets	(217)	(881)
Finance expenses	123,462	115,847
Finance costs	4,118	19,959
	$ 127,580	$ 135,806

(25) Expenses by nature

	Year ended December 31, 2016	Year ended December 31, 2015
Change in inventory of finished goods and work in process and raw materials and supplies used	$ 11,332,436	$ 12,757,078
Construction cost	1,923,055	1,859,811
Service cost	223,827	224,966
Employee benefit expense	2,475,611	2,531,569
Depreciation charges on property, plant and equipment	332,037	324,639
Amortization charges	20,094	27,261
Processing fees	462,878	510,310
Indirect materials	133,172	222,183
Shipping expense	207,579	218,204
Dealers' compensation	148,236	158,866
Energy costs	155,998	186,802
Other expenses	1,210,470	1,178,830
Total	$ 18,625,393	$ 20,200,519

(26) Employee benefit expense

	Year ended December 31, 2016	Year ended December 31, 2015
Wages and salaries	$ 1,864,972	$ 1,933,151
Employees' bonus and directors' and supervisors' remuneration	409,332	371,743
Labor and health insurance fees	154,032	168,505
Pension costs	124,284	146,461
Other personnel expenses	94,714	95,136
	$ 2,647,334	$ 2,714,996

The Company's employee benefit expenses are recognized under operating costs, operating expenses and other gains and losses.

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1%~10% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at $283,999 and $257,361, respectively; while directors' and supervisors' remuneration was accrued at $125,333 and $114,382, respectively. The aforementioned amounts were recognised in salary expenses.

C. The employees'compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $283,999 and $125,333, and the employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2016	Year ended December 31, 2015
Current tax:		
Current tax on profits for the period	$ 15,903	$ 218,350
Tax on undistributed surplus earnings	120,177	138,547
Adjustments in respect of prior years	(166,665)	(51,484)
Total current tax	(30,585)	305,413
Deferred tax:		
Origination and reversal of temporary differences	171,529	23,740
Total deffered tax	171,529	23,740
Income tax expense	$ 140,944	$ 329,153

(b)The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Currency translation differences	($ 99,432)	($ 58,248)

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2016	Year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	$ 615,812	$ 596,095
Effects from items disallowed by tax regulation	(207,276)	(135,988)
Over estimation of prior year's net deferred tax assets and liabilities	(191,104)	(205,017)
Effect from investment tax credit	(30,000)	(13,000)
Over estimation of prior year's income tax	(166,665)	(51,484)
Additional 10% tax on undistributed earnings	120,177	138,547
Income tax expense	$ 140,944	$ 329,153

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	Year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive Income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealized intercompany profit	$ 202,398	($ 10,908)	$ -	$ 191,490
Impairment loss	90,679	869	-	91,548
Currency translation differences	61,690	-	99,432	161,122
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	44,623	(1,266)	-	43,357
Unrealized expenses	54,884	2,571	-	57,455
Permanent loss on investments	29,817	-	-	29,817
Loss on inventory	26,854	14,768	-	41,622
Over provision of allowance for doubtful accounts	12,615	1,070	-	13,685
Others	100,468	2,722	-	103,190
	624,028	9,826	99,432	733,286
-Deferred tax liabilities:				
Investment income from foreign investments	722,825	166,058	-	888,883
Land value incremental reserve	107,472	-	-	107,472
Others	-	15,297	-	15,297
Subtotal	830,297	181,355	-	1,011,652
Total	($ 206,269)	($ 171,529)	$ 99,432	($ 278,366)

	Year ended December 31, 2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive Income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealised intercompany profit	$ 187,940	$ 14,458	$ -	$ 202,398
Impairment loss	90,529	150	-	90,679
Currency translation differences	3,442	-	58,248	61,690
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	44,955	(332)	-	44,623
Unrealised expenses	53,977	907	-	54,884
Permanent loss on investments	29,817	-	-	29,817
Loss on inventory	25,016	1,838	-	26,854
Over provision of allowance for doubtful accounts	12,119	496	-	12,615
Others	123,953	(23,485)	-	100,468
Subtotal	571,748	(5,968)	58,248	624,028
-Deferred tax liabilities:				
Investment income from foreign investments	696,874	25,951	-	722,825
Land value incremental reserve	106,179	1,293	-	107,472
Others	9,472	(9,472)	-	-
Subtotal	812,525	17,772	-	830,297
Total	($ 240,777)	($ 23,740)	$ 58,248	($ 206,269)

D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2016	December 31, 2015
Deductible temporary differences	$ 541,214	$ 829,412

E. The Company has not recognised taxable temporary differences associated with investment in certain subsidiaries as deferred tax liabilities. As of December 31, 2016 and 2015, the amounts of temporary difference unrecognized as deferred tax liabilities were $7,228,521 and $8,724,374, respectively.

F. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

G. Unappropriated retained earnings

	December 31, 2016		December 31, 2015	
Earnings generated in and before 1997	$	684,024	$	684,024
Earnings generated in and after 1998		11,132,665		9,626,134
	$	11,816,689	$	10,310,158

H. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was $765,673 and $692,980, respectively. The creditable tax rate was 10.06% for 2015 and is estimated to be 8.02% for 2016.

(28) Earnings per share

	Year ended December 31, 2016				
	Amount after tax		Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)	
Basic earnings per share					
Net income	$	3,481,480	1,980,250	$	1.76
Diluted earnings per share					
Assumed conversion of all dilutive potential ordinary shares					
Employees' compensation		-	10,723		
Profit plus assumed conversion of all dilutive potential ordinary shares	$	3,481,480	1,990,973	$	1.75

	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Net income	$ 3,177,291	1,980,250	$ 1.60
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	9,337	
Profit plus assumed conversion of all dilutive potential ordinary shares	$ 3,177,291	1,989,587	$ 1.60

(29) Non-cash transaction

Investing activities with partial cash payments:

	Year ended December 31, 2016	Year ended December 31, 2015
Acquisition of property, plant and equipment	$ 314,206	$ 285,382
Add:Payables at beginning of the year	101,045	125,403
Less:Payables at end of the year	(112,700)	(101,045)
Cash paid	$ 302,551	$ 309,740

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company	Names of related parties
Teco Nanotech Co., Ltd. (Teco Nanotech)	The subsidiary	Yatec Engineering Corporation (Yatec)
Teco International Investment Co., Ltd. (Teco International)	〃	An-Tai International Investment Co., Ltd. (An-Tai)
Tong-An Assets Management & Development Co., Ltd. (Tong-An Assets)	〃	Micropac Worldwide Investment (BVI) (Micropac)
Tong Dai Co., Ltd. (Tong Dai)	〃	A-Ok Technical Co., Ltd. (A-Ok Technical)
Tesen Electric & Machinery Co., Ltd. (Tesen)	〃	Taian-Etacom Technology Co., Ltd. (Taian-Etacom)
Information Technology Total Services Co., Ltd. (ITTS)	〃	Perkilangen Elektrik Taian Jaya Sdn. Bhd. (Perkilangen)
Tong Tai Jung Co., Ltd. (Tong Tai Jung)	〃	Taian (Subic) Electric Co., Inc. (Taian Subic)
Teco Electro Devices Co., Ltd. (Teco Electro)	〃	Taian (Malaysia) Electric Sdn., Bhd. (Taian Malaysia)
Teco Electric & Machinery (Pte) Ltd. (Teco Singapore)	〃	E-Joy International Co., Ltd. (E-Joy International)
Teco Electric Co., Ltd. (Teco Europe)	〃	An-Sheng Travel Co., Ltd. (An Sheng)
Teco Holding USA Inc. (Teco Holding)	〃	Teco Vietnam Electric Co., Ltd. (Teco Vietnam)
GD Teco Taiwan Co., Ltd. (GD Teco)	〃	Teco Appliance (H.K.) Co., Ltd. (Teco Appliance)
Tecom Co., Ltd. (Tecom)	〃	TECO (PHILIPPINES) 3C & APPLIANCES, INC. (TECO 3C)
Tecnos International Consultant Co., Ltd. (Tecnos)	〃	Tecoson Industrial Development Ltd. (Tecoson)
Tong-An Investment Co., Ltd. (Tong-An)	〃	Teco Electronic Devices Co., Ltd. (Teco Devices)
Taiwan Pelican Express Co., Ltd. (Pelican)	〃	Nanchang Dong-Huan Management & Consulting Co., Ltd (Nanchang Dong-Huan)
Teco Westinghouse Motor Industrial-Canada (Teco Westinghouse Canada)	〃	(The company was liquidated in 2015.) Tasia (PTE) Ltd. (Tasia)
Teco Westinghouse Motor Company (Teco Westinghouse)	〃	P.T Teco Multiguna
Information Technology Total	〃	Electro (Teco Multiguna)
Service (Hang Zhu) Co., Ltd. (ITTS Hang Zhu)	〃	Great Teco, S.L. (Great Teco, S.L.)

Names of related parties	Relationship with the Company	Names of related parties
Teco Industrial (Malaysia) Sdn. Bhd. (Teco Malaysia)	The subsidiary	Asia Air Tech Industrial Co., Ltd. (AAT)
Tecoson HK Co., Ltd. (Tecoson HK)	〃	Great Teco Motor Ltd. (GTM)
Wuxi Teco Electric & Machinery Co., Ltd. (Wuxi Teco)	〃	Teco Electronic & Machinery (THAI) Co., Ltd. (Teco THAI)
Suzhou Teco Electric & Machinery Co., Ltd. (Suzhou Teco)	〃	Information Technology
Nan Chang Teco Electronic & Machinery Co., Ltd. (Nanchang Teco)	〃	Total Service (BVI)(ITTS BVI)
Wuxi Teco Precision Industry Co. Ltd (Formerly: Taichang Teco Electro Devices Co.) (Wuxi Teco)	〃	Asia Electric & Machinery (PTE) LTD. (AEM)
Jiangxi Teco Electric and Machinery Co., Ltd. (Jiangxi Teco)	〃	STE Marketing SDN. BHD (STEM)
QingDao Teco Precision Mechtronics Co., Ltd. (QingDao Teco)	〃	Sankyo Co., Ltd. (Sankyo)
Xiamen Teco Technology Co., Ltd. (Xiamen Teco)	〃	Teco Electric & Machinery B.V. (Teco Netherlands)
Asia Innovative Technology Co., Ltd. (Xiamen An-Tai)	〃	TYM Electric & Machinery Sdn. Bhd. (TYM)
An-Tai International Investment (Pte) Ltd. (An-Tai Singapore)	〃	Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. (Teco Dong Guang)
Antech Automation Corp. (Antech)	〃	Unison Service Corporation (Unison)
An-Hubbell-Taian Co., Ltd. (An-Hubbell)	〃	Kuenling Machinery Refrigerating Co., Ltd. (Kuenling Refrigerating)
Universal Mailing Service Co., Ltd. (Universal)	〃	Baycom Opto-Electronics Technology Co., Ltd. (Baycom)
Teco Australia Pty. Ltd. (Teco Australia)	〃	Tecom International Investment Co., Ltd. (Tecom International)
Jack Property Service & Management Company (Jack Property)	〃	Teco SichuanTrading Co., Ltd. (Teco Sichuan)
Tai-An Technology (Wuxi) Co., Ltd. (Tai-An Wuxi)	〃	Qingdao Teco Precision Mechatronics Co., Ltd. (QingDao Teco)
P.T Teco Elektro Indonesia (P.T Teco)	〃	Shanghai TecoElectric & Machinery Co., Ltd. (Shanghai Teco)
Teco Group Science-Technology (Hang Zhou) Co., Ltd. (Teco Hang Zhou)	〃	TECO Elektrik Turkey A.S. (Turkey Teco)
Information Technology Total Services (Xiamen) Ltd. (ITTS Xiamen)	〃	Hunan TECO WindEnergy Limited (Hunan Teco)
Fujian Teco Precision Co., Ltd. (Fujian Teco)	〃	Taian Electric Co., Ltd. (Taian)
United View Global Investment Co., Ltd. (UVG)	〃	Information Technology Total Services (Wuxi) Co., Ltd. (ITTS Wuxi)

Names of related parties	Relationship with the Company	Names of related parties
Jiangxi TECO Air Conditioning Equipment Co., Ltd. (Jiangxi Teco Air)	The subsidiary	Gorich Technology Co., Ltd. (Gorich)
Tianjin Teco Technology Co., Ltd. (Tianjin Teco)	〃	Tension Envelope Taiwan Co., Ltd. (Tension)
Top-Tower Enterprises Co., Ltd. (Top-Tower)	〃	Qingdao TECO Century Advance High-tech Mechtronics Co., Ltd. (TECO Century)
Ching Chi International Limited (Ching Chi)	〃	Teco Middle East Electrical & Machinery Co., Ltd. (TME)
Teco Yaskawa Motor Engineering Co. (Yaskawa)	〃	TG Teco Vacuum Insulated Glass Corp. (TG Teco)
Motovario S.p.A. (Motovario)	〃	Jiangxi Teco-Lead PM Generator Manufacturing Co., Ltd. (Jiangxi Teco-Lead)
TA Associates International Pte Ltd. (TA Associates)	〃	Lien Chang Electronic Enterprise Co., Ltd. (Lien Chang)
United Development Corporation Ltd. (United Development)	〃	Taian Shen Electric Co., Ltd. (Taian Shen)
Century Development Corporation Ltd. (Century Development)	〃	Tecma Information Systems Sdn. Bhd. (TECMA)
Royal Host Taiwan Co., Ltd. (Royal)	Associates	Nanobit Tech Co., Ltd. (Nanobit)
Tung Pei Industrial Co., Ltd. (Tung Pei)	〃	Senergy Wind Power Co., Ltd. (Senergy Wind Power)
Creative Sensor Inc. (Creative Sensor)	〃	Teco Image System Co., Ltd. (Teco Image)
Le-Li Co., Ltd. (Le-Li)	〃	An-Shin Food Service Co., Ltd. (An-Shin)

(2)Significant related party transactions

A. Sales

	Year ended December 31, 2016	Year ended December 31, 2015
Sales of goods		
－Subsidiaries	$ 8,867,966	$ 10,043,759
－Associates	318,792	269,875
－Other related parties	77	52
	$ 9,186,835	$ 10,313,686

	Year ended December 31, 2016	Year ended December 31, 2015
Royalty income (shown as 'other income'):		
－Subsidiaries	$ 37,290	$ -

(a) The sales terms, including pricing and collection, were negotiated in consideration of cost, market, competitors and other factors. The unrealized gain from downstream sales amounting to $584,326 and $550,823(shown as '1550 investments accounted for under equity method') for the years ended December 31, 2016 and 2015, respectively, had been eliminated and listed as investments accounted for under equity method.

(b) Royalty income consisted of consulting service income and endorsements and guarantees provided by the Company. The fees was determined in accordance with mutual agreements and collected within the contractual period.

B. Purchases of goods and services

	Year ended December 31, 2016	Year ended December 31, 2015
Purchases of goods:		
－Subsidiaries	$ 5,969,429	$ 6,390,131
－Associates	66,280	86,475
	$ 6,035,709	$ 6,476,606

	Year ended December 31, 2016	Year ended December 31, 2015
Shipping expense:		
－Subsidiaries	$ 115,366	$ 108,607

	Year ended December 31, 2016	Year ended December 31, 2015
Service expense:		
－Subsidiaries	$ 90,279	$ 90,909

(a) The purchase terms, including pricing and payments, were negotiated in consideration of the general market price and other factors.

(b) The shipping terms, including pricing and payments, were negotiated in consideration of the market price and other factors.

(c) The service terms, including pricing and payments, were negotiated in consideration of the cost, market, competitors and other factors.

C. Notes and accounts receivable

	December 31, 2016	December 31, 2015
Accounts and notes receivable		
－Subsidiaries	$ 2,395,056	$ 2,321,560
－Associates	43,084	37,016
－Other related parties	57	-
	2,438,197	2,358,576
Add: foreign exchange loss	(38,714)	(14,187)
	2,399,483	2,344,389
Less: reclassified to other receivables	(537,245)	(484,935)
	1,862,238	1,859,454
Less: balance of long-term equity investments	(49,501)	(23,918)
	$ 1,812,737	$ 1,835,536

(a) The receivables from related parties arise mainly from sale transactions. The receivables are due 30 to 90 days after the date of sale, unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

(b) The aforementioned accounts receivable that were past due were $537,245 and $484,935 as of December 31, 2016, and 2015, respectively. The ageing of the past due accounts receivable is beyond 90 days.

D. Notes and accounts payable

	December 31, 2016	December 31, 2015
Accounts and notes payable		
－Subsidiaries	$ 1,383,587	$ 1,299,504
－Associates	44,607	44,507
	$ 1,428,194	$ 1,344,011

The payables to related parties arise mainly from purchase transactions and are due 30 to 75 days after the date of purchase. The payables bear no interest.

E. Loans to related parties

(a) Receivables from related parties – credit line

	December 31, 2016	December 31, 2015
Subsidiaries	$ 243,684	$ 251,129

(b) Interest income

	Year ended December 31, 2016	Year ended December 31, 2015
Subsidiaries	$ 7,266	$ 8,537

As of December 31, 2016 and 2015, the Company had loans to subsidiaries amounting to $230,363 and $251,129, respectively. The loans to subsidiaries are repayable monthly over 2 years and carry interest at 2.3%~3.5% per annum for the years ended December 31, 2016 and 2015, respectively.

F. Other receivables

(a) Transfer of accounts receivable that were past due

	December 31, 2016	December 31, 2015
－Subsidiaries	$ 537,245	$ 484,101
－Other related parties	-	834
	$ 537,245	$ 484,935

(b) Others

	December 31, 2016	December 31, 2015
—Subsidiaries	$ 706,825	$ 705,998
—Associates	32,459	47,743
—Other related parties	19,515	2,611
	758,799	756,352
Less :allowance for doubtful accounts	(44,607)	(13,349)
credit balance of long-term equity investments	-	(1,560)
	$ 714,192	$ 741,443

The above represents other receivables for rental.

G. Other payables:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 373,585	$ 113,809
Associates	3,124	5,333
Other related parties	7	72
	$ 376,716	$ 119,214

Other payables mainly consist of rent payable, etc.

H. Financing with related parties

(a) Payables to related parties - credit line

	December 31, 2016	December 31, 2015
Subsidiaries	$ 280,000	$ -

(b) Interest expense

	Year ended December 31, 2016	Year ended December 31, 2015
Subsidiaries	$ 2,723	$ 2,633

As of December 31, 2016 and 2015, the actual amount of loan that the Company has drawn from subsidiaries amounted to $280,000 and $0, respectively. The loans are repayable monthly over 2 years and bear interest at 1.05% and 1.05% per annum for the years ended December 31, 2016 and 2015, respectively.

I. Endorsements and guarantees provided to related parties

	December 31, 2016	December 31, 2015
—Subsidiaries	$ 3,044,214	$ 1,493,133
—Associates	50,634	50,894
	$ 3,094,848	$ 1,544,027

J. Property transactions

(a) The Company rented assets in Quanying and Chungli of Taoyuan County from Tong-An Assets for self-use or rentals. For the years ended December 31, 2016 and 2015, the rent expense was $75,250 and $65,143, respectively. As of December 31, 2016 and 2015, unpaid rent amounted to $6,781 and $5,621 (listed as other payables – related parties), respectively.

(b) The Company sold a number of compresssors (shown as '1600 property, plant and equipment') to QingDao Teco in July, 2011. The contract amounted to $54,558 and collection progress is in accordance with mutual agreement. After the inspection, the Company accepted the compressors with discounted payments based on mutual agreement in 2014. As of December 31, 2016, remaining receivable amounted to $29,710 (shown as 1210 'Other receivable – related party'). For the year ended December 31, 2015, the loss on disposal of property, plant and equipment amounted to $15,848 (shown as 7020 'other gains and losses').

(3)Key management compensation

	Year ended December 31, 2016	Year ended December 31, 2015
Salaries and other short-term employee benefits	$ 245,036	$ 188,181
Post-employment benefits	1,704	19,877
	$ 246,740	$ 208,058

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2016	December 31, 2015	Purpose
Other current assets - bank deposits	$ 4,819	$ -	Special bank account for government grant

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1)Contingencies

None.

(2)Commitments

A. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2016	December 31, 2015
Property, plant and equipment	$ 123,290	$ 144,439

B. As of December 31, 2016, the outstanding usance L/C used for acquiring raw materials and equipment was $613,807.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1)Capital risk management

The Company's objectives when managing capital are based on the industrial scale, considering industrial future growth and product development, and setting appropriate market share, as well as plan of corresponding capital expenditure, calculation of operating capital needed for financial operations, and considering operating profit and cash inflows arising from product competitiveness, to determine appropriate capital structure.

(2)Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable and other payables, bonds payable and long-term borrowings) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a)The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(13)).

(b)Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a)Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii.Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Company is required to hedge their entire foreign exchange risk exposure with the treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company use forward foreign exchange contracts, transacted with Company treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii.The Company uses forward exchange contracts / forward exchange traded derivatives transactions that hedge the recognised foreign asset or liability due to exchange rate fluctuations.

iv.The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		December 31, 2016					
					Sensitivity Analysis		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD:NTD	USD	61,514	32.2500	$ 1,983,827	1%	$ 19,838	$ -
EUR:NTD	EUR	14,793	33.9000	501,483	1%	5,015	-
JPY:NTD	JPY	1,226,377	0.2756	337,990	1%	3,380	-
RMB:NTD	RMB	56,401	4.6170	260,403	1%	2,604	-
AUD:NTD	AUD	2,602	23.2850	60,588	1%	606	-
Non-monetary items							
USD:NTD	USD	587,761	32.2500	18,955,277			
EUR:NTD	EUR	114,067	33.9000	3,866,855			
SGD:NTD	SGD	131,571	22.2900	2,932,708			
VND:NTD	VND	124,202,143	0.0014	173,883			
MYR:NTD	MYR	16,332	7.2128	117,796			
Financial liabilities							
Monetary items							
USD:NTD	USD	55,508	32.2500	1,790,133	1%	17,901	-
EUR:NTD	EUR	3,978	33.9000	134,854	1%	1,349	-
JPY:NTD	JPY	243,643	0.2756	67,148	1%	671	-

		December 31, 2015					
					Sensitivity Analysis		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD:NTD	USD	61,482	32.8250	$ 2,018,147	1%	$ 20,181	$ -
RMB:NTD	RMB	158,769	4.9950	793,051	1%	7,931	-
EUR:NTD	EUR	16,090	35.8800	577,309	1%	5,773	-
JPY:NTD	JPY	1,170,589	0.2727	319,220	1%	3,192	-
AUD:NTD	AUD	6,545	23.9850	156,982	1%	1,570	-
Non-monetary items							
USD:NTD	USD	582,932	32.8250	19,134,729			
EUR:NTD	EUR	103,744	35.8800	3,722,317			
SGD:NTD	SGD	120,876	23.2500	2,810,367			
VND:NTD	VND	105,655,714	0.0014	147,918			
MYR:NTD	MYR	15,427	7.6551	118,095			
Financial liabilities							
Monetary items							
USD:NTD	USD	48,861	32.8250	1,603,862	1%	16,039	-
RMB:NTD	RMB	305,672	4.9950	1,526,832	1%	15,268	-

v. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2016 and 2015 amounted to ($84,610) and $45,412, respectively.

Price risk

The Company is exposed to equity securities price risk because of investments held by the Company are classified on the balance sheet as available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

Interest rate risk

i. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2016 and 2015, the Company's borrowings at variable rates were denominated in the NTD.

ii. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

iii. At December 31, 2016 and 2015, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been $12,799 and $11,235 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a better credit rating are accepted.

ii.No credit limits were exceeded for the years ended December 31, 2016 and 2015, and management does not expect any significant losses from non-performance by these counterparties.

iii.The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(5).

(c)Liquidity risk

i.Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii.The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2016	Up to 1 year	Between 1 and 2 years	Over 2 years	Carrying amount
Short-term borrowings	$ 477,670	$ -	$ -	$ 477,670
Notes payable	178,863	-	-	178,863
Accounts payable	4,664,764	-	-	4,664,764
Other payables	2,972,622	-	-	2,972,622
Bonds payable	-	-	3,000,000	3,000,000
Long-term borrowings	5,690,598	-	-	5,690,598

December 31, 2015	Up to 1 year	Between 1 and 2 years	Over 2 years	Carrying amount
Short-term borrowings	$ 3,354,685	$ -	$ -	$ 3,354,685
Notes payable	198,930	-	-	198,930
Accounts payable	3,818,818	-	-	3,818,818
Other payables	2,604,050	-	-	2,604,050
Bonds payable	1,498,500	-	3,000,000	4,498,500
Long-term borrowings	2,059,706	-	-	2,059,706

iii. As of December 31, 2015, the derivative financial liabilities which is executed by the Company were all due within one year. As of December 31, 2016, all the derivative financial liabilities were settled.

iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(10).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, and others is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in derivative instruments is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 4,808,814	$ -	$ 914,778	$ 5,723,592
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 30,832	$ -	$ 30,832

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 3,369,740	$ -	$ 857,607	$ 4,227,347
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 1,962	$ -	$ 1,962

D. The methods and assumptions the Company used to measure fair value are as follows:

(a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

(c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

(d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(e) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments as at December 31, 2016 and 2015.

	Non-derivative equity	
	Year ended December 31, 2016	Year ended December 31, 2015
Beginning balance	$ 857,607	$ 848,144
Gain and loss recognised in other comprehensive income (Note)	(9,386)	61,599
Acquired in the year	66,557	37,560
Disposed in the year	-	(64,326)
Impairment loss	-	(25,370)
Ending balance	$ 914,778	$ 857,607

Note: Recorded as unrealized valuation gain or loss on available-for-sale financial assets.

G. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

H. Finance and Accounting Department segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 914,778	Market comparable companies	Price to earnings ratio multiple	0.94~2.3	The higher the multiple and control premium, the higher the fair value
Private equity fund			Discount for lack of marketability	15%~20%	The higher the discount for marketability, the lower the fair value

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 857,607	Market comparable companies	Price to earnings ratio multiple	1.51~2.53	The higher the multiple and control premium, the higher the fair value
Private equity fund			Discount for lack of marketability	20%	The higher the discount for marketability, the lower the fair value

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

	December 31, 2016					
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	±5%	$ -	$ -	$ 45,739	($ 45,739)

	December 31, 2015					
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	±5%	$ -	$ -	$ 42,880	($ 42,880)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others:Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative financial instruments undertaken during the reporting periods ended: Please refer to Notes 6(2) and 6(13).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third party, transactions with the investee companies in Mainland Area:

Please refer to table 10.

14. SEGMENT FINANCIAL INFORMATION

Not applicable.

TECO ELECTRIC & MACHINERY CO., LTD.

Loans to others

Year ended December 31, 2016

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016 (Note 17)	Actual amount drawn down	Interest rate (%)	Nature of loans	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	TECO ELECTRIC & MACHINERY CO., LTD.	Xiamen An-Tai	Other receivables	Yes	$ 101,002	$ 93,557	$ 92,423	2.3	Short-term financing	$ -	For operating capital	$ -	-	$ -	$ 1,491,947	$ 4,973,157	Note 2
0	TECO ELECTRIC & MACHINERY CO., LTD.	QingDao Teco	〃	〃	150,127	150,127	137,940	3.5	Short-term financing	-	For operating capital	-	-	-	1,491,947	4,973,157	Note 2
1	Tong-an Investment	Le-Li Co., Ltd.	〃	〃	33,500	-	-	2.5	Short-term financing	-	For operating capital	-	-	-	50,000	200,000	Note 3
2	U.V.G.	Teco Netherlands	〃	〃	257,460	237,300	237,300	1.54	Short-term financing	-	For operating capital	-	-	-	471,401	785,668	Note 4
2	U.V.G.	Teco Century	〃	〃	55,071	55,071	55,071	1.25	Short-term financing	-	For operating capital	-	-	-	471,401	785,668	Note 4
3	Tai-An Wuxi	Fujian Teco	〃	〃	12,710	11,543	11,543	5.6	Short-term financing	-	For operating capital	-	-	-	67,311	134,622	Note 5
4	Teco Westinghouse	TWMM	〃	〃	66,458	66,458	55,470	2.55~4.36	Short-term financing	-	For operating capital	-	-	-	719,814	1,439,627	Note 6
4	Teco Westinghouse	Motovario S.p.A.	〃	〃	1,283,760	-	-	1.25	Short-term financing	-	Capital investment	-	-	-	222,516	222,516	Note 7,12
5	TecoWestinghouse Canada	Motovario S.p.A.	〃	〃	641,880	-	-	1.25	Short-term financing	-	Capital investment	-	-	-	113,024	113,024	Note 8,12
6	Tong-An Assets	TECO ELECTRIC & MACHINERY CO., LTD.	〃	〃	280,000	280,000	280,000	1.05	Short-term financing	-	For operating capital	-	-	-	527,761	527,761	Note 9
6	Tong-An Assets	Le-Li Co., Ltd.	〃	〃	183,000	-	-	1.30	Short-term financing	-	For operating capital	-	-	-	527,761	527,761	Note 9
7	Motovario S.p.A.	GEAR SOLUTIONS ES	〃	〃	157,334	152,042	152,042	4.00	Short-term financing	-	For operating capital	-	-	-	190,089	380,178	Note 10
7	Motovario S.p.A.	GR GENESIS	〃	〃	93,681	-	-	4.00	Short-term financing	-	For operating capital	-	-	-	190,089	380,178	Note 10
8	TECO EMM	Motovario S.p.A.	〃	〃	2,666,387	-	-	1.35	Short-term financing	-	For operating capital	-	-	-	2,881,500	2,881,500	Note 11,12
9	Baycom	Tecom	〃	〃	55,000	46,000	46,000	2.13	Short-term financing	-	Repayments of debt	-	-	-	56,044	112,088	Note 13

Number (Note 1)	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016 (Note 17)	Actual amount drawn down	Interest rate (%)	Nature of loans	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
10	Tecom Co.,LTD	Tecom	Other receivables	Yes	$ 25,000	$ 25,000	$ 25,000	2.15	Short-term financing	$ -	Repayments of debt	$ -	-	$ -	$ 26,753	$ 53,507	Note 14
11	Kuen Ling	Kuen Ling (Vietnam)	〃	〃	38,676	38,640	-	-	Short-term financing	-	For operating capital	-	-	-	131,851	527,403	Note 15
11	Kuen Ling	K.A. Corp.	〃	〃	32,230	32,200	16,744	2.79	Short-term financing	-	For operating capital	-	-	-	131,851	527,403	Note 15
12	Kuen Ling (Suzhou)	Kuen Ling (Shanghai)	〃	〃	39,571	37,067	-	-	Short-term financing	-	For operating capital	-	-	-	55,970	55,970	Note 16

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

Note 2: In accordance with the Company's policy, limit on total loans shall not exceed 10% of the Company's net assets based on the latest financial statements (December 31, 2016), and limit on loans to a single party shall not exceed 3% of the Company's net assets based on the latest financial statements (December 31,2016).

Note 3: In accordance with Tong-an Investment's limit on total loans shall not exceed $200 million, and limit on loans to a single party shall not exceed $50 million.

Note 4: In accordance with U.V.G.' s policy, limit on total loans shall not exceed 10% of U.V.G.' s net assets based on the latest financial statements (December 31, 2016), and limit on loans to a single party shall not exceed 6% of U.V.G.' s net assets based on the latest financial statements (December 31, 2016).

Note 5: In accordance with Tai-An Wuxi' s policy, limit on total loans shall not exceed 10% of Tai-An Wuxi' s net assets based on the latest financial statements (December 31, 2016), and limit on loans to a single party shall not exceed 5% of Tai- An Wuxi' s net assets based on the latest financial statements (December 31, 2016).

Note 6: In accordance with Teco Westinghouse' s policy, limit on total loans shall not exceed 20% of Teco Westinghouse' s net assets based on the latest financial statements (December 31, 2016), and limit on loans to a single party shall not 10% of Teco Westinghouse' s net assets based on the latest financial statements (December 31, 2016).

Note 7: Limit on Teco Westinghouse' loans to TECO EMM S.R.L. shall not exceed EUR 63,000 thousand.

Note 8: Limit on TecoWestinghouse Canada's loans to TECO EMM S.R.L. shall not exceed EUR 32,000 thousand.

Note 9: In accordance with Tong-An Assets' policy, limit on total loans shall not exceed 10% of Tong-An Assets' net assets based on the latest audited financial statement (December 31, 2016), and limit on loans to a single party shall not exceed 10% of Tong-An Assets' net assets based on the latest audited financial statement (December 31, 2016).

Note 10: In accordance with Motovario S.p.A.' s policy, limit on total loans shall not exceed 10% of Motovario S.p.A.' s net assets based on the latest financial statements (December 31, 2016), and limit on loans to a single party shall not exceed 5% of Motovario S.p.A.' s net assets based on the latest financial statements (December 31, 2016).

Note 11: Limit on TECO EMMA's loans to Motovario S.p.A. shall not exceed EUR 85,000 thousand.

Note 12: TECO EMM merged with Motovario S.p.A. on November 7, 2016, and the surviving company was Motovario S.p.A..

Note 13:In accordance with the "Procedures for Provision of Loans" of Baycom Opto-Electronics Technology Co.,Ltd. Tech.Co.Ltd., limit on loans to Baycom is 20% of the granting company's net assets based on the latest audited financial statements (December 31, 2016);limit on loans to a single party is 10% of the granting company's net assets based on the latest audited financial statements (December 31, 2016).

Note 14：In accordance with the "Procedures for Provision of Loans" of the Tecom International Investment Co., Ltd. limit on loans to Tecom International is 20% of the granting company's net assets based on the latest financial statements (December 31, 2016); limit on loans to a single party is 10% of the granting company's net assets based on the latest audited financial statements (December 31, 2016).

Note 15: In accordance with the KUEN LING' s policy, limit on total loans shall not exceed 40% of the KUEN LING' s net assets based on the latest audited financial statements (December 31, 2016) and limit on loans to a single party or group exceed 10% of the KUEN LING' s net assets based on the latest audited financial statements (December 31, 2016), where an inter-company or inter-firm financing facility is necessary provided that the amount of such financing facility.

Note 16: According to the policy of the KUEN LING's subsidiaries, limit on total loans to a single party or group shall not exceed 20% of the KUEN LING's net assets based on the latest audited financial statements (December 31, 2016).

Note 17: The credit line approved by the Board of Directors.

TECO ELECTRIC & MACHINERY CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	TECO ELECTRIC & MACHINERY CO., LTD.	GD TECO	1	$ 9,946,313	$ 100,000	$ 100,000	$ 100,000	$ -	0.2	$ 29,838,940	Y	N	N	Note 3
0	TECO ELECTRIC & MACHINERY CO., LTD.	Teco International	1	9,946,313	100,000	100,000	100,000	-	0.2	29,838,940	Y	N	N	〃
0	TECO ELECTRIC & MACHINERY CO., LTD.	Straits	3	9,946,313	218,068	-	-	-	-	29,838,940	N	N	Y	〃
0	TECO ELECTRIC & MACHINERY CO., LTD.	Motorvario	2	9,946,313	2,876,560	2,779,800	2,779,800	-	5.59	29,838,940	Y	N	N	〃
0	TECO ELECTRIC & MACHINERY CO., LTD.	Others	1,2,4	9,946,313	127,701	115,048	115,048	-	0.23	29,838,940	Y	N	N	〃
1	Teco Westinghouse	TWMM	1	719,814	53,837	42,041	42,041	-	0.58	1,439,627	Y	N	N	Note 4
2	Teco Australia	Ejoy Australia	1	257,602	713	-	-	-	-	772,806	Y	N	N	Note 5
2	Teco Australia	MOS Burger Australia Pty Ltd.	5	257,602	1,416	1,338	1,338	-	8	772,806	N	N	N	〃
3	Tong-an Investment	TG Teco Vacuum Insulated Glass Corp.	4	126,000	126,000	119,226	119,226	-	1.38	200,000	N	N	N	Note 6
4	Motovario S.p.A.	TECNOFIB SRL	3	744,137	2,367	1,363	1,363	-	0.04	2,281,070	N	N	N	Note 7

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following five categories:
(1)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(2)The endorser/guarantor parent company directly or indirectly through its subsidiaries owns more than 50% voting shares of the endorsed/guaranteed company.
(3)Having business relationship.
(4)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
(5)An investee accounted for under the equity method.

Note 3: In accordance with the Company's policy, the total guarantee amount shall not exceed 60% of Company's net assets based on the latest financial statements (December 31, 2016), and the guarantee to a single party shall not exceed 20% of the Company's net assets.

Note 4: In accordance with the Teco Westinghouse's policy, the total guarantee amount shall not exceed 20% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2016), and the guarantee to a single party shall not exceed 10% of Teco Westinghouse's net assets.

Note 5: In accordance with the Teco Australia's policy, the total guarantee amount shall not exceed 60% of Teco Australia's net assets based on the latest financial statements (December 31, 2016), and the guarantee to a single party shall not exceed 20% of Teco Australia's net assets.

Note 6: In accordance with Tong-An Investment' s policy, the total guarantee amount shall not exceed $200 million, and the guarantee to a single party shall not exceed $50 million.
If due to special needs, the guarantee amount exceeds the limit, stockholders' resolution is required.

Note 7: In accordance with Motovario S.p.A.' s policy, the total guarantee amount shall not exceed 60% of Motovario S.p.A.' s net assets based on the latest financial statements (December 31, 2016), and the guarantee to a single party shall not exceed 20% of Motovario S.p.A.'s net assets.

TECO ELECTRIC & MACHINERY CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2016

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016 Number of shares	Book value	Ownership (%)	Fair value	Footnote
TECO ELECTRIC & MACHINERY CO., LTD.	Stock 1	None	Note 1	10,084	$ 114,961	0.08	$ 114,961	
	Stock 2	〃	〃	12,860	149,178	0.13	149,178	
	Stock 3	The Company is a supervisor of the investee	〃	11,527	257,062	1.96	257,062	
	Stock 4	The Company is a director of the investee	〃	190,061	3,497,115	3.38	3,497,115	
	Stock 5	None	〃	51,924	434,603	2.17	434,603	
	Stock 6	〃	〃	16,689	172,731	0.39	172,731	
	Stock 7	The Company is a director of the investee	〃	32,980	308,553	10.99	308,553	
	Stock 8	None	〃	7,500	314,775	5.00	314,775	
	Fund 1	〃	〃	-	125,331	-	125,331	
	Stock 9, etc.	The Company is a director of the investee	〃	-	349,284	-	349,284	
Teco International	Stock 10	None	〃	377	73,138	0.27	73,138	
	Stock 11, etc.	〃	〃	16,232	258,356	-	258,356	
	Stock 12, etc.	〃	Note 3	3,936	293,326	-	293,326	
	Stock 28	〃	Note 2	424	21,426	-	21,426	
Tong-an Investment	Stock 14	An investee company accounted by the Company using equity method	Note 1	19,540	545,167	0.98	545,167	
	Stock 15	Related party in substance	〃	9,197	121,854	8.17	121,854	
	Stock 16, etc.	〃	〃	27,486	248,361	-	248,361	
	Stock 17	None	〃	10,323	748,414	0.32	748,414	
	Stock 18	〃	〃	2,000	208,000	0.06	208,000	
	Stock 10	〃	〃	15,470	3,001,180	10.89	3,001,180	
	Stock 19	〃	〃	898	133,789	3.64	133,789	
	Stock 20	〃	Note 2	1,530	81,475	-	81,475	
	Stock 12	〃	Note 3	554	57,090	0.47	57,090	
	Stock 21	〃	〃	15,620	864,966	-	864,966	
	Fund 2, etc.	〃	〃	5,688	64,014	-	64,014	
	Fund 3	〃	Note 1	1,650	55,142	-	55,142	
U.V.G	Stock 22, etc.	〃	〃	118	11,790	-	11,790	
An-Tai International	Stock 14	An investee company accounted by the Company using equity method	〃	2,826	78,838	0.14	78,838	
	Stock 15	Related party in substance	〃	1,270	16,829	1.13	16,829	
	Stock 16	〃	〃	2,771	211,957	8.55	211,957	
	Stock 23, etc.	None	〃	532	8,830	-	8,830	
	Stock 12, etc.	〃	Note 3	855	69,440	-	69,440	
Jack Property	Fund 4	〃	Note 2	5,118	59,531	-	59,531	
Teco Electro	Stock 15	Related party in substance	Note 1	200	2,653	0.18	2,653	
Information Technology Total Service	Stock 25, etc.	None	〃	4,074	34,158	-	34,158	
Teco Singapore	Stock 10	〃	〃	666	129,126	0.47	129,126	
Taiwan Pelican Express	Stock 10, etc.	〃	〃	1,968	221,742	-	221,742	
Teco Australia	Stock 10	〃	〃	460	89,318	0.32	89,318	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Teco Nanotech	Stock 15	Related party in substance	Note 1	81	$ 1,067	0.07	$ 1,067	
	Fund 5	None	Note 2	98	17,239	-	17,239	
Sankyo	Stock 26	〃	Note 3	-	7,965	0.54	7,965	
Yatec	Fund 6, etc.	〃	Note 2	1,123	17,004	-	17,004	
Kuen Ling	Stock 27	〃	Note 1	1,000	-	9.00	-	
	Stock 28	〃	〃	158	4,039	15.00	4,039	
	Stock 29	〃	〃	-	5,720	18.00	5,720	
Tecom	Stock 2	〃	〃	2,175	25,233	0.02	25,233	
	Stock 4	The Company is a corporate director of the investee	〃	16,222	298,486	0.29	298,486	
Tecom International	Stock 30	None	Note 3	3,354	36,054	1.68	36,054	
	Stock 31, etc.	〃	Note 1	370	680	-	680	
Top-Tower	Stock 14	An investee company accounted by the Company using equity method	Note 3	77	2,154	-	2,154	
	Stock 32, etc.	None	〃	3	48	-	48	

Note 1: Available-for-sale financial assets - non-current.
Note 2: Financial assets at fair value through profit or loss - current.
Note 3: Available-for-sale financial assets - current.

TECO ELECTRIC & MACHINERY CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2016

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

					Balance as at January 1, 2016		Addition		Disposal				Balance as at December 31, 2016	
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Tong-An Assets	Straits, common stocks	Available-for-sale financial assets - non-current	True Excel Limited	None	1,000	$ 304,010	-	$ -	1,000	$ 394,620	$ 304,010	$ 90,610	-	$ -

TECO ELECTRIC & MACHINERY CO., LTD.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
TECO ELECTRIC & MACHINERY CO., LTD.	Tesen	An investee accounted for under the equity method	Purchases	$ 2,606,991	17%	30 days	Note	Note	($ 102,676)	(2%)	
	Kuen Ling	〃	〃	244,981	2%	〃	〃	〃	(164,891)	(3%)	
	Taian Subic	〃	〃	184,391	1%	〃	〃	〃	(65,569)	(1%)	
	Wuxi Teco	An indirect investee accounted for under the equity method	〃	1,249,027	8%	〃	〃	〃	(687,282)	(14%)	
	Teco Malaysia	〃	〃	376,571	2%	〃	〃	〃	(38,507)	(1%)	
	Tai-An Wuxi	〃	〃	456,401	3%	〃	〃	〃	(46,457)	(1%)	
	QingDao Teco	〃	〃	362,184	2%	〃	〃	〃	(82,609)	(2%)	
	Jianxi Teco	〃	〃	146,411	1%	〃	〃	〃	(56,462)	(1%)	
	Teco Singapore	An investee accounted for under the equity method	Sales	(860,043)	(4%)	90 days	〃	〃	114,216	3%	
	Tong Dai	〃	〃	(868,715)	(4%)	〃	〃	〃	213,446	5%	
	Tong Tai Jung	〃	〃	(668,492)	(3%)	〃	〃	〃	149,176	4%	
	Taisan	〃	〃	(206,484)	(1%)	〃	〃	〃	18,736	-	
	E-Joy International	〃	〃	(154,425)	(1%)	〃	〃	〃	41,872	1%	
	Teco Westinghouse	An indirect investee accounted for under the equity method	〃	(2,901,606)	(14%)	〃	〃	〃	494,318	12%	
	Teco Westinghouse Canada	〃	〃	(713,092)	(4%)	〃	〃	〃	80,349	2%	
	Teco Australia	〃	〃	(887,570)	(4%)	〃	〃	〃	215,493	5%	
	Teco Netherlands	〃	〃	(401,817)	(2%)	〃	〃	〃	490,765	12%	
	Sankyo	〃	〃	(256,141)	(1%)	〃	〃	〃	247,779	6%	
	Top-Tower	〃	〃	(313,422)	(2%)	〃	〃	〃	105,949	3%	
	TECO MIDDLE EAST	〃	〃	(108,151)	(1%)	〃	〃	〃	29,086	1%	
	TWMM	〃	〃	(122,591)	(1%)	〃	〃	〃	33,768	1%	

Note: Comparable with other types of transactions, trading conditions are handled in accordance with the agreement of the conditions.

TECO ELECTRIC & MACHINERY CO., LTD.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2016

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
TECO ELECTRIC & MACHINERY CO., LTD.	Tong Dai	An investee accounted for under the equity method	$ 213,446	4.29	$ -	-	$ 200,784	
〃	Tong Tai Jung	〃	149,230	8.96	-	-	149,230	
〃	Teco Singapore	〃	115,000	5.95	-	-	98,330	
〃	Teco Westinghouse	An indirect investee accounted for under the	494,318	6.41	-	-	343,750	
〃	Teco Australia	〃	215,551	4.03	-	-	90,797	
〃	Sankyo	〃	256,617	0.96	188,940	In the process of collection	16,580	
〃	Teco Netherlands	〃	491,010	0.82	312,828	〃	14,025	
〃	QingDao Teco	〃	181,102	0.01	-	-	149,523	
〃	Top-Tower	〃	106,746	2.94	-	-	102,546	
Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	An investee accounted for under the equity method	687,282	1.88	-	-	239,108	
Tesen	〃	〃	102,676	45.63	-	-	102,676	
Kuen Ling	〃	〃	164,891	1.41	-	-	65,317	
Tong-An-Assets	〃	〃	280,000	-	-	-	-	
U.V.G.	Teco Netherlands	〃	237,300	-	-	-	-	
Motovario S.p.A.	GEAR SOLUTIONS ES	〃	152,042	-	-	-	-	Total amount was $18,894

TECO ELECTRIC & MACHINERY CO., LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	TECO ELECTRIC & MACHINERY CO., LTD.	Tong Dai	(1)	Notes receivable and accounts receivable	$ 213,446	Because there is no transaction in same type which can be compared with, it is based on the condition and the period of both side's agreement.	-
0	〃	Tong Tai Jung	〃	Notes receivable, accounts receivable and other receivables	149,230	〃	-
0	〃	Top-Tower	〃	〃	106,746	〃	-
0	〃	Teco Westinghouse	〃	Accounts receivable	494,318	〃	1%
0	〃	Teco Singapore	〃	Accounts receivable and other receivables	115,000	〃	-
0	〃	Teco Australia	〃	〃	215,551	〃	-
0	〃	Teco Netherlands	〃	〃	491,010	〃	1%
0	〃	Sankyo	〃	〃	256,617	〃	-
0	〃	QingDao Teco	〃	〃	181,102	〃	-
1	Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Accounts receivable	687,282	〃	1%
2	Tesen	〃	〃	〃	102,676	〃	-
3	Kuen Ling	〃	〃	Notes receivable and accounts receivable	164,891	〃	-
4	Tong-An-Assets	〃	〃	Other receivables	280,000	〃	-
5	U.V.G	Teco Netherlands	〃	〃	237,300	〃	-
6	Motovario S.p.A.	GEAR SOLUTIONS ES	〃	〃	152,042	〃	-
0	TECO ELECTRIC & MACHINERY CO., LTD.	Teco Singapore	(1)	Sales	860,043	〃	2%
0	〃	Tong Dai	〃	〃	868,715	〃	2%
0	〃	Tong Tai Jung	〃	〃	668,492	〃	1%
0	〃	E-Joy International	〃	〃	154,425	〃	-
0	〃	Teco Westinghouse	〃	〃	2,901,606	〃	6%
0	〃	TecoWestinghouse Canada	〃	〃	713,092	〃	1%
0	〃	Teco Australia	〃	〃	887,570	〃	2%
0	〃	Teco Netherlands	〃	〃	401,817	〃	1%
0	〃	Sankyo	〃	〃	256,141	〃	1%
0	〃	TECO MIDDLE EAST	〃	〃	108,151	〃	-
0	〃	Top-Tower	〃	〃	313,422	〃	1%
0	〃	TWMM	〃	〃	122,591	〃	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Sales	$ 1,249,027	Because there is no transaction in same type which can be compared with, it is based on the condition and the period of both side's agreement.	3%
2	Tesen	〃	〃	〃	2,606,991	〃	5%
3	Kuen Ling	〃	〃	〃	244,981	〃	-
7	Teco Malaysia	〃	〃	〃	376,571	〃	1%
8	Taian Subic	〃	〃	〃	184,391	〃	-
9	Tai-An Wuxi	〃	〃	〃	456,401	〃	1%
10	QingDao Teco	〃	〃	〃	362,184	〃	1%
11	Jianxi Teco	〃	〃	〃	146,411	〃	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship with the transaction company:
(1) The parent company to the subsidiary.
(2) The subsidiary to the parent company.
(3)The subsidiary to another subsidiary.

Note 3: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investees

Year ended December 31, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
TECO ELECTRIC & MACHINERY CO., LTD.	Tung Pei	Taiwan	Manufacturing of bearings	$ 12,293	$ 12,293	39,145,044	31.14	$ 1,965,442	$ 338,383	$ 102,033	None
	Tecom	Taiwan	Manufacturing of key telephone system and nonkey service unit telephone system	631,410	631,410	400,602,050	63.52	154,295	63,362	30,595	None
	Teco International	Taiwan	Investment holdings, investments in securities and construction of commercial buildings	100,013	100,013	52,584,480	100	1,096,953	67,304	80,067	None
	Teco Holdings and its subsidiaries	U.S.A	Manufacturing and distribution of motors and generators, and investment and trading in USA	726,428	726,428	1,680	100	9,344,018	398,002	399,982	None
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore	112,985	112,985	7,200,000	90	2,932,708	313,251	263,375	None
	Tong-An Investment	Taiwan	Investment holdings	2,490,000	2,490,000	415,851,528	99.6	8,010,325	372,740	371,009	None
	Teco Electro	Taiwan	Manufacturing of Stepping motors	128,496	128,496	15,386,949	62.57	226,209	2,699	1,489	None
	UVG and its subsidiaries	Cayman Islands	Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings	8,505,434	8,505,434	195,416,844	100	7,917,780	37,984	38,585	None
	Information Technology Total Service	Taiwan	E-business service, mailing and data management	121,232	121,232	12,123,248	60.62	160,689	45,686	27,372	None
	Tesen	Taiwan	Manufacturing and sales of home appliance	200,000	200,000	20,000,000	100	215,772	16,487	17,572	None
	Lien Chang	Taiwan	Manufacturing of color flybacks transformers, mono flyback transformers and mono deflection yokes	117,744	117,744	37,542,159	33.84	570,069	97,725	33,074	None
	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	22,444	22,444	5,290,800	92.63	248,469	106,249	66,630	None

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
TECO ELECTRIC & MACHINERY CO., LTD.	Teco Vietnam	Vietnam	Manufacturing and sales of motors	264,111	264,111	13,772,799	100	173,883	(3,156)	(3,273)	None
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,799,996	64.95	141,242	14,717	9,691	None
	Tong-An Assets	Taiwan	Real estate business	2,111,889	2,111,889	147,323,399	100	5,277,612	141,107	141,107	None
	Taian Subic	Philippines	Manufacturing and sales of switches	165,819	165,819	17,131,155	76.7	164,183	8,004	5,993	None
	Micropac (BVI) and its subsidiaries	British Virgin Islands	Manufacturing and distribution of optical fiber apparatus and international trading	454,923	454,923	14,883,591	100	1,523,096	72,386	71,930	None
	Century Development	Taiwan	Development and management of industrial park	951,141	673,801	87,776,520	28.67	1,294,865	254,208	73,238	None
	An-Tai International	Taiwan	Investment holdings	150,000	150,000	22,910,337	100	502,297	36,036	36,036	None
	Pelican	Taiwan	Logistics and distribution services	255,116	255,116	24,121,700	25.27	410,337	83,162	21,013	None
	Kuen Ling	Taiwan	Manufacturing, installation, repair, domestic and export sales and leasing of condenser, water cooling, watercooled chiller and freezer	$ 296,003	$ 296,003	15,218,642	19.98	$ 337,056	$ 238,721	$ 45,766	None
	Senergy Wind Power	Taiwan	Manufacturing machinery for electricity generation, transmission and distribution	249,990	249,990	24,999,000	50	177,243	(15,749)	(72,281)	None
	Taian-Etacom Technology Co., Ltd	Taiwan	bus bar and manufacturing of its components	70,330	70,330	7,033,000	84.73	151,151	40,530	32,898	None
	Eagle Holding Co.	Cayman Islands	Investment holdings	3,691,723	3,691,723	1	100	3,866,855	284,335	284,335	None
Eagle Holding Co.	TECO MOTOR B.V.	Netherlands	Investment holdings	3,691,723	3,691,723	1	100	3,866,855	284,335	284,335	None
TECO MOTOR B.V.	Motovario S.p.A	Italy	Production and sale of gear reducers and motors	3,989,850	3,989,850	18,010,000	100	3,866,855	284,335	284,335	Note
Tung Pei	Tung Pei (SAMOA) Industrial Co., Ltd.	Samoa	Investment holdings and establishment of overseas distribution channel	646,343	646,343	23,031,065	100	1,349,404	(88,424)	(88,424)	None
Tecom	Tecom International	Taiwan	Investment holdings	100,000	100,000	12,000,000	100	281,366	39,801	39,801	None
	Baycom	Taiwan	Manufacturing and sales of optical telecom products	359,656	359,656	9,619,819	28.64	128,293	15,347	4,034	None
Tong-An Investments	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	87,464	87,464	7,913,310	6.23	212,660	257,536	16,040	None

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
	Century Development	Taiwan	Development and management of industrial park	420,646	420,646	40,332,965	13.17	624,672	254,208	37,851	None
	Pelican	Taiwan	Logistics and distribution services	54,874	54,874	6,474,468	6.78	110,138	83,162	5,640	None
Lien Chang	Gen Mao International Corp.	Taiwan	Investment holdings	92,000	92,000	11,720,000	100	121,101	19,074	19,074	None
	Gen Mao (Singapore)	Singapore	Investment holdings	582,246	582,246	27,502,354	84.97	662,909	96,899	106,439	None
Gen Mao International Corp.	Gen Mao (Singapore)	Singapore	Investment holdings	91,079	91,079	4,866,045	15.03	115,260	96,899	18,827	None
Century Development	Centurytech Construction and Management Corp.	Taiwan	Construction and sales of related raw materials	98,170	98,170	10,000,000	100	146,852	(11,394)	(10,138)	None
	Jack Property Serrice & Management Company	Taiwan	Building management servicing	13,750	13,750	1,512,500	50	66,757	39,632	19,941	None
	United Development	Taiwan	Investment consultancy service for domestic and foreign industrial parks and land	25,536	7,340	2,682,352	51.6	59,830	9,549	4,790	None
	Greyback International Property Inc.	Philippines	Housing project in Subic	9,912	9,912	144,600	30.11	10,941	(2,792)	(846)	None
Teco Electro	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100	94,577	(14,226)	(15,065)	None
Teco Singapore	Century Development	Taiwan	Development and management of industrial park	179,222	179,222	18,557,402	6.06	243,980	254,208	15,405	None
Teco International	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	52,560	52,560	4,326,447	3.41	116,268	257,536	8,770	None
Kuen LING	CHING CHI INTERNATIONAL LIMITED	British Virgin Islands	Investment holdings	201,467	201,467	6,200,000	83	473,783	49,113	40,464	None
Tong-An Assets	Century Development	Taiwan	Development and management of industrial park	184,893	-	14,845,922	4.85	195,154	254,208	12,295	None

Note: TECO EMM S.R.L merged with Motovario S.p.A. on November 7, 2016 and Motovario S.p.A. was the surviving company.

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2016

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
Teco (Dong Guan)	Manufacturing and sales of air conditioners mechanical equipment	$ 268,799	Note 2	$ 188,139	$ -	$ -	$ 188,139	($ 3,960)	100	($ 3,960)	$ 157,162	$ -	Note 16
Suzhou Teco	Manufacturing and sales of motors	143,255	Note 1	143,255	-	-	143,255	1,597	100	1,597	216,038	-	Note 16,21
Wuxi Teco	Manufacturing and sales of motors	1,697,276	Note 1	768,259	-	-	768,259	131,121	82.35	107,978	1,658,788	-	Note 16
Taian (Wuxi)	Manufacturing and sales of optical fiber	495,213	Note 12	205,551	-	-	205,551	88,889	100	88,889	1,346,223	-	Note 16
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 3	456,293	-	-	456,293	(5,048)	100	(5,048)	(9,243)	-	Note 16
Hang Zhou Xizi-luk	Manufacturing and sales of parking equipment	129,840	Note 1	19,117	-	-	-	-	-	-	-	-	Note 22
Jiangxi Teco	Manufacturing and sales of motors	1,481,569	Note 1	1,383,653	-	-	1,383,653	(62,630)	98.07	(61,421)	1,567,567	-	Note 16
QingDao Teco	Manufacturing and sales of dyes	804,076	Note 1	1,505,255	-	-	1,505,255	(9,012)	85.31	(7,688)	192,025	-	Note 16
Xiamen Teco	Sales of motors and home appliances	20,590	Note 3	20,590	-	-	20,590	2,037	100	2,037	27,605	-	Note 16
Xiamen An-Tai	Development, manufacturing and sales of LCD monitors. Plant rentals and related real estate management	678,681	Note 3	467,577	-	-	467,577	(65,288)	100	(65,288)	328,238	-	Note 16

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
Teco Han Zou	Development and consulting of device products	$ 9,837	Note 1	$ 9,837	$ -	$ -	$ 9,837	$ 1,988	100	$ 1,988	$ 27,295	$ -	Note 16
Nanchang Dong-Huan	Business management consulting	3,222	Note 1	3,222	-	-	3,222	-	100	-	1,172	-	Note 20
Teco Century	Manufacturing and sales of compressor	680,938	Note 3	340,469	-	-	340,469	(146,476)	24	(42,152)	39,920	-	Note 16
Fujian Teco	Manufacturing and sales of electronic components	391,843	Note 1	391,843	-	-	391,843	(7,203)	100	(7,203)	89,480	-	Note 16
Ecolectric International	Distribution of air conditioner	24,004	Note 2	-	-	-	-	1,632	39.90	651	13,807	-	Note 17
Teco (Tianjin) Innovation	Central China area Operation center	15,990	Note 3	15,990	-	-	15,990	276	100	276	14,890	-	Note 16
Teco (Jiang Xi)	Manufacturing and sales of air conditioning mechanical equipment	79,813	Note 3	79,813	-	-	79,813	1,068	100	1,068	117,860	-	Note 16
Teco Sichuan Trading	Sales of home appliances	26,522	Note 12	-	-	-	-	(3,326)	100	(3,326)	4,990	-	Note 16
Jiangxi Teco-Lead	Manufacturing and sales of wind generator	141,079	Note 1	62,865	-	-	62,865	(71)	45	(32)	3,633	-	Note 17
Qingdao Teco Innovation	Science Park development and business operations and consulting services	59,444	Note 14	59,444	-	-	59,444	(4,866)	100	(4,866)	34,458	-	Note 16
Shanghai Teco	Sales of home appliances	23,829	Note 1	23,829	-	-	23,829	(39,424)	100	(39,424)	(40,341)	-	Note 16
Hunan TECO Wind Energy Limited	Manufacturing, sales and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components	240,818	Note 12	240,818	-	-	240,818	(16,439)	100	(16,439)	184,108	-	Note 16
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	Manufacturing and sales of motors, winding and related parts	119,840	Note 13	-	-	-	-	4,244	100	4,244	119,841	-	Note 16
Wuxi TECO Precision Industry Co. Ltd.	Production and sale of industrial motors and applications	656,500	Note 15	-	-	-	-	(17,619)	100	(17,619)	892,466	-	Note 16

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Beijing Pelican Express	Storage services	$ 26,422	Note 4	$ 26,422	$ -	$ -	$ 26,422	($ 9,590)	100	($ 9,590)	$ 4,185	$ -	Note 16
Fubon Gehua (Beijing) Trading Co., Ltd.	Merchandise wholesale	1,152,070	Note 5	24,746	-	-	24,746	-	2.16	-	-	-	Note 18,19
Kuen Ling (Shanghai)	Manufacturing and sales of air conditioning mechanical equipment	181,713	Note 6	116,068	-	-	116,068	41,184	100	34,183	241,769	31,922	Note 16
Kuen Yuan (Suzhou)	General manufacturing business	255,456	Note 6	58,649	-	-	58,649	9,498	100	7,883	232,277	-	Note 16
Firm Precision Industrial (Shanghai)	Manufacturing and sales of metal carton	31,764	Note 6	11,157	-	-	11,157	211	9	-	3,822	-	None
Suzhou Firm Precision Industrial	Manufacturing and sales of metal carton	255,459	Note 6	21,173	-	-	21,173	(22,775)	9	-	14,470	-	None
Wuhan Tecom	Communication network information, technology development, sales and technology services business	6,950	Note 7	6,950	-	-	6,950	303	100	303	3,810	-	Note 16
Tecom Tech (Wuxi)	R & D, manufacture of broadband access network communication system equipment; sale of products to provide technology services	485,455	Note 8	485,455	-	-	485,455	(2,125)	100	(2,125)	3,167	-	Note 16
Tecom Tech Investment (BVI)	Flat panel displays, IT products, printed circuit board assembly, manufacture, testing and communication products and equipment R & D reproduction	34,990	Note 9	34,990	-	-	34,990	(227)	100	(227)	3,242	-	Note 16
Beijing Tecom Innovation Technology Co., Ltd.	Intelligent home systems and spare parts of the Internet of things, wholesale, import and export of goods and technology import and export, import and export agency, to provide technical advice, technical training and technical services	14,566	Note 9	14,566	-	-	14,566	915	100	915	(7,242)	-	Note 16
Information Technology (Wuxi)	ERP building, system maintenance and purchases of information appliance	10,167	Note 10	10,167	-	-	10,167	268	100	268	17,018	-	Note 16
Information Technology Total Service (Hang Zhou)	ERP building, system maintenance and purchases of information appliance	2,257	Note 10	2,257	-	-	2,257	(372)	100	(372)	42	-	Note 16

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Information Technology Total Service (Xiamen)	ERP building, system maintenance and purchases of information appliance	$ 1,000	Note 10	$ -	$ -	$ -	$ -	$ 15	100	$ 15	$ 3,407	$ -	Note 16
Wuxi TECO Precision Industry Co. Ltd. (Formerly: Taichang Teco Electro Devices)	R&D, manufacturing and sales of motors and provide products sales skills	115,225	Note 11	86,101	-	-	86,101	(14,169)	100	(14,169)	95,795	43,266	Note 16

Note 1: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through United View Global Investment Co., Ltd. and Great Teco Motor (Pte) Ltd. and then invest in Mainland China.
Note 2: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through United View Global Investment Co., Ltd. and Asia Air Tech Industrial (Pte) Ltd. and then invest in Mainland China.
Note 3: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through United View Global Investment Co., Ltd. and Asia Electric & Machinery (Pte) Ltd. and then invest in Mainland China.
Note 4: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Pelecanus Express Pte. Ltd., and then invest in Mainland China.
Note 5: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Asian Crown International Co., Ltd., Fortune Kingdom Corporation and Hong Kong Fubon Multimedia Technology Co., Ltd. and then invest in Mainland China.
Note 6: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Ching Chi International Limited and Full Ocean Trading Limited and then invest in Mainland China.
Note 7: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Tecom Global Tech Investment (B.V.I) Limited and then invest in Mainland China.
Note 8: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Tecom Global Tech Investment Pte Limited and then invest in Mainland China.
Note 9: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Tecom Investment (B.V.I) Limited and then invest in Mainland China.
Note 10: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Information Technology Total Service (BVI) Co., Ltd. and then invest in Mainland China.
Note 11: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Teco Electro Devices Co., Ltd. and then invest in Mainland China.
Note 12: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invest through Micropac Worldwide (B.V.I) and then invest in Mainland China.
Note 13: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invest through Teco Holding USA Inc. and Teco Westinghouse Motor Company and then invest in Mainland China.
Note 14: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invested through Tecocapital Investment (Samoa) Co., Ltd. and then invest in Mainland China.
Note 15: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Great Teco Motor (Pte) Ltd., Teco Australia Pty. Ltd. and Teco Electric & Machinery (Pte) Ltd. and then invest in Mainland China.
Note 16: The amount recognised was based on the financial statements that were audited by R.O.C. parent company's CPA firm.
Note 17: The amount recognised was based on the financial statements that were audited by other CPA firms.
Note 18: Available-for-sale financial assets - non-current.
Note 19: As of December 31, 2016, accumulated impairment of $24,746 was accrued.
Note 20: The company had been liquidated in 2016.
Note 21: The investee company merged with Qingdao Teco as resolved by the Board of Directors and was the dissolved company. As of December 31, 2016, the merger is still in process.
Note 22: All the ownership shares had been sold in November 2016.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
TECO Electric & Machinery Co., Ltd.	$ 6,586,439	$ 9,764,840	$ 33,434,726
Taiwan Pelican Express Co., Ltd.	51,168	51,168	974,399
Kuen Ling Machinery Refrigerating Co., Ltd.	207,047	375,448	852,601
Tecom Co., Ltd.	541,961	754,000	291,407
Information Technology Total Services Co., Ltd.	12,424	12,424	159,047
Teco Electro Devices Co., Ltd.	86,101	104,259	217,432

Note 1: The accounts of the Company are expressed in New Taiwan dollars. Income statement accounts denominated in foreigin currencies are translated into New dollars at the weighted average exchange rates prevailing at the transaction dates and balance sheet accounts at spot exchange rates prevailing at the transact

Note 2: The amount disclosed was based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 3: Tecom completed the investment in Mainland China in the third quarter of 2010 and the ceiling on investments was $1,760,251 which was calculated based net assets of $2,933,752 in the third quarter of 2010.

TECO ELECTRIC & MACHINERY CO., LTD.
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
Year ended December 31, 2016

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements and guarantees		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2016	%	Balance at December 31, 2016	Purpose	Maximum balance during the year ended December 31, 2016	Balance at December 31, 2016	Interest rate	Interest during the year ended December 31, 2016	Others
Wuxi Teco	$ 30,697	-	$ -	-	$ 9,191	-	$ -	-	$ -	$ -	-	$ -	
Taian (Wuxi)	80,163	-	-	-	20,570	1%	-	-	-	-	-	-	
Jiangxi Teco	24,436	-	-	-	2,186	-	-	-	-	-	-	-	
QingDao Teco	1,035	-	-	-	1,039	-	-	-	150,127	150,127	3.50%	4,893	
Xiamen An-Tai	-	-	-	-	-	-	-	-	101,002	93,557	2.30%~3.25%	2,373	
Shanghai Teco	5,363	-	-	-	70	-	-	-	-	-	-	-	
Wuxi Teco Precision	35,260	-	-	-	27,039	1%	-	-	-	-	-	-	
Hunan Teco Wind Energy Limited	152	-	-	-	-	-	-	-	-	-	-	-	
Teco (Jang Xi)	163	-			121	-	-	-	-	-	-	-	
Wuxi Teco	(1,249,027)	(8%)	-	-	(687,282)	(14%)	-	-	-	-	-	-	
Taian (Wuxi)	(456,401)	(3%)	-	-	(46,457)	(1%)	-	-	-	-	-	-	
Jiangxi Teco	(146,411)	(1%)	-	-	(56,462)	(1%)	-	-	-	-	-	-	
QingDao Teco	(362,184)	(2%)	-	-	(82,609)	(2%)	-	-	-	-	-	-	
Xiamen An-Tai	(11,773)	-	-	-	(2,270)	-	-	-	-	-	-	-	
Fujian Teco	(80,901)	(1%)	-	-	(4,699)	-	-	-	-	-	-	-	
Teco (Jang Xi)	(34,434)	-	-	-	(5,225)	-	-	-	-	-	-	-	
Kuen Ling (Suzhou)	(41,609)	-	-	-	(2,848)	-	-	-	-	-	-	-	
Kuen Ling (Shanghai)	(6,497)	-	-	-	(1,772)	-	-	-	-	-	-	-	

TECO ELECTRIC & MACHINERY CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and its subsidiaries (the "Group") as at December 31, 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 the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, as described in the Other matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and 2015, and their financial performance and cash flows for the years then ended, in conformity with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Revenue recognition of export sales of heavy industrial products group

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. The Group disclosed the financial information of heavy industrial products group and home electric appliance division in the segment financial information. Heavy industrial products group handles the manufacturing and sales of various machinery, equipment and motors. The sales revenue of the heavy industrial products group amounted to NT$30,413,219 thousand, representing 61% of the consolidated total sales revenue for the year ended December 31, 2016. Aside from domestic sales in Taiwan, the customers of heavy industrial products group are from China, America, South-East Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue recognition of export sales of heavy industrial products group as a key audit matter.

How our audit addressed the matter

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

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

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

Description

Motovario S.p.A. is headquartered in Italy, and is engaged in the manufacturing and sales of gear reducers and other power transmission equipment. Motovario S.p.A. is considered a minimum cash-generating unit of the Group. As of December 31, 2016, the balance of goodwill was NT$5,012,878 thousand. Please refer to Note 4(21) of the consolidated financial statements for the accounting policies on the impairment of non-financial assets and Note 5(2) for the uncertainty of the accounting estimate regarding impairment of goodwill. The Group assesses the impairment of goodwill using the recoverable amount generated from the cash flow forecast discounted using a reasonable discount rate.

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

How our audit addressed the matter

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

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

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

Business combination - acquisition of Century Development Corporation

Description

Please refer to Note 4(36) for the accounting policies of business combination. As described in Note 6(32), the Group acquired 12.12% of the common stocks of Century Development Corporation with cash consideration of NT$462,233 thousand in February 2016, which along with the 40.63% of the common stocks that the Group owned before the acquisition made the Group to own 52.75% of the common stocks of Century Development Corporation and gained the control power over the company. The business combination was achieved in stage and the Group evaluated the previously owned common stocks using fair value. As Century Development Corporation is not a listed company, the Group evaluated the fair value of the common stocks using appraisal report prepared by valuation experts. Due to the parameters adopted in the valuation model to generate fair value were subject to management's judgment and had significant impact on the result of the business combination, we considered the valuation as a key audit matter.

How our audit addressed the matter

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

1. Assessed the reasonableness of valuation model, assumptions and parameters adopted in the appraisal report prepared by valuation experts.
2. Assessed the relevance of industrial characteristics and financial information of comparative target companies selected by valuation experts with company under valuation.
3. Reviewed relevant data sources and supporting documents for comparative target companies selected.

Other matter – Reports of other independent accountants

As described in Notes 4(3) and 6(9) of the consolidated financial statements, we did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method. Those financial statements were audited by other independent accounts, whose reports thereon have been furnished to us, and our opinion express herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the reports of other independent accounts. Total assets of NT$3,517,300 thousand and NT$11,314,418 thousand, constituting 4% and 13% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and total operating revenues of NT$2,065,558 thousand and NT$3,074,913 thousand, 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 NT$2,445,113 thousand and NT$4,040,747 thousand, constituting 3% and 5% of consolidated total assets as of December 31, 2016 and 2015, respectively, the credit balance of investments accounted for under the equity method amounted to NT$$55,400 thousand and NT$28,270 thousand, 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 NT$29,987 thousand and NT$94,683 thousand, constituting 1% and 17% of the consolidated total comprehensive income for the years then ended, respectively.

Other matter –Parent company only financial reports

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

Chou Tseng, Hui-Chin　　　　Chang, Ming-Hui

For and on behalf of 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
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	2016 AMOUNT	%	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
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	2016 AMOUNT	%	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
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	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 COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
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 COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	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 to profit or loss	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 CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

		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
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 earnings	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 accounted 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 loss 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
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 earnings	6(22)											
Legal reserve		-	-	317,729	-	(317,729)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,602,154)	-	-	-	(1,602,154)	-	(1,602,154)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	33,472	-	-	-	-	-	-	33,472	-	33,472
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	1,500,431	1,500,431
Other comprehensive income (loss) for the 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 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	$ 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.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Teco Electric & Machinery Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") primarily engages in the manufacture, installation, wholesale, retail of various types of electronic equipment, telecommunication equipment, office equipment, and home appliances.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques(s) used and key assumptions.

B. Annual improvements to IFRSs 2010-2012 cycle

(a) IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgments made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only when segment asset is provided to chief operating decision maker regularly.

(b) IFRS 13, 'Fair value measurement'

When issuing IFRS 13, 'Fair value measurement', the IASB removed the guidance that an entity could measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, when the effect of not discounting is immaterial. The amendment clarifies the deletion was made by IASB noting that paragraph 8 of IAS 8 already permits entities not to apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial. The IASB did not intend to change the aforementioned measurement requirements, thus, entities can still apply above standard.

(c) IAS 24, 'Related party disclosures'

The standard is amended to include, as a related party, an entity (or any member of a group of which it is a part) that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

C. Annual improvements to IFRSs 2011-2013 cycle

(a) IFRS 13, 'Fair value measurement'

The amendment clarifies that the exception of measuring the fair value of a group of financial assets and financial liabilities (portfolio exception) applies to all financial assets, financial liabilities and other contracts within the scope of IFRS 9 or IAS 39.

(b) IAS 40, 'Investment property'

This amendment clarifies that preparers should refer to the guidance in IFRS 3 to determine whether the acquisition of a property is an asset acquisition or a business combination, and refer to the guidance in IAS 40 to distinguish between owner-occupied property and investment property.

D. Annual improvements to IFRSs 2012-2014 cycle

IAS 19, 'Employee benefits'

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds or not is based on corporate bonds in that currency, and not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments'with IFRS 4, 'Insurance contracts'January 1, 2018 (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, ' First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to I FRS 12, ' Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, ' Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A.IFRS 9, 'Financial instruments'

(a) Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction Contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.
Step 2: Identify separate performance obligations in the contract(s).
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price.
Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

E. Amendments to IAS 40, 'Transfers of investment property'

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions, in isolation, does not provide evidence of the change in use. In addition, the amendments added examples for the evidence of a change in use. The examples include assets under construction or development (not completed properties) transfer from investment property to owner-occupied property at commencement of development with a view to owner-occupation and transfer from inventories to investment property at inception of an operating lease to another party.

F. Annual improvements to IFRSs 2014-2016 cycle

(a) Amendments to IFRS 12, 'Disclosure of interests in other entities'

The amendments clarified that when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified as held for sale in accordance with IFRS 5, 'Non-current assets held for sale and discontinued operations', the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information for that subsidiary, joint venture or associate in accordance with paragraphs B10–B16.

(b) Amendments to IAS 28, 'Investments in associates and joint ventures'

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities (including investment-linked insurance funds), IAS 28 allows the entity to elect measuring that investment at fair value through profit or loss in accordance with IFRS 9. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

A. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Teco Electric & Machinery Co., Ltd.	Teco Holding USA Inc.	Holding company	100	100	
Teco Electric & Machinery Co., Ltd.	United View Global Investment Co., Ltd.	Holding company	100	100	
Teco Electric & Machinery Co., Ltd.	Tesen Electric & Machinery Co., Ltd.	Manufacturing and sales of home appliances	100	100	
Teco Electric & Machinery Co., Ltd.	Tong-An Assets Management & Development Co., Ltd.	Real estate business	100	100	
Teco Electric & Machinery Co., Ltd.	Teco Electric Europe Limited	Distribution of motors	100	100	
Teco Electric & Machinery Co., Ltd.	Teco Electric & Machinery (Pte) Ltd.	Distribution of motors	100	100	
Teco Electric & Machinery Co., Ltd.	Tong Dai Co., Ltd.	Distribution of motors	92.63	92.63	
Teco Electric & Machinery Co., Ltd.	Tong Tai Jung Co., Ltd.	Expanding the distribution of motors	60	60	
Teco Electric & Machinery Co., Ltd.	Teco Electro Devices Co., Ltd.	Manufacturing and sales of step-servo motor	64.08	64.08	
Teco Electric & Machinery Co., Ltd.	Yatec Engineering Corporation	Development and maintenance of various electric appliances	64.95	64.95	
Teco Electric & Machinery Co., Ltd.	Taian (Subic) Electric Co., Inc.	Manufacturing and sales of switches	76.7	76.7	
Teco Electric & Machinery Co., Ltd.	Taian-Etacom Technology Co., Ltd.	Manufacturing of busway and related components	84.73	84.73	
Teco Electric & Machinery Co., Ltd.	Taian (Malaysia) Electric Sdn. Bhd.	Manufacturing of switches	76.85	76.85	
Teco Electric & Machinery Co., Ltd.	Micropac Worldwide (BVI)	International trading	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Teco Electric & Machinery Co., Ltd.	E-Joy International Co., Ltd.	Wholesale and retail of electric appliances	95.24	95.24	
Teco Electric & Machinery Co., Ltd.	A-Ok Technical Co., Ltd.	Repair of electric appliances	86.67	86.67	
Teco Electric & Machinery Co., Ltd.	Tecom Co., Ltd.	Manufacturing and sales of touch-tone phone system and billing box	63.52	63.52	
Teco Electric & Machinery Co., Ltd.	Information Technology Total Services Co.,	Import sales, leases of franking machines and mail processing and delivery	71.3	71.3	
Teco Electric & Machinery Co., Ltd.	GD Teco Taiwan Co., Ltd.	Commissioned sales of phone cards and IC cards, and production of data storage and processing equipment	100	100	
Teco Electric & Machinery Co., Ltd.	Teco International Investment Co., Ltd.	Various productions, investments in securities and construction of commercial buildings	100	100	
Teco Electric & Machinery Co., Ltd.	Tong-An Investment Co., Ltd.	Various investments	100	100	
Teco Electric & Machinery Co., Ltd.	Tecnos International Consultant Co., Ltd.	Business management consulting	73.54	73.54	
Teco Electric & Machinery Co., Ltd.	An-Tai International Investment Co., Ltd.	Various investments	100	100	
Teco Electric & Machinery Co., Ltd.	Taiwan Pelican Express Co., Ltd.	Delivery and logistics services	32.15	32.15	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Technology (Vietnam) Co.,	Manufacturing and sales of motors	100	100	
Teco Electric & Machinery Co., Ltd.	Teco Nanotech Co., Ltd.	Manufacturing and sales of nanotech material products	86.83	86.83	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	December 31, 2015	Description
Teco Electric & Machinery Co., Ltd.	Kuen Ling Machinery Refrigerating Co., Ltd.	Manufacturing, installation, repair, domestic and export sales and leasing of condenser, water cooling, water-cooled chiller and freezer	19.98	19.98	Note 2
Teco Electric & Machinery Co., Ltd.	Yaskawa Teco Motor Engineering Co.	Manufacturing and sales of motors	70	60	
Teco Electric & Machinery Co., Ltd.	Eagle Holding Co.	Holding company	100	100	
Teco Electric & Machinery Co., Ltd.	Century Development Corporation	Real estate and industrial park management and development	52.75	40.63	Note 3
Century Development Corporation	Century Tech. C&M Corp.	Construction	100	100	Note 3
Century Development Corporation	United Development Corporation	Investment consultancy service for domestic and foreign industrial parks and land	100	23.4	Note 3
Eagle Holding Co.	TECO MOTOR B.V.	Holding company	100	100	
TECO MOTOR B.V.	Motovario S.p.A.	Sales of motors and reducers	100	-	Note 4
TECO MOTOR B.V.	TECO EMM S.R.L	Holding company	-	100	Note 4
Motovario S.p.A.	Motovario S.A (Spain)	Sales of motors and reducers	100	100	
Motovario S.p.A.	Motovario Ltd.	Sales of motors and reducers	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Motovario S.p.A.	Motovario Scandinavia A/S Danimarca	Sales of motors and reducers	100	100	
Motovario S.p.A.	Motovario GMBH	Sales of motors and reducers	100	100	
Motovario S.p.A.	Motovario Corp.	Sales of motors and reducers	75	75	Note 6
Motovario S.p.A.	GR Genesis LLC	Management and development of real estate	-	75	Note 6
Motovario S.p.A.	Motovario S.A (France)	Sales of motors and reducers	100	100	
Motovario S.p.A.	Motovario Int. Trading Co. Ltd.	Sales of motors and reducers	100	100	
Motovario S.p.A.	Motovario Power Transmission Co. Ltd.	Sales of motors and reducers	100	100	
Motovario S.p.A.	Motovario Gear Solution Private Ltd.	Sales of motors and reducers	100	100	
Motovario S.p.A.	Gear Solutions ES, SL	Sales of motors and reducers	100	100	
Teco Holding USA Inc.	Teco Westinghouse Motor Company	Manufacturing and sales of motors and generators	100	100	
Teco Holding USA Inc.	Teco Westinghouse Motor Industrial Canada	Manufacturing and sales of motors and generators	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
United View Global Investment Co., Ltd.	Great Teco Motor (Pte) Ltd.	Holding company	100	100	
United View Global Investment Co., Ltd.	Asia Air Tech Industrial (Pte) Ltd.	Holding company	100	100	
United View Global Investment Co., Ltd.	Teco Australia Pty. Ltd.	Manufacturing and sales of motors and home appliances	99.99	99.99	
United View Global Investment Co., Ltd.	P.T Teco Elektro Indonesia	Manufacturing and sales of motors and home appliances	100	100	
United View Global Investment Co., Ltd.	Teco Industrial (Malaysia) Sdn. Bhd.	Manufacturing and sales of motors	100	100	
United View Global Investment Co., Ltd.	Tecoson Industrial Development (Pte) Ltd.	Investment in South-East Asia and Hong Kong	100	100	
United View Global Investment Co., Ltd.	Asia Electric & Machinery (Pte) Ltd.	Holding company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
United View Global Investment Co., Ltd.	Great Teco, S.L.	Sales of motors	100	100	
United View Global Investment Co., Ltd.	Teco Electric & Machinery B.V.	Sales of motors, green power and electric control products	100	100	
United View Global Investment Co., Ltd.	Teco Elektrik Turkey A. S.	Sales of motors and home appliances	100	100	
Teco Electric & Machinery (Pte) Ltd.	P.T Teco Multiguna Electro	Sales of motors in Singapore and neighbouring countries	87.5	87.5	
Teco Electric & Machinery (Pte) Ltd.	Teco (Thai) Co.	Sales of motors in Singapore and neighbouring countries	55	55	
Teco Electric & Machinery (Pte) Ltd.	Teco Electric & Machinery Sdn. Bhd.	Sales of motors in Singapore and neighbouring countries	100	100	
Teco Electric & Machinery (Pte) Ltd.	Teco (Vietnam) Electric & Machinery Company Ltd.	Manufacturing of motors	60	60	
Teco Electric & Machinery (Pte.) Ltd.	Teco Industrial System Private Limited	Sales of motors in India and neighbouring countries	100	100	
Teco Electric & Machinery (Pte.) Ltd.	Teco Electrical Industries Private Limited	Manufacturing of motors	100	-	
Teco Electric & Machinery (Pte) Ltd.	TYM Electric and Machinery Sdn. Bhd.	Distribution of motors	100	100	
Tong Dai Co., Ltd.	Top-Tower Enterprises Co., Ltd.	Sales of motors	40	40	Notes 2

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Teco Electro Devices Co., Ltd.	Teco Electro Devices Co., Ltd.	Trading and various investments	100	100	
Micropac Worldwide (BVI)	An-Tai International Investment (Singapore) Co., Ltd.	Investment holdings	100	100	
Teco International Investment Co., Ltd.	Tasia (Pte) Ltd.	Various investments	100	100	
Tong-An Investment Co., Ltd.	Jack Property Service & Management Company	Building management servicing	100	50	
Tong-An Investment Co., Ltd.	Tecocapital Investment (Samoa) Co., Ltd.	Holding company	100	100	
Tong-An Investment Co., Ltd.	Tecocapital Investment Co., Ltd.	Holding company	100	100	
Taiwan Pelican Express Co., Ltd.	Pelecanus Express Pte. Ltd.	Holding company	100	100	
Teco Westinghouse Motor Company	Teco Westinghouse Motor Company S. A. de C.V.	Manufacturing and sales of motors and generators	100	100	
Tecom Co., Ltd.	Tecom International Investment Co., Ltd.	Investments in various undertakings	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Tecom Co., Ltd.	Baycom Opto-Electronics Technology Co., Ltd.	Manufacture of fiber optic communications products, providing a full range of fiber optical cables, interconnect, Transceiver/ Media converter, patch cord, LC connectors & adapter	51.19	51.19	
Tecom Co., Ltd.	Tecom Global Tech Investment (B.V.I.) Limited	Investments in various undertakings	100	100	
Tecom Co., Ltd.	Tecom Global Tech Investment Pte Limited	Investments in various undertakings	100	100	
Tecom Co., Ltd.	Tecom Tech Investment (B.V.I.) Limited	Investments in various undertakings	100	100	
Kuen Ling Machinery Refrigerating Co., Ltd.	Ching Chi International Limited	Investments in other areas	100	100	
Kuen Ling Machinery Refrigerating Co., Ltd.	K.A. Corp.	Commodity sales and trading business	100	100	
Kuen Ling Machinery Refrigerating Co., Ltd.	I Chi Industrial Co., Ltd.	General manufacturing	70	70	
Kuen Ling Machinery Refrigerating Co., Ltd.	Cozy Air-Conditioning Co., Ltd.	General manufacturing	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Great Teco Motor (Pte) Ltd.	Suzhou Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors and generators	-	100	Note 5
Great Teco Motor (Pte) Ltd.	Wuxi Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors and generators	82.35	82.35	
Great Teco Motor (Pte) Ltd.	Jiangxi Teco Electric & Machinery Co., Ltd.	Coil-wound motors and bydroelectric power	98.07	98.07	
Great Teco Motor (Pte) Ltd.	Qingdao Teco Precision Mechatronics Co., Ltd.	Manufacturing and sales of motors	85.31	85.31	Note 5
Great Teco Motor (Pte) Ltd.	Fujian Teco Precision Co., Ltd.	Manufacturing and sales of electric components	100	100	
Great Teco Motor (Pte) Ltd.	Shanghai Teco Electric & Machinery Co., Ltd.	Agents and sales of motors and electrical appliances	100	100	
Great Teco Motor (Pte) Ltd.	Wuxi Teco Precision Machinery Co., Ltd.	Manufacturing and sales of motors and components	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Asia Air Tech Industrial (Pte) Ltd.	Teco (Dong Guang) Air Conditioning Equipment Co., Ltd.	Manufacturing and sales of air-conditioning mechanical equipment	100	100	
Teco Australia Pty. Ltd.	Teco (New Zealand) Limited	Manufacturing and sales of motors and home appliances	100	100	
Tecoson Industrial Development (Pte) Ltd.	Tecoson HK Co., Ltd.	Various investments	100	100	
Asia Electric & Machinery (Pte) Ltd.	Nanchang Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of air-conditioning equipment	100	100	
Asia Electric & Machinery (Pte) Ltd.	Xiamen Teco Technology Co., Ltd.	Distribution and research of motors and home appliances	100	100	
Asia Electric & Machinery (Pte) Ltd.	Asia Innovative Technology Co., Ltd.	Research, development, manufacturing and sales of home appliances	100	100	
Asia Electric & Machinery (Pte) Ltd.	Tianjin Teco Technology Co., Ltd.	Operations center in Central China	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Asia Electric & Machinery (Pte) Ltd.	Jiangxi TECO Air Conditioning Equipment Co., Ltd.	Manufacturing and sales of various air-conditioning units	100	100	
Teco Electric & Machinery B.V.	Teco Electric & Machinery GmbH.	Manufacturing and sales of motors	100	100	
Teco Electro Devices Co., Ltd.	Wuxi TECO Precision Industry Co., Ltd.	Manufacturing and sales of motors	100	100	
Teco Westinghouse Motor Company	Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	Manufacturing and sales of motors, winding and related parts	100	100	
An-Tai International Investment (Singapore) Co., Ltd.	Tai-An Technology (Wuxi) Co., Ltd.	Manufacturing and sales of fiber electric equipment	100	100	
An-Tai International Investment (Singapore) Co., Ltd.	Hunan TECO Wind Energy Limited	Manufacturing, sales and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Tecom International Investment Co., Ltd.	WondaLink Inc.	Wired Communication equipment and apparatus, manufacturing of telecommunication equipment and apparatus, manufacturing of electronic parts and design of products	68.08	68.08	
Tecom International Investment Co., Ltd.	MOCET Networks Inc.	Sale of phones and peripherals	100	100	
Tecom Global Tech Investment (B.V.I.) Limited	Wuhan Tecom Co., Ltd.	Communication network information technology development, sales and technology services business	100	100	
Tecom Global Tech Investment Pte Limited	Tecom Tech (Wuxi) Co,. Ltd.	R & D, manufacture of broadband access network communication system equipment, asynchronous transfer mode, IP data communication systems, mobile communication handsets, base stations, switching equipment and digital trunking system equipment, high-end routers, Gigabit switch than the above network, program-controlled switchboards; sale of products to provide technology services	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Tecom Investment (B.V.I.) Limited	Tecom Tech (Xiamen) Co., Ltd.	Flat panel displays, IT products, printed circuit board assembly, manufacture, testing and communication products and equipment, R & D reproduction	100	100	
Tecom Investment (B.V.I.) Limited	Beijing Tecom Innovation Technology Co., Ltd.	Wireless network communication system hardware and software, provide technical advice, technical training and technical services	100	100	
Tasia (Pte) Ltd.	Sankyo Co., Ltd.	Sales of home appliances	100	100	
Tecocapital Investment (Samoa) Co., Ltd.	Qingdao TECO Innovation Co., Ltd.	Science Park development and business operations consulting services	100	100	
Tecocapital Investment Co., Ltd.	Technical Information International Co., Ltd.	Development and sales of software	70	70	
Pelecanus Express Pte. Ltd.	Beijing Pelican Express Co., Ltd.	Storage services	100	100	
Ching Chi International Limited	Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd.	Manufacturing and sales of water-cooled chiller, etc.	100	100	
Ching Chi International Limited	Suzhou KuenYuan Refrigerating Equipment Co., Ltd.	General manufacturing	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	December 31, 2015	Description
K.A. Corp.	Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd.	General manufacturing	100	100	
Teco Westinghouse Motor Company S.A. de C.V.	Teco Westinghouse Colombia S.A.S.	Manufacturing and sales of motors and generators	100	100	
Tai-An Technology (Wuxi) Co., Ltd.	Teco Sichuan Trading Co., Ltd.	Distribution of motors and home appliances	100	100	
Information Technology Total Services Co., Ltd.	Information Technology Total Service (BVI) Co., Ltd.	Holding company	100	100	
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Engaged in various business documents management, printing and other mail services	100	100	
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Engaged in services related to information software, data processing and electronic information supply	100	100	
Information Technology Total Service (BVI) Co., Ltd.	Information Technology Total Service (Hang Zhou) Co., Ltd.	Engaged in services related to information software, data processing and electronic information supply	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Information Technology Total Service (BVI) Co., Ltd.	Information Technology (Wuxi) Co., Ltd.	Engaged in services related to information software, data processing and electronic information supply	100	100	
Information Technology (Wuxi) Co., Ltd.	Information Technology Total Service (Xiamen) Co, Ltd.	Engaged in services related to information software, data processing and electronic information supply	100	100	

Note 1: The Company sold part of its ownership in Taiwan Pelican Express Co., Ltd. in August, 2012, and accordingly, its ownership fell below 50% of the voting shares of Taiwan Pelican Express Co., Ltd.. However, the Company still has control over the finance, operations and personnel affairs of Taiwan Pelican Express Co., Ltd., thus Taiwan Pelican Express Co., Ltd. continues to be included in the consolidated financial statements.

Note 2: The Company has control over the Board of Directors of the subsidiary, and has absolute control over the subsidiary. Thus, the subsidiary was included in the consolidated financial statements.

Note 3: The Group acquired control over the company and the company was included in the consolidated financial statements. Please refer to Note 6(32).

Note 4: The Company's subsidiary, Motovario S.p.A., merged with its holding company, TECO EMM S.R.L, and the merger was set effective on April 20, 2016. Motovario S.p.A is the surviving company, while TECO EMM S.R.L is the dissolved company. The merger process has been completed on November 7, 2016.

Note 5: Qingdao Teco Precision Mechatronic Co., Ltd. merged with Suzhou Teco Electric & Machinery Co., Ltd. and the merger was set effective on May 31, 2016. Qingdao Teco Precision Mechatronic Co., Ltd. is the surviving company while Suzhou Teco Electric & Machinery Co., Ltd. is the dissolved company.

Note 6: The Company's subsidiary, Motovario Corp., merged with its associates, GR Genesis LLC, and the merger was set effective on December 15, 2016. Motovario Corp. is the surviving company, while GR Genesis LLC is the dissolved company.

We did not review the financial statements of certain consolidated subsidiaries which statements reflect total assets of $3,517,300 and $11,314,418 as December 31, 2016 and 2015, respectively, and net operating revenue of $2,065,558 and $3,074,913 for the years ended December 31, 2016 and 2015, respectively.

B. Subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Teco Electric & Machinery Co., Ltd.	Teco Appliance (HK) Co., Ltd.	Sales of home appliances	99.99	99.99	Note 1
Teco Electric & Machinery Co., Ltd.	Taian Electric Co., Ltd.	Manufacturing and sales of switches	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	An-Sheng Travel Co., Ltd.	Travel agency services	96	96	Note 1
Teco Electric & Machinery Co., Ltd.	Taian-Jaya Electric Sdn. Bhd.	Manufacturing and sales of air-conditioning equipment	95	95	Note 1
Teco Electric & Machinery Co., Ltd.	Teco (Philipines) 3C & Appliances, Inc.	Sales of air conditioning and electrical appliances	60	60	Note 1
Great Teco Motor (Pte) Ltd.	Teco Group Science-Technology (Hang Zhou) Co., Ltd.	Electrical machinery electron and automatic control technology development and consultation service	100	100	Note 1
Great Teco Motor (Pte) Ltd.	Nanchang Dong-Huan Management & Consulting Co., Ltd.	Various investments	100	100	Notes 1 and 2
An-Tai International Investment Co., Ltd.	Hubbell-Taian Co., Ltd.	Import, export and sales of electric wiring devices, lighting, explosion proofing and other accessory products	49.99	49.99	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2016	December 31, 2015	Description
Hubbell-Taian Co., Ltd.	Hubbell-Anmex International(s) Pte. Ltd.	Distribution of electronic products	100	100	Note 1
Tong-An Assets Management & Development Co., Ltd.	Grey Back International Property Inc.	Real estate management and development	100	54.83	Note 1
Tasia (Pte) Ltd.	TTMC Co., Ltd.	Engaged in a variety of investment businesses	100	100	Note 1
Jack Property Service & Management Company	Qingdao Jie Zheng Property Service & Management Company	Property management and related services	100	100	Note 1

Note 1：The above subsidiaries were not included in the consolidated financial statements as their respective total assets and operating revenues did not exceed the materiality threshold of the Company's total assets and operating revenues.

Note 2：The company had been liquidated in 2015.

A. Adjustments for subsidiaries with different balance sheet dates: None.

B. Significant restrictions: None.

C. Details of significant non-controlling interests: Please refer to Note 6(34)

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or jointly joint arrangements exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even the Group still retains partial interest in the former foreign associate or joint arrangements entity after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation is partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling in this foreign operation. In addition, even the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(d) Good will and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

B. On a regular way purchase or sale basis, financial assets held for trading are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs.

These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Loans and receivables

A. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

B. Investment in debt instrument without active market

(a) Bond investments without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

i. Not designated on initial recognition as at fair value through profit or loss;

ii. Not designated on initial recognition as available-for-sale;

iii. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(b) On a regular way purchase or sale basis, investment in debt instrument without active market are recognized and derecognized using trade date accounting.

(C) Investment in debt instrument without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents and they are measured at initial investment amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(e) The disappearance of an active market for that financial asset because of financial difficulties; or

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reverse by adjusting the carrying amount of asset through the use of impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reverse by adjusting the carrying amount of asset through the use of impairment allowance account.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive cash flows from the financial asset expire.

B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The Group neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Construction contracts

A. IAS 11, ‘Construction Contracts’, defines a construction contract as a contract specifically negotiated for the construction of an asset. If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue should be recognized by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. Contract costs are expensed as incurred. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. An expected loss where total contract costs will exceed total contract revenue on a construction contract should be recognized as an expense as soon as such loss is probable. If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognized only to the extent of contract costs incurred that it is probable will be recoverable.

B. Contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.

C. The excess of the cumulative costs incurred plus recognized profits (less recognized losses) over the progress billings on each construction contract is presented as an asset within ‘receivables from customers on construction contracts’. While, the excess of the progress billings over the cumulative costs incurred plus recognized profits (less recognized losses) on each construction contract is presented as a liability within ‘payables to customers on construction contracts’.

(15) Investments accounted for under the equity method - associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss arising through subsequent assessments.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D.Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Investment accounted for under the equity method-joint ventures

The Group accounts for its interest in joint ventures under the equity method. Unrealized profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Group's share of losses in joint venture equal or exceeds its interest in joint venture together with any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(17) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structure	10 ～ 50 years
Machinery and equipment	3 ～ 15 years
Transportation equipment	3 ～ 5 years
Other equipment	2 ～ 15 years
Leasehold assets	3 ～ 5 years

(18) Leased assets/ operating leases (lessee)

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) A finance lease is recognized as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(19) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 15 to 60 years.

(20) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Intangible assets except goodwill are mainly computer software, which is stated at cost and amortized on the straight-line basis over the estimated economic useful life.

(21) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill and intangible assets with an indefinite useful life are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(22) Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(23) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(24) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(25) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(26) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(27) Financial liabilities and equity instruments

Ordinary corporate bonds issued by the Group are initially recognized at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(28) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(29) Provisions for other liabilities

Provisions (including product warranties, etc.) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(30) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the Group pays fixed contributions to an independent, publicly or privately administered pension fund. The Group has no further legal or constructive obligations once the contributions have been paid. The contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior period. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses inerest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(31) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the inappropriate retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, and associates except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

G. Based on the “Income Basic Tax Act”, if the regular income tax is equal or more than the basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas, if the regular income tax is less than basic tax, the income tax payable shall be equal to the basic tax. The difference between the regular income tax and basic tax shall not be subject to deductions of investment tax credits granted under the provisions of other laws.

(32) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(33) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities.

(34) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells various types of mechanical equipment, air-conditioning units and electronic equipment products. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group’s activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized. The volume discounts are estimated based on the anticipated annual sales quantities.

B. Sales of services

The Group provides products repair services. Revenue from rendering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

C. Construction contract

Revenue and cost from long-term construction contracts are recognized under the percentage-of-completion method when the outcome of construction contract can be estimated reliably. If the outcome of construction contract cannot be estimated reliably, it should be recognized under completed contract method. An expected loss where total contract costs will exceed total contract revenue on a construction contract should be recognized as contract loss regardless of the method.

D. A sale agreement comprising of multiple components

A sale agreement offered by the Group might comprise of multiple components, including sale of goods and subsequent repair services, etc. If a sale agreement comprises of multiple identifiable components, the fair value of the consideration received or receivable in respect of the sale agreement shall be allocated between those components based on the relative fair value of each component. The amount of proceeds allocated to each component is recognized as revenue in profit or loss following the revenue recognition criteria applied to each component. The fair value of each component is determined by its market value when it is sold separately.

(35) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(36) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquire that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquirer's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B.The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the fair value of any previous equity interest in the acquire over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquire recognized and the fair value of previously held equity interest in the acquire is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(37) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

A. Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

B. Investment property

The Group uses part of the property for its own use and part to earn rentals or for capital appreciation. When the portions cannot be sold separately, the property is classified as investment property only if the own-use portion accounts for less than 20% of the property.

C. Revenue recognition on a net/gross basis

The determination of whether the Group is acting as principal or agent in a transaction is based on an evaluation of Group's exposure to the significant risks and rewards associated with the sale of goods or the rendering of service in accordance with the business model and substance of the transaction. Where the Group acts as a principal, the amount received or receivable from customer is recognised as revenue on a gross basis. Where the Group acts as an agent, net revenue is recognised representing commissions earned.

The following characteristics of a principal are used as indicators to determine whether the Group shall recognise on gross basis:

(a) The Group has primary responsibilities for the goods or services it provides;

(b) The Group bears inventory risk;

(c) The Group has the latitude in establishing price for goods or services, either directly or indirectly.

(d) The Group bears credit risk of customer.

(2) <u>Critical accounting estimates and assumptions</u>

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgment, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

B. Calculation of net defined benefit liabilities

When calculating the present value of defined pension obligations, the Group must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and revolving funds	$ 15,129	$ 14,016
Checking accounts and demand deposits	9,578,663	8,467,757
Cash equivalents	4,396,034	6,437,269
	$ 13,989,826	$ 14,919,042

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2016 and 2015, cash and cash equivalents amounting to $427,353 and $413,542 as purchase loans were pledged to others as collateral (listed as other current assets). Please refer to Note 8.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2016	December 31, 2015
Current items:		
Financial assets held for trading		
Listed and OTC stocks	$ 103,540	$ 156,195
Beneficiary certificates	100,553	92,194
Non-hedging derivatives	30,832	34,370
	234,925	282,759
Valuation adjustment of financial assets held for trading	(1,417)	(16,775)
	$ 233,508	$ 265,984

A. The Group recognized net gain of $12,017 and $56,530 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2016		
Nature	Contract period	Contract amount (Notional amount)	Fair value
Forward exchange:			
BUY USD/SELL JPY	Jan. 25, 2017 ~ Feb. 27, 2017	JPY 800,000,000	$ 20,006
SELL EUR/BUY USD	Jan. 25, 2017 ~ Mar. 22, 2017	EUR 11,000,000	10,826
			$ 30,832

	December 31, 2015		
Nature	Contract period	Contract amount (Notional amount)	Fair value
Forward exchange:			
SELL EUR/BUY USD	Oct. 4, 2016	EUR 36,000,000	$ 34,370

C. The Group entered into forward foreign exchange contracts to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

D. Due to the global financial crisis in year 2008, listed stocks amounting to $110,010 that were initially classified as 'financial assets at fair value through profit or loss' were reclassified to available-for-sale financial assets on July 1, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:

(a) The above reclassified assets that have not yet been disposed of are as follows:

	December 31, 2016 Book value/Fair value	December 31, 2015 Book value/Fair value
Listed stocks	$ 2,653	$ 2,613

(b) The changes in fair value of the above listed stocks that were recognized in profit or loss and other comprehensive income were $0 and ($40), respectively, for the year ended December 31, 2016, and were $0 and ($340), respectively, for the year ended December 31, 2015. The accumulated total changes in fair value of the above listed stocks that were recognized in profit or loss and other comprehensive income before January 1, 2015 were $11,102 and ($879), respectively.

(c) If the above listed stocks had not been reclassified to available-for-sale financial assets on July 1, 2008, the gain from changes in fair value of these assets that should have been recognized in profit or loss is as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Listed stocks	$ 40	($ 340)

(3) Available-for-sale financial assets

Items	December 31, 2016	December 31, 2015
Current items:		
Listed and OTC stocks	$ 1,170,834	$ 1,187,555
Emerging stocks	84,648	75,159
Beneficiary certificates	62,955	66,790
	1,318,437	1,329,504
Valuation adjustment of available-for-sale financial assets	65,662	133,367
	$ 1,384,099	$ 1,462,871
Non-current items:		
Listed and OTC stocks	$ 8,618,155	$ 3,817,465
Emerging stocks	544,366	5,724,070
Unlisted stocks	879,290	1,214,897
	10,041,811	10,756,432
Valuation adjustment of available-for-sale financial assets	1,701,806	149,477
	$ 11,743,617	$ 10,905,909

A. The Group recognized $1,346,391 and ($2,413,856) in other comprehensive income for fair value change and reclassified $253,353 and ($234,691) from equity to profit or loss for the years ended December 31, 2016 and 2015, respectively.

B. Cando Co., Ltd. was reorganised due to financial difficulty and was delisted from the Emerging Stock market, thus, the stock has no quoted price in an active market. The Group has assessed the investment and recognised impairment loss of $127,277 and $412,195 for the years ended December 31, 2016 and 2015, respectively.

C. Details of the Group’s available-for-sale financial assets pledged to others as collateral are provided in Note 8.

(4) Investments in debt instrument without active markets

Items	December 31, 2016	December 31, 2015
Current items:		
Fixed deposit	$ 2,830,572	$ 141,551

A. The Group recognized interest income of $27,383 and $1,221 in profit or loss for amortised cost for the years ended December 31, 2016 and 2015, respectively.

B. Investments in debt instrument without active markets that the Group held are time deposits of the bank with a good credit rating.

C. As of December 31, 2016 and 2015, no investments in debt instrument without active markets held by the Group were pledged to others.

(5) Notes receivable

	December 31, 2016	December 31, 2015
Notes receivable	$ 1,220,977	$ 1,008,716
Less: allowance for bad debts	(2,634)	(2,565)
	$ 1,218,343	$ 1,006,151

A. The credit quality information of the notes receivable of the Group was provided in Note 6(6).

B. Details of the Group's notes receivable pledged to others as collateral are provided in Note 8.

(6) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	$ 10,597,495	$ 9,571,118
Less: allowance for bad debts	(172,590)	(241,289)
	$ 10,424,905	$ 9,329,829

A. The credit quality of notes receivable and accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2016	December 31, 2015
Group 1	$ 4,582,222	$ 4,806,655
Group 2	1,535,920	1,571,654
Group 3	2,170,062	929,165
Group 4	358,732	289,788
Group 5	363,430	455,824
	$ 9,010,366	$ 8,053,086

Group 1:Clients without substantial risk, such as government institutions and listed companies.

Group 2:Clients with extremely low risk, which have excellent reputation and prospect, as ratified by the director of credit management of the Group.

Group 3:Clients with low risk, which operate well and have had business relationships with the Group for many years with normal payment condition.

Group 4:Clients with risk at an acceptable level, where the Group shall monitor their credit condition regularly.

Group 5:Clients with fewer transactions with the Company, which have lower transaction amounts and their management shall be continuously monitored.

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
Up to 30 days	$ 985,680	$ 772,541
31 to 90 days	827,978	598,222
91 to 180 days	277,825	363,876
Over 181 days	541,399	548,255
	$ 2,632,882	$ 2,282,894

The above ageing analysis was based on past due date.

C. Movements on the Group's provision for impairment of accounts receivable are as follows:

(a) As of December 31, 2016 and 2015, the amounts of the Group's accounts receivable that were impaired were $175,224 and $243,854, respectively.

(b) Movement in the provision for impairment of accounts receivable are follows:

	2016		
	Individual provision	Group provision	Total
At January 1	$ 103,264	$ 140,590	$ 243,854
(Reversal of) Provision for impairment	(32,683)	20,961	(11,722)
Write-offs during the period	(28,875)	(19,371)	(48,246)
Effects of foreign exchange	18	(8,680)	(8,662)
At December 31	$ 41,724	$ 133,500	$ 175,224

	2015		
	Individual provision	Group provision	Total
At January 1	$ 94,818	$ 136,646	$ 231,464
Provision for impairment	10,198	28,811	39,009
Write-offs during the period	(3,891)	(23,408)	(27,299)
Effects of foreign exchange	2,139	(1,459)	680
At December 31	$ 103,264	$ 140,590	$ 243,854

D. The Group holds land, buildings, time deposits, letter of guarantee and letter of quality guarantee as collateral for accounts receivable.

E. Details of the Group's accounts receivable pledged to others as collateral are provided in Note 8.

(7) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,553,802	($ 213,993)	$ 2,339,809
Work in process	1,324,449	(53,130)	1,271,319
Finished goods	6,241,913	(576,022)	5,665,891
Inventory in transit	824,130	-	824,130
Merchandise inventories	1,089,940	(14,048)	1,075,892
	$ 12,034,234	($ 857,193)	$ 11,177,041

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,901,123	($ 390,690)	$ 2,510,433
Work in process	1,317,766	(101,455)	1,216,311
Finished goods	6,719,458	(367,982)	6,351,476
Inventory in transit	879,052	-	879,052
Merchandise inventories	806,842	(8,887)	797,955
	$ 12,624,241	($ 869,014)	$ 11,755,227

A. The cost of inventories recognized as expense for the years ended December 31, 2016 and 2015 was $28,558,175 and $28,439,139, respectively, including the amounts of $52,253 and $136,665, respectively, that the Group wrote down from cost to net realizable value accounted for as cost of goods sold.

B. Details of the Group's inventory pledged to others as collateral are provided in Note 8.

(8) Construction in progress

	December 31, 2016	December 31, 2015
Aggregate costs incurred plus recognized profits (less recognised losses)	$ 13,922,103	$ 13,888,499
Less: progress billings	(12,888,168)	(13,450,478)
Net balance sheet position for construction in progress	$ 1,033,935	$ 438,021
Presented as:		
Due from customers for contract work	$ 1,235,956	$ 805,488
Due to customers for contract work	(202,021)	(367,467)
	$ 1,033,935	$ 438,021

As of December 31, 2016 and 2015, cumulative gain (loss) recognized under the percentage of completion method for major contracts are summarized as follows:

December 31, 2016					
Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognized
Construction A	Dec. 2017	$ 2,242,567	$ 2,123,400	99%	$ 118,956
Construction B	June. 2018	1,864,762	1,774,577	32%	29,009
Construction C	June. 2017	1,391,992	1,226,377	99%	165,122
Construction D	Aug. 2017	1,583,585	1,532,493	91%	46,564
Construction E	June. 2017	1,064,797	1,029,356	98%	34,757
Construction F	June. 2017	1,063,130	950,329	95%	107,021
Construction G	Dec. 2017	941,452	1,536,563	96%	(595,111)
Construction H	Feb. 2018	899,714	809,743	37%	32,953
Construction I	Dec. 2017	621,282	674,470	99%	(53,188)
Construction J	June. 2017	611,485	619,366	95%	(7,881)
Construction K	May. 2017	576,381	539,260	99%	37,073

December 31, 2015					
Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognized
Construction A	Dec. 2017	$ 2,242,567	$ 2,123,400	99%	$ 118,909
Construction B	June. 2017	1,864,762	1,774,577	1%	1,257
Construction C	Dec. 2016	1,358,342	1,293,234	93%	60,838
Construction D	Dec. 2016	1,181,841	1,141,644	88%	35,410
Construction E	June. 2016	1,064,797	1,025,856	98%	38,016
Construction F	Dec. 2016	1,052,442	943,449	93%	101,364
Construction G	Dec. 2017	941,452	1,536,563	96%	(595,111)
Construction H	Feb. 2018	899,048	809,143	10%	9,169
Construction I	Dec. 2016	621,282	674,470	99%	(53,188)
Construction J	June. 2016	611,485	619,366	94%	(7,881)
Construction L	June. 2016	564,286	523,665	95%	38,396

(9) Investments accounted for under the equity method

	December 31, 2016	December 31, 2015
Associates:		
1. Tung Pei Industrial Co., Ltd.	$ 1,965,442	$ 1,982,388
2. Creative Sensor Inc.	411,895	416,745
3. Lien Chang Electronic Enterprise Co., Ltd.	570,069	560,558
4. Century Development Corporation	-	1,625,647
5. Others	694,169	545,938
Subtotal	3,641,575	5,131,276
Joint Venture:		
1. Qingdao Teco Century Advanced High-tech Mechatronics Co., Ltd.	39,920	66,701
2. Senergy Wind Power Co., Ltd.	177,253	249,534
3. Others	12,551	17,286
Subtotal	229,724	333,521
	3,871,299	5,464,797
Less: credit balance of long-term investments (gross amount before offset of notes receivable-related parties, accounts receivable -related parties, other receivables-related parties and other non-current liabilities)	(55,400)	(28,270)
	$ 3,815,899	$ 5,436,527

The share of profit/loss of associates and joint ventures accounted for under equity method for the years ended December 31, 2016 and 2015 are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
1. Tung Pei Industrial Co., Ltd.	$ 102,033	$ 124,632
2. Creative Sensor Inc.	29,583	33,733
3. Lien Chang Electronic Enterprise Co., Ltd.	33,074	11,966
4. Century Development Corporation	-	103,967
5. Others	(134,960)	(67,503)
Joint Venture:		
1. Qingdao Teco Century Advanced High-tech Mechatronics Co., Ltd.	(44,106)	(50,710)
2. Senergy Wind Power Co., Ltd.	(72,281)	(466)
3. Others	(3,603)	(1,683)
	($ 90,260)	$ 153,936

A. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio December 31, 2016	Shareholding ratio December 31, 2015	Nature of relationship	Method of measurement
Tung Pei Industrial Co., Ltd.	R.O.C	31.14%	31.14%	Hold more than 20% voting right	Equity method
Creative Sensor Inc.	R.O.C	11.50%	11.50%	〃	Equity method
Lien Chang Electronic Enterprise Co., Ltd.	R.O.C	33.84%	33.84%	〃	Equity method
Century Development Corporation	R.O.C	-	40.63%	〃	Equity method

(b) The summarized financial information of the associates that are material to the Group is shown below:

Balance sheet

	Tung Pei Industrial Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 5,541,165	$ 5,776,433
Non-current assets	6,113,566	5,442,399
Current liabilities	(3,153,541)	(2,764,025)
Non-current liabilities	(1,417,967)	(1,769,642)
Total assets	$ 7,083,223	$ 6,685,165
Share in associate's net assets	$ 1,965,442	$ 1,982,388
Goodwill	-	-
Carrying amount of the associate	$ 1,965,442	$ 1,982,388

	Creative Sensor Inc.	
	December 31, 2016	December 31, 2015
Current assets	$ 3,041,354	$ 2,886,925
Non-current assets	1,571,398	1,713,358
Current liabilities	(1,144,944)	(970,523)
Non-current liabilities	(53,367)	(61,591)
Total net assets	$ 3,414,441	$ 3,568,169
Share in associate's net assets	$ 411,895	$ 416,745
Goodwill	-	-
Carrying amount of the associate	$ 411,895	$ 416,745

	Lien Chang Electronic Enterprise Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 2,137,424	$ 1,971,176
Non-current assets	698,534	748,594
Current liabilities	(1,124,421)	(1,025,201)
Non-current liabilities	(30,056)	(38,269)
Total net assets	$ 1,681,481	$ 1,656,300
Share in associate's net assets	$ 570,069	$ 560,558
Goodwill	-	-
Carrying amount of the associate	$ 570,069	$ 560,558

	Century Development Corporation	
	December 31, 2016	December 31, 2015
Current assets	$ -	$ 1,111,138
Non-current assets	-	5,399,833
Current liabilities	-	(576,520)
Non-current liabilities	-	(2,074,553)
Total net assets	$ -	$ 3,859,898
Share in associate's net assets	$ -	$ 1,520,266
Goodwill	-	105,381
Carrying amount of the associate	$ -	$ 1,625,647

Statement of comprehensive income

	Tung Pei Industrial Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ 6,561,385	$ 6,334,038
Profit for the period from continuing operations	338,383	400,173
Other comprehensive loss, net of tax	($ 155,530)	$ -
Total comprehensive income	$ 182,853	$ 400,173
Dividends received from associates	$ 78,290	$ 117,435

	Creative Sensor Inc.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ 4,309,299	$ 4,864,840
Profit for the period from continuing operations	$ 257,536	$ 293,600
Other comprehensive loss, net of tax	(182,565)	(116,128)
Total comprehensive income	$ 74,971	$ 177,472
Dividends received from associates	$ 26,271	$ 27,761

	Lien Chang Electronic Enterprise Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ 3,036,281	$ 3,636,049
Profit for the period from continuing operations	$ 95,571	$ 35,356
Other comprehensive loss, net of tax	(40,440)	(33,579)
Total comprehensive income	$ 55,131	$ 1,777
Dividends received from associates	$ 10,136	$ 6,758

	Century Development Corporation	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ -	$ 941,648
Profit for the period from continuing operations	$ -	$ 296,017
Other comprehensive income, net of tax	-	709
Total comprehensive income	$ -	$ 296,726
Dividends received from associates	$ -	$ 8,736

(c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2016 and 2015, the carrying amount of the Group's individually immaterial associates amounted to $694,169 and $545,938 respectively.

	For the year ended December 31, 2016	For the year ended December 31, 2015
Income (loss) profit for the period from continuing operations	$ 113,403	($ 67,957)
Total comprehensive income (loss)	$ 113,403	($ 67,957)

(d) For the year ended December 31, 2016, the Group's shareholding ratio in Century Development Corporation was increased to 52.75%. The Group obtained the control over Century Development Corporation and included it in the Group's consolidated financial statements.

(e) The fair value of the Group's material associates with quoted market prices is as follows:

	December 31, 2016	December 31, 2015
1.Lien Chang Electronic Enterprise Co., Ltd.	$ 531,222	$ 563,132
2.Creative Sensor Inc.	306,491	320,356
	$ 837,713	$ 883,488

B. Joint venture

(a) The basic information of the joint ventures that are material to the Group is as follows:

		Shareholding ratio			
Company name	Principal place of business	December 31, 2016	December 31, 2015	Nature of relationship	Method of measurement
Qingdao Teco Century Advanced High-tech Mechatronics Co., Ltd.	China	24.00%	50.00%	Joint venture	Equity method
Senergy Wind Power Co., Ltd.	R.O.C	50.00%	50.00%	Joint venture	Equity method

(b) The summarized financial information of the joint ventures that are material to the Group is shown below:

Balance sheet

	Qingdao Teco Century Advanced High-tech Mechatronics Co., Ltd.	
	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 3,320	$ 10,332
Other current assets	135,667	82,046
Current assets	138,987	92,378
Non-current assets	167,612	319,689
Total assets	306,599	412,067
Current financial liabilities (not including accounts payable, other payables and provision)	(27,721)	(77,923)
Other current liabilities	(140,268)	(174,063)
Current liabilities	(167,989)	(251,986)
Total liabilities	(167,989)	(251,986)
Total net assets	$ 138,610	$ 160,081
Share in joint venture's net assets	$ 39,920	$ 66,701
Goodwill	-	-
Carrying amount of the joint venture	$ 39,920	$ 66,701

	Senergy Wind Power Co., Ltd.	
	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 233,663	$ 357,978
Other current assets	138,494	30,107
Current assets	372,157	388,085
Non-current assets	111,162	111,067
Total assets	483,319	499,152
Current liabilities	-	(85)
Total liabilities	-	(85)
Total net assets	$ 483,319	$ 499,067
Share in joint venture’s net assets	$ 177,253	$ 249,534
Goodwill	-	-
Carrying amount of the joint venture	$ 177,253	$ 249,534

Statement of comprehensive income

	Qingdao Teco Century Advanced High-tech Mechatronics Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ 96,063	$ 71,670
Depreciation and amortisation	($ 24,589)	($ 47,447)
Interest income	$ 75	$ 65
Interest expense	($ 5,614)	($ 9,457)
Loss-net of tax	($ 146,476)	($ 74,524)
Total comprehensive loss	($ 146,476)	($ 74,524)
Dividends received from joint venture	$ -	$ -

	Senergy Wind Power Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ -	$ -
Depreciation and amortisation	($ 32)	$ -
Interest income	$ 4,728	$ 562
Interest expense	$ -	($ 75)
Loss before income tax	($ 15,749)	($ 933)
Loss-net of tax	($ 15,749)	($ 933)
Total comprehensive loss	($ 15,749)	($ 933)
Dividends received from joint venture	$ -	$ -

(c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:
As of December 31, 2016 and 2015, the carrying amount of the Group's individually immaterial associates amounted to $12,551 and $17,286, respectively.

	For the year ended December 31, 2016	For the year ended December 31, 2015
Loss for the period from continuing operations	($ 3,603)	($ 1,683)
Total comprehensive loss	($ 3,603)	($ 1,683)

(d) In the second quarter of 2016, the Group entered into an equity transfer agreement with Shanghai Hanbell Precise Machinery Co., Ltd. and transferred its certain equity in Qingdao Teco Century Advanced High-tech Mechatronics Co., Ltd. (Teco Century) to Shanghai Hanbell Precise Machinery Co., Ltd. After the sale of equity, the Group's shareholding ratio in Teco Century decreased to 24% and thus did not meet the definition of joint arrangements – joint ventures. However, the Group still has significant control over Teco Century, thus, it is still accounted for under equity method.

C. Certain investments accounted for using the equity method were evaluated in 2016 and 2015 based on financial reports audited by accountants appointed by the Company. The amount of associates and joint ventures' gain and loss using equity method are $29,987 and $94,683 in 2016 and 2015, respectively. The balance of investment accounted using equity method are $2,445,113 and $4,040,747 and the amount of investment credit balance is $55,400 and $28,270 as of December 31, 2016 and 2015, respectively.

D. Details of the Group's investments accounted for under the equity method pledged to others as collateral are provided in Note 8.

(10) Property, plant and equipment

	Land	Buildings	Machinery equipment	Transportation equipment	Leased assets	Leasehold improvements	Miscellaneous equipment	Rental assets	Total
At January 1, 2016									
Cost	$ 5,687,882	$ 9,532,510	$ 14,926,436	$ 975,871	$ 10,777	$ 579,878	$ 7,116,897	$ 887,580	$ 39,717,831
Accumulated depreciation and impairment	(34,697)	(4,300,434)	(12,931,267)	(654,054)	(10,748)	(401,304)	(5,618,437)	(748,673)	(24,699,614)
	$ 5,653,185	$ 5,232,076	$ 1,995,169	$ 321,817	$ 29	$ 178,574	$ 1,498,460	$ 138,907	$ 15,018,217
2016									
Opening net book amount	$ 5,653,185	$ 5,232,076	$ 1,995,169	$ 321,817	$ 29	$ 178,574	$ 1,498,460	$ 138,907	$ 15,018,217
Additions	84,691	566,903	415,326	44,114	17,693	29,815	335,859	-	1,494,401
Acquired from business combinations	129,976	225,524	-	-	3,922,298	67	861	-	4,278,726
Disposals	(224)	-	(47,909)	(1,257)	-	(714)	(12,922)	-	(63,026)
Reclassifications	(132,656)	(460,384)	2,001	15,224	-	2,350	(13,505)	4,145	(582,825)
Depreciation charge	-	(239,391)	(418,665)	(54,428)	(181,953)	(39,989)	(393,267)	(13,235)	(1,340,928)
Net exchange differences	(4,459)	(195,676)	(41,897)	(1,525)	-	(4,351)	(93,078)	(129)	(341,115)
Closing net book amount	$ 5,730,513	$ 5,129,052	$ 1,904,025	$ 323,945	$ 3,758,067	$ 165,752	$ 1,322,408	$ 129,688	$ 18,463,450
At December 31, 2016									
Cost	$ 5,765,210	$ 9,547,990	$ 14,714,940	$ 1,015,168	$ 5,260,389	$ 594,998	$ 7,048,564	$ 877,983	$ 44,825,242
Accumulated depreciation and impairment	(34,697)	(4,418,938)	(12,810,915)	(691,223)	(1,502,322)	(429,246)	(5,726,156)	(748,295)	(26,361,792)
	$ 5,730,513	$ 5,129,052	$ 1,904,025	$ 323,945	$ 3,758,067	$ 165,752	$ 1,322,408	$ 129,688	$ 18,463,450

	Land	Buildings	Machinery equipment	Transportation equipment	Leased assets	Leasehold improvements	Miscellaneous equipment	Rental assets	Total
At January 1, 2015									
Cost	$ 5,615,748	$ 9,224,940	$ 11,341,811	$ 846,710	$ 10,777	$ 547,257	$ 6,429,431	$ 879,700	$ 34,896,374
Accumulated depreciation and impairment	(34,697)	(4,031,489)	(9,441,989)	(614,000)	(10,457)	(364,679)	(5,096,920)	(732,456)	(20,326,687)
	$ 5,581,051	$ 5,193,451	$ 1,899,822	$ 232,710	$ 320	$ 182,578	$ 1,332,511	$ 147,244	$ 14,569,687
2015									
Opening net book amount	$ 5,581,051	$ 5,193,451	$ 1,899,822	$ 232,710	$ 320	$ 182,578	$ 1,332,511	$ 147,244	$ 14,569,687
Additions	1,089	143,743	381,540	146,088	-	36,880	506,572	-	1,215,912
Acquired from business combinations	70,938	231,802	155,448	-	-	-	58,252	-	516,440
Disposals	-	(450)	(22,296)	(1,721)	-	-	(14,357)	-	(38,824)
Reclassifications	(667)	(39,816)	(8,163)	-	-	-	(148)	8,311	(40,483)
Depreciation charge	-	(236,223)	(406,636)	(54,272)	(291)	(41,191)	(373,628)	(16,561)	(1,128,802)
Net exchange differences	774	(60,431)	(4,546)	(988)	-	307	(10,742)	(87)	(75,713)
Closing net book amount	$ 5,653,185	$ 5,232,076	$ 1,995,169	$ 321,817	$ 29	$ 178,574	$ 1,498,460	$ 138,907	$ 15,018,217
At December 31, 2015									
Cost	$ 5,687,882	$ 9,532,510	$ 14,926,436	$ 975,871	$ 10,777	$ 579,878	$ 7,116,897	$ 887,580	$ 39,717,831
Accumulated depreciation and impairment	(34,697)	(4,300,434)	(12,931,267)	(654,054)	(10,748)	(401,304)	(5,618,437)	(748,673)	(24,699,614)
	$ 5,653,185	$ 5,232,076	$ 1,995,169	$ 321,817	$ 29	$ 178,574	$ 1,498,460	$ 138,907	$ 15,018,217

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Amount capitalized	$ 217	$ 881
Interest rate	0.58%	0.36%~0.88%

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

C. The Group was unable to transfer the title of certain farmland to the Group's name due to legal restrictions. The land title was registered under an individual's name. Accordingly, the Group entered into an agreement with the said individual to secure the title and the first mortgage right.

(11) Investment property

	Land	Buildings	Total
At January 1, 2016			
Cost	$ 1,315,434	$ 2,279,384	$ 3,594,818
Accumulated depreciation and impairment	-	(1,033,374)	(1,033,374)
	$ 1,315,434	$ 1,246,010	$ 2,561,444
2016			
Opening net book amount	$ 1,315,434	$ 1,246,010	$ 2,561,444
Reclassifications	132,656	482,836	615,492
Depreciation charge	-	(69,927)	(69,927)
Net exchange differences	(3,518)	(30,105)	(33,623)
Closing net book amount	$ 1,444,572	$ 1,628,814	$ 3,073,386
At December 31, 2016			
Cost	$ 1,444,572	$ 2,780,013	$ 4,224,585
Accumulated depreciation and impairment	-	(1,151,199)	(1,151,199)
	$ 1,444,572	$ 1,628,814	$ 3,073,386

	Land	Buildings	Total
At January 1, 2015			
Cost	$ 1,307,576	$ 2,228,820	$ 3,536,396
Accumulated depreciation and impairment	-	(944,440)	(944,440)
	$ 1,307,576	$ 1,284,380	$ 2,591,956
2015			
Opening net book amount	$ 1,307,576	$ 1,284,380	$ 2,591,956
Reclassifications	667	39,816	40,483
Depreciation charge	-	(72,688)	(72,688)
Net exchange differences	7,191	(5,498)	1,693
Closing net book amount	$ 1,315,434	$ 1,246,010	$ 2,561,444
At December 31, 2015			
Cost	$ 1,315,434	$ 2,279,384	$ 3,594,818
Accumulated depreciation and impairment	-	(1,033,374)	(1,033,374)
	$ 1,315,434	$ 1,246,010	$ 2,561,444

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Rental income from investment property	$ 121,826	$ 151,413
Direct operating expenses arising from the investment property that generated rental income during the period	$ 107,050	$ 106,834
Direct operating expenses arising from the investment property that did not generate rental income during the period	$ -	$ -

B. The fair value of the investment property held by the Group as at December 31, 2016 and 2015 was $4,239,998 and $4,180,969 respectively, which is categorized within Level 3 in the fair

(12) Goodwill (listed as 「1780 Intangible assets」)

	2016	2015
At January 1		
Cost	$ 5,440,327	$ 133,768
Accumulated amortisation and impairment	-	-
	$ 5,440,327	$ 133,768
Opening net book amount	$ 5,440,327	$ 133,768
Additions - acquired through business combinations	266,976	5,388,736
Net exchange differences	(293,618)	(82,177)
Closing net book amount	$ 5,413,685	$ 5,440,327
At December 31		
Cost	$ 5,413,685	$ 5,440,327
Accumulated amortisation and impairment	-	-
	$ 5,413,685	$ 5,440,327

Goodwill is allocated as follows to the Group's cash-generating units identified according to operating segment:

	December 31, 2016	December 31, 2015
Motor division	$ 5,038,910	$ 5,332,528
Home electric appliance division	107,799	107,799
Others	266,976	-
	$ 5,413,685	$ 5,440,327

(13) Other non-current assets

	December 31, 2016	December 31, 2015
Long-term prepaid rent	$ 1,571,509	$ 676,146
Prepayment for property	159,899	-
Prepayment for equipment	597,109	331,872
Refundable deposits	303,262	216,678
Deferred expenses	132,085	145,722
Long-term notes and accounts receivable	238,409	-
Other assets	92,613	95,974
	$ 3,094,886	$ 1,466,392

A. The Group signed a land use right contract for the use of land. The Group recognised rental expenses of $45,426 and $11,082 for the years ended December 31, 2016 and 2015, respectively.

B. The Company's subsidiary – Wuxi Teco Precision Machinery Co., Ltd. has acquired land use right of $131,184 from Wuxi Land and Resources Bureau during 2015. The amortisation period is 50 years.

C. On January 14, 2005, the Group's subsidiary, Century Development Corporation completed the registration of right of superficies and paid royalties to Taipei City Government for acquiring land used for construction for phase III of the Nankang Software Park. The right of superficies is available for 50 years from the registration date. Land and building shall be returned to Taipei City Government unconditionally upon expiry of the right of superficies. Century Development Corporation's prepaid rents are amortised over the useful life of right of superficies of 50 years.

(14) Short-term borrowings

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 254,415	1.12%～4.56%	Available-for-sale financial assets, notes receivable, accounts receivable, investments accounted for under the equity method, land, buildings, treasury stocks
Unsecured borrowings	2,823,946	0.88%～5.58%	None
	$ 3,078,361		

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 1,531,424	1.41%～4.83%	Available-for-sale financial assets, notes receivable, accounts receivable, investments accounted for under the equity method, land, buildings, treasury stocks
Unsecured borrowings	5,087,588	0.88%～5.58%	None
	$ 6,619,012		

(15) Financial liabilities at fair value through profit or loss

Items	December 31, 2016	December 31, 2015
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	$ -	$ 15,043

A. The Group recognized net gain loss of $1,214 and ($14,620) on financial liabilities held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2015			
Nature	Contract period	Contract amount (Notional principal)		Fair value
Forward exchange				
SELL USD/BUY TWD	Jan. 6, 2016	USD	2,000,000	($ 16)
BUY USD/SELL JPY	Jan. 28, 2016	JPY	200,000,000	(431)
SELL EUR/BUY USD	Feb. 25, 2016~ Mar. 7, 2016	EUR	2,000,000	(1,515)
SELL EUR/BUY CAD	Oct. 4, 2016	EUR	18,000,000	(13,081)
				($ 15,043)

C. The Group entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts and foreign currency loan are not accounted for under hedge accounting.

(16) Other payables

	December 31, 2016	December 31, 2015
Payable on salary and wages	$ 1,839,778	$ 1,820,898
Payable on employees' compensation	592,962	565,546
Payable on dealers' bonus commission	169,932	211,416
Payable on equipment	151,433	122,004
Payable on directors' and supervisors' remuneration	154,328	150,777
Others	2,090,257	1,993,174
	$ 4,998,690	$ 4,863,815

(17) Bonds payable

	December 31, 2016	December 31, 2015
Issuance of bonds payable	$ 3,000,000	$ 4,457,100
Add: Foreign exchange gain, net	-	41,400
Less: Corporate bonds payable-current portion	-	(1,498,500)
	$ 3,000,000	$ 3,000,000

A. The terms of the first domestic unsecured and RMB-denominated ordinary corporate bonds issued by the Company are as follows:
The Company issued $300,000,000 (in RMB dollars), 3% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on May 20, 2013. The bonds mature 3 years from the issue date (May 20, 2013 ~ May 20, 2016) and will be redeemed at face value at the maturity date.

B. The terms of the first domestic unsecured ordinary corporate bonds issued by the Company in 2015 are as follows:
The Company issued $3,000,000, 1.45% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on June 18, 2015. The bonds mature 5 years from the issue date (June 18, 2015 ~ June 18, 2020) and will be redeemed at face value at the maturity date.

(18) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2016
Long-term bank borrowings				
Guaranteed syndicated loans	Borrowing period is from Aug. 4, 2016 to Aug. 4, 2022; payable at maturity in every	Floating interest rate, EURIBOR plus 1.2%	None	2,386,696
Cathay United Bank	Borrowing period is from Mar. 16, 2011 to Mar. 16, 2021; principal is repayable every 6 months in 20 installments	1.6%~1.75%	Note	1,660,175
HSBC Bank	Borrowing period is from Apr. 15, 2016 to Apr. 15, 2018; payable at maturity	0.95%	None	1,000,000
Mizuho Bank	Borrowing period is from Oct. 15, 2016 to Oct. 15, 2018; payable at maturity	0.89%	None	1,230,000
Sumitomo Mitsui Banking Corporation	Borrowing period is from Aug. 3, 2016 to Aug. 3, 2018; payable at maturity	0.97%	None	500,000
Bank Of Taiwan	Borrowing period is from Feb. 2, 2015 to Feb. 2, 2018; payable at maturity	1.05%	None	400,000
First Commercial Bank	Borrowing period is from Dec. 23, 2016 to Dec. 23, 2018; payable at maturity	1.17%	None	261,000
Taiwan Cooperative Bank	Borrowing period is from Jan. 26, 2015 to Jan. 16, 2035; interest is repayable monthly; principle is repayable monthly starting from the third year.	1.39%~1.46%	Note	240,000
Guaranteed syndicated loans	Borrowing period is from Feb. 6, 2017 to Feb. 6, 2018; principal is repayable in three installments from Mar. 31, 2016	2.46%~2.76%	Note	180,000
Taiwan Cooperative Bank	Borrowing period is from Dec. 2017 to Jan. 2022; payable at maturity in accordance with mutual agreements	1.575%~1.795%	Note	48,587
E.Sun Bank	Principal is repayable from June. 27, 2016 to June. 26, 2021 every month	2.27%	Note	9,050
Chailease Finance Co., Ltd.	Principal is repayable from Dec. 15, 2015 to Nov. 15, 2017 every month	2.19%	Note	56,050
				7,971,558
Less: current portion (listed as other current liabilities)				(842,586)
				7,128,972
Commercial papers payable				
China Bills Finance Corporation	Borrowing period is from Mar. 25, 2016 to Mar. 24, 2018; payable at maturity	0.50%	None	500,000
International Bills Finance Corporation	Borrowing period is from April. 28, 2016 to April. 28, 2018; payable at maturity	0.41%~0.62%	None	500,000
Grand Bills Finance Corporation	Borrowing period is from Mar. 21, 2016 to Mar. 20, 2018; payable at maturity	0.60%~0.81%	None	400,000
Mega Bills Finance Corporation	Borrowing period is from Mar. 30, 2016 to Mar. 29, 2018; payable at maturity	0.60%~0.73%	None	700,000
Taiwan Finance Corporation	Borrowing period is from June. 23 2016, to June. 22, 2018; payable at maturity	0.70%~0.85%	None	200,000
				2,300,000
Less: discount on commercial papers payable				(402)
				2,299,598
				$ 9,428,570

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2015
Long-term bank borrowings				
HSBC Bank	Borrowing period is from Mar. 23, 2015 to Mar. 23, 2017; payable at maturity	1.05%	None	$ 460,000
Mizuho Bank	Borrowing period is from Oct. 5, 2015 to Oct. 5, 2017; payable at maturity	0.96%	None	430,000
Guaranteed syndicated loans	Borrowing period is from Feb. 6, 2015 to Feb. 6, 2018; principal is payable in four installments from Mar. 31, 2016	3.73%	Note	210,000
First Commercial Bank, etc.	Borrowing period is from Dec. 2017 to Jan. 2022; payable at maturity in accordance with mutual agreements	1.79%~2.08%	Note	77,564
Chailease Finance Co., Ltd.	Principal is repayable from Dec. 15, 2015 to Nov. 15, 2017 every month	3.68%	Note	43,250
Industrial Bank of Taiwan, etc.	Borrowing period is from July 2015 to Sep. 2016; payable at maturity in accordance with mutual agreements	1.8%	None	4,500
				1,225,314
Less: current portion (listed as other current liabilities)				(94,721)
				1,130,593
Commercial papers payable				
Mega Bills Finance Corporation	Borrowing period is from Mar. 9, 2015 to Mar. 8, 2017; payable at maturity	0.76%~0.95%	None	370,000
China Bills Finance Corporation	Borrowing period is from Mar. 12, 2015 to Mar. 12, 2017; payable at maturity	0.63%~0.82%	None	200,000
Grand Bills Finance Corporation	Borrowing period is from Jan. 15, 2015 to Jan. 14, 2017; payable at maturity	0.78%~0.88%	None	200,000
International Bills Finance Corporation	Borrowing period is from April 16, 2015 to April 16, 2017; payable at maturity	0.65%~0.67%	None	200,000
Taiwan Finance Corporation	Borrowing period is from Mar. 9, 2015 to Mar. 8, 2017; payable at maturity	0.9%	None	200,000
				1,170,000
Less: discount on commercial papers payable				(294)
				1,169,706
				$ 2,300,299

Note: Details of the Group's pledged assets are provided in Note 8.

A. Under the long-term contracts with certain financial institutions, the Group is required to maintain certain financial ratios and capital requirements as well as meet certain restrictions relative to significant asset acquisitions or disposals.

B. As of December 31, 2016 and 2015, the Group has undrawn borrowing facilities of $14,914,070 and $16,356,543 respectively.

(19) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	($ 2,436,114)	($ 2,508,606)
Fair value of plan assets	307,621	313,094
Net defined benefit liability	($ 2,128,493)	($ 2,195,512)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2016			
Balance at January 1	($ 2,508,606)	$ 313,094	($ 2,195,512)
Current service cost	(23,589)	-	(23,589)
Interest (expense) income	(44,667)	5,588	(39,079)
Past service cost	5,340	-	5,340
Others	(372)	-	(372)
Settlement profit or loss	22,607	(21,351)	1,256
	(2,549,287)	297,331	(2,251,956)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(2,424)	(2,424)
Change in demographic assumptions	(1,287)	-	(1,287)
Change in financial assumptions	(52,883)	-	(52,883)
Experience adjustments	3,615	-	3,615
	(50,555)	(2,424)	(52,979)
Effect of business combination	(8,906)	9,090	184
Pension fund contribution	-	171,192	171,192
Paid pension	159,870	(159,870)	-
Payment per books	12,764	(7,698)	5,066
Balance at December 31	($ 2,436,114)	$ 307,621	($ 2,128,493)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2015			
Balance at January 1	($ 2,393,885)	$ 437,943	($ 1,955,942)
Current service cost	(27,534)	-	(27,534)
Interest (expense) income	(49,560)	8,549	(41,011)
Additional termination benefit costs paid in the plan during the current year	(13,306)	-	(13,306)
Others	804	-	804
	(2,483,481)	446,492	(2,036,989)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,260	3,260
Change in demographic assumptions	(260)	-	(260)
Change in financial assumptions	(27,546)	-	(27,546)
Experience adjustments	(37,335)	-	(37,335)
	(65,141)	3,260	(61,881)
Effect of business combination	(189,401)	-	(189,401)
Exchange difference	5,086	-	5,086
Pension fund contribution	-	44,916	44,916
Paid pension	181,574	(181,574)	-
Payment per books	42,757	-	42,757
Balance at December 31	($ 2,508,606)	$ 313,094	($ 2,195,512)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Discount rate	1.00%~1.88%	1.5%~2.00%
Future salary increases	0.5%~4.5%	0%~5.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31,2016				
Effect on present value of defined benefit obligation	($ 91,942)	$ 98,529	$ 98,131	($ 92,642)
December 31,2015				
Effect on present value of defined benefit obligation	($ 123,657)	$ 136,184	$ 135,178	($ 124,588)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 amounts to $155,519.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2016 and 2015 was 20%~21.5%. Other than the monthly contributions, the Group has no further obligations.

(c) Monthly contributions to an independent fund administered by the local pension managing agency are based on a certain percentage of monthly salaries and wages of the Group's other overseas subsidiaries' employees.

(d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015 were $446,355 and $389,377 respectively.

(20) Share capital

A. As of December 31, 2016, the Company's authorized capital was $30,305,500, consisting of

3,030,550 thousand shares of ordinary stock, including 100 million shares reserved for employee stock options, and the paid-in capital was $20,026,929 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

For the years ended December 31, 2016 and 2015, there was no change to the Company's outstanding ordinary shares.

B. On December 17, 1996, the Board of Directors of the Company adopted a resolution that allows certain stockholders to issue 5,540 thousand units of global depository receipts (GDRs), represented by 55,399 thousand shares of common stock. A unit of GDR represents 10 shares of common stock. After obtaining approval from SFB, these GDRs were listed on the Securities Exchange of London, with total proceeds of US$107,644,000. The issuance of GDRs was presented by issuing common shares, therefore, there is about 7% dilutive effect on the common shares' equity. The main terms and conditions of the GDRs are as follows:

(a) Voting rights

GDR holders may, pursuant to the Depositary Agreement and the relevant laws and regulations of the R.O.C., exercise the voting rights pertaining to the underlying common shares represented by the GDRs.

(b) Redemption of the underlying common shares represented by the GDRs

When the holders of the GDRs request the Depositary to redeem the GDRs in accordance with the relevant R.O.C. regulations and the provisions in the Depositary Agreement, the Depositary may (i) deliver the underlying common shares represented by the GDRs to the GDR holders, or (ii) sell the underlying common shares represented by the GDRs in the R.O.C. stock market on behalf of the GDR holder. The payment of proceeds from such sale shall be made subject to the relevant R.O.C. laws and regulations and the provisions in the Depositary Agreement.

(c) Distribution of dividends, preemptive rights and other rights

GDR holders own the same rights as common shareholders.

(d) There were 759 thousand units of GDRs outstanding, representing 7,593 thousand common shares as of December 31, 2016.

C. All of the shares of the Company held by the Company's subsidiaries—Tong-An Investment Co., Ltd. and An-Tai International Investment Co., Ltd. were acquired in or before 2000 for the purpose of general investment. After a regulation of the Company Act was amended in 2000 wherein the shares of the holding company shall not be purchased nor be accepted as a security as pledge by its subsidiary, the two subsidiaries did not acquire additional shares of the Company. In addition, Top-Tower Enterprises Co., Ltd. also held the Company's shares before the Company obtained control of Top-Tower Enterprises Co., Ltd. in August, 2013, and did not acquire additional shares of the Company again after the Company obtained its control. As of December 31, 2016 and 2015, book value of the shares of the Company held by the three subsidiaries amounted to $321,563.

Details are as follows:

	December 31, 2016		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	$ 14.92	$ 27.90
An-Tai International Investment Co., Ltd.	2,826	10.37	27.90
Top-Tower Enterprises Co., Ltd.	77	9.37	27.90
	22,443		

	December 31, 2015		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	$ 14.92	$ 26.30
An-Tai International Investment Co., Ltd.	2,826	10.37	26.30
Top-Tower Enterprises Co., Ltd.	77	9.37	26.30
	22,443		

(21) Capital surplus

Pursuant to the R.O.C Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(22) Retained earnings and legal reserve

A. As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:

(a) Payment of taxes and duties.

(b) Covering prior years' accumulated deficit, if any.

(c) After deducting items (a) and (b), set aside 10% of the remaining amount as legal reserve.

(d) Set aside a certain amount as special reserve, if any.

(e) Distributing the remaining amount plus prior years' retained earnings to shareholders according to their shareholding percentage. The distribution rate is principally 80%, of which cash dividend shall account for 5% ~ 50% of the distributed amount.

(f) The Company may grant the employees of subsidiaries employee bonuses as described above if certain criteria prescribed by the Board of Directors are met.

B. The Company's dividend policy is summarized below:

The Company's operating environment is in the stable growth stage. However, investee companies are still in the growth stage. In view of the future plant expansion and investment plans, the appropriations of earnings are based on the distributable earnings and appropriate principally 80% to shareholders as dividends. Cash dividends shall account for at least 5% up to maximum of 50% of total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The Company recognised dividends distributed to owners amounting to $1,602,154 ($0.8 (in dollars) per share) and $2,202,962 ($1.1 (in dollars) per share) for the years ended December 31, 2016 and 2015, respectively. On March 24, 2017, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2016 was $0.88 with $1,762,370 (in dollars) per share.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6 (29).

(23) Other equity items

	Available-for-sale investments	Currency translation	Total
At January 1, 2016	$ 743,950	$ 13,030	$ 756,980
Unrealised gains and losses on financial assets:			
–Group	1,472,155	-	1,472,155
–Associates	2,421	-	2,421
Currency translation differences:			
–Group	-	(1,064,783)	(1,064,783)
At December 31, 2016	$ 2,218,526	($ 1,051,753)	$ 1,166,773

	Available-for-sale investments	Currency translation	Total
At January 1, 2015	$ 3,166,632	$ 352,932	$ 3,519,564
Unrealised gains and losses on financial assets:			
–Group	(2,413,856)	-	(2,413,856)
–Associates	(8,826)	-	(8,826)
Currency translation differences:			
–Group	-	(339,902)	(339,902)
At December 31, 2015	$ 743,950	$ 13,030	$ 756,980

(24) Operating revenue

	For the year ended December 31, 2016	For the year ended December 31, 2015
Sales revenue	$ 41,073,462	$ 39,766,085
Service revenue	6,212,372	5,795,548
Construction contract revenue	2,466,811	2,943,060
Net securities trading revenue	171,191	93,880
	$ 49,923,836	$ 48,598,573

(25) Other income

	For the year ended December 31, 2016	For the year ended December 31, 2015
Rental revenue	$ 167,865	$ 187,570
Dividend income	560,089	476,663
Interest income:		
Interest income from bank deposits	166,210	172,781
Other interest income	6,007	5,303
Other non-operating income	259,835	518,889
	$ 1,160,006	$ 1,361,206

(26) Other gains and losses

	For the year ended December 31, 2016	For the year ended December 31, 2015
Net gain (loss) on financial liabilities at fair value through profit or loss	$ 1,214	($ 14,620)
Net gain on financial assets at fair value through profit or loss	12,017	56,530
Net currency exchange gain	23,928	170,002
Net gain (loss) on disposal of property, plant and equipment	687	(10,233)
Gain on remeasurement	216,160	-
Gain on disposal of investments	231,753	83,624
Impairment loss on financial assets	(127,277)	(412,195)
Non-operating expenses	(402,187)	(384,915)
	($ 43,705)	($ 511,807)

Gain on remeasurement is caused by acquiring Century Development Corporation. Due to the change in fair value of shares that acquired before obtaining majority control, the Group incurred remeasurement gain. Please refer to Note 6(32) for details.

(27) Finance costs

	For the year ended December 31, 2016	For the year ended December 31, 2015
Interest expense:		
Bank borrowings	$ 267,327	$ 208,358
Less: capitalisation of qualifying assets	(217)	(881)
	267,110	207,477
Finance expenses	15,121	20,214
Finance costs	$ 282,231	$ 227,691

(28) Expenses by nature

	For the year ended December 31, 2016	For the year ended December 31, 2015
Employee benefit expense	$ 10,953,285	$ 10,336,875
Depreciation charges on property, plant and equipment	1,410,855	1,201,490
Amortisation charges on intangible assets	138,868	106,049
	$ 12,503,008	$ 11,644,414

(29) Employee benefit expense

	For the year ended December 31, 2016	For the year ended December 31, 2015
Wages and salaries	$ 8,641,562	$ 8,284,271
Employees' compensation and directors' and supervisors' remuneration	627,308	461,177
Labor and health insurance fees	816,982	781,826
Pension costs	502,799	470,424
Other personnel expenses	437,601	400,977
	$ 11,026,252	$ 10,398,675

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1%~10% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at $283,999 and $257,361 respectively; while directors' and supervisors' remuneration was accrued at $125,333 and $114,382, respectively. The aforementioned amounts were recognised in salary expenses.

C. For the years ended December 31, 2016 and 2015, after considering each year's earnings, the employee benefit expenses were accrued based on past experience and ratio.

The employees' remuneration and directors' and supervisors' remuneration for 2015 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2015 financial statements. As of December 31, 2016, abovementioned earnings of prior year have not yet been distributed.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Current tax:		
Current tax on profits for the period	$ 658,245	$ 908,471
Tax on undistributed surplus earnings	128,434	148,460
Prior year income tax over	(161,879)	(60,395)
Effects from Alternative Minimum Tax	5,599	9,916
Total current tax	630,399	1,006,452
Deferred tax:		
Origination and reversal of temporary differences	265,894	42,703
Income tax expense	$ 896,293	$ 1,049,155

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Currency translation differences	($ 99,542)	($ 58,292)
Remeasurement of defined benefit obligations	(2,270)	(2,852)
	($ 101,812)	($ 61,144)

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2016	For the year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	$ 1,454,591	$ 1,418,480
Effects from items disallowed by tax regulation	(298,097)	(254,003)
Effect from investment tax credits	(42,153)	(14,184)
Prior year income tax over	(161,879)	(60,395)
Underestimation of prior year's net deferred tax assets and liabilities earnings	(191,104)	(205,298)
Additional 10% tax on undistributed earnings	128,434	148,460
Effect from Alternative Minimum Tax	5,599	9,916
Others	902	6,179
Income tax expense	$ 896,293	$ 1,049,155

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and tax losses are as follows:

	For the year ended December 31, 2016				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	December 31
Temporary differences:					
—Deferred tax assets:					
Impairment loss	$ 90,679	$ 869	$ -	$ -	$ 91,548
Currency translation differences	61,605	824	99,542	-	161,971
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	44,295	12,027	-	-	56,322
Unrealized expenses	410,207	(69,311)	-	1,679	342,575
Permanent loss on investments	29,817	-	-	-	29,817
Loss on inventory	111,883	30,434	-	-	142,317
Over provision of allowance for doubtful accounts	47,265	(12,059)	-	-	35,206
Others	258,331	(58,312)	2,270	6,751	209,040
Tax losses	129,165	(3,719)	-	-	125,446
	1,183,247	(99,247)	101,812	8,430	1,194,242
Temporary differences:					
—Deferred tax					
Investment income from foreign investments	753,039	176,354	-	-	929,393
Land value incremental reserve	1,050,369	-	-	-	1,050,369
Trademark right	352,629	(21,595)	-	-	331,034
Others	161,684	11,888	-	1,075	174,647
	2,317,721	166,647	-	1,075	2,485,443
	($ 1,134,474)	($ 265,894)	$ 101,812	$ 7,355	($ 1,291,201)

	For the year ended December 31, 2015				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	December 31
Temporary differences:					
—Deferred tax assets:					
Impairment loss	$ 109,076	($ 18,397)	$ -	$ -	$ 90,679
Currency translation differences	3,313	-	58,292	-	61,605
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	45,308	(1,013)	-	-	44,295
Unrealized expenses	372,148	17,213	-	20,846	410,207
Permanent loss on investments	29,817	-	-	-	29,817
Loss on inventory	104,222	(5,363)	-	13,024	111,883
Over provision of allowance for doubtful accounts	42,854	(397)	-	4,808	47,265
Others	253,192	(23,691)	2,852	25,978	258,331
Tax losses	118,808	10,357	-	-	129,165
	1,078,738	(21,291)	61,144	64,656	1,183,247
Temporary differences:					
—Deferred tax					
Investment income from foreign investments	723,934	29,105	-	-	753,039
Land value incremental reserve	1,049,076	1,293	-	-	1,050,369
Trademark right	-	-	-	352,629	352,629
Others	138,056	(8,986)	-	32,614	161,684
	1,911,066	21,412	-	385,243	2,317,721
	($ 832,328)	($ 42,703)	$ 61,144	($ 320,587)	($ 1,134,474)

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2016				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognisd deferred tax assets	Usable until year
2007	Amount assessed	352,325	352,325	2017
2008	Amount assessed	284,672	279,736	2018
2009	Amount assessed	895,208	864,640	2019
2010	Amount assessed	514,576	514,576	2020
2011	Amount assessed	265,574	213,113	2021
2012	Amount assessed	403,636	152,718	2022
2013	Amount assessed	185,962	45,528	2023
2014	Amount filed	165,792	30,073	2024
2015	Amount filed	142,376	42,452	2025
2016	Amount filed	215,028	43,849	2026
		$ 3,425,149	$ 2,539,010	

December 31, 2015				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognisd deferred tax assets	Usable until year
2006	Amount assessed	57,660	57,660	2016
2007	Amount assessed	307,390	307,390	2017
2008	Amount assessed	226,805	207,390	2018
2009	Amount assessed	885,487	885,487	2019
2010	Amount assessed	713,313	713,313	2020
2011	Amount assessed	202,267	149,806	2021
2012	Amount assessed	300,922	50,004	2022
2013	Amount assessed	158,168	17,734	2023
2014	Amount filed	214,868	37,721	2024
2015	Amount filed	148,169	48,245	2025
		$ 3,215,049	$ 2,474,750	

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2016	December 31, 2015
Deductible temporary differences	$ 1,182,582	$ 1,629,977

F. As of December 31, 2016, the Company and its subsidiaries' income tax returns through various years between 2013 and 2015, respectively, have been assessed and approved by the Tax Authority.

G. Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and before 1997	$ 684,024	$ 684,024
Earnings generated in and after 1998	11,132,665	9,626,134
	$ 11,816,689	$ 10,310,158

H. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was $765,673 and $692,980, respectively. The creditable tax rate was 10.06% for 2015 and is estimated to be 8.02% for 2016.

(31) Earnings per share

	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,481,480	1,980,250	$ 1.76
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	10,723	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,481,480	1,990,973	$ 1.75

	For the year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,177,291	1,980,250	$ 1.60
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	9,337	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,177,291	1,989,587	$ 1.60

(32) Business combinations

A. YASKAWA TECO:

(a) In March 2015, the Group acquired 20% of the share capital of YASKAWA TECO MOTOR ENGINEERING CO. ("YASKAWA TECO") for $23,667. Along with the Group's 40% of the share capital of YASKAWA TECO, the Group holds a total of 60% of share capital and obtained the control of YASKAWA TECO MOTOR ENGINEERING CO. As a result of the acquisition, the Group is expected to increase its revenue in these markets.

(b) The following table summarizes the consideration paid for YASKAWA TECO and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

		March 31, 2015
Purchase consideration		
Cash	$	23,667
Fair value at the acquisition date of share capital of YASKAWA TECO held before the business combination		44,924
Fair value of the non-controlling interest		42,727
		111,318
Fair value of the identifiable assets acquired and liabilities assumed		
Cash		20,559
Notes and accounts receivable		280,267
Inventories		991
Other current assets		5,252
Property, plant and equipment		76
Bank borrowings	(	18,228)
Notes and accounts payable	(	157,863)
Other current liabilities	(	19,736)
Total identifiable net assets		111,318
Goodwill (listed as intangible assets)	$	-

(c) The Group recognised a loss of $21,548 as a result of measuring its 40% equity interest in YASKAWA TECO at fair value before the business combination.

(d) Had YASKAWA TECO been consolidated from January 1, 2015, the consolidated statement of comprehensive income would show operating revenue of $48,765,017 and profit before income tax of $4,556,630 for the year ended December 31, 2015.

B. Motovario:

(a) On October 15, 2015, the Group acquired 100% of the share capital of Motovario S.p.A. and its subsidiaries for $3,989,850 (EUR€108,214 thousand) and obtained control over them. Motovario S.p.A. has its headquarters in Italy and is primarily engaged in production and sale of gear reducers, motors and power transmission related products. The Group expects to extend the range of motor products to power transmission system after the acquisition, as well as to provide a more complete solution for drivers to customers and to expand its products to global market and its customer base.

(b) The following table summarizes the consideration paid for Motovario S.p.A and its subsidiaries and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

		October 15, 2015
Purchase consideration		
Cash	$	3,989,850
Fair value of the identifiable assets acquired and liabilities assumed		
Cash		98,922
Available-for-sale financial assets		64,006
Accounts receivable		1,308,848
Inventories		1,333,735
Other current assets		71,933
Property, plant and equipment		516,364
Other non-current assets		122,998
Short-term borrowings	(	401,219)
Accounts payable	(	873,450)
Other payables	(	161,122)
Other current liabilities	(	116,435)
Long-term borrowings	(	2,672,928)
Other non-current liabilities	(	690,538)
Total identifiable net assets	(	1,398,886)
Goodwill (listed as intangible assets)	$	5,388,736

(c) As of December 31, 2016, due to the fluctuation of foreign exchange rates, the goodwill amounting to $5,012,878 was obtained by acquiring Motovario S.p.A..

(d) The operating revenue and profit before tax contributed by Motovario S.p.A. and its subsidiaries were included in the consolidated statements since the acquisition date. Had Motovario S.p.A. and its subsidiaries been consolidated from January 1, 2015, the consolidated statement of comprehensive income would show operating revenue of $52,034,325 and profit before income tax of $4,754,587 for the year ended December 31, 2015.

C. Century Development:

(a) On February 5, 2016, the Group acquired 12.12% of the share capital of Century Development Corporation for $462,233. Along with 40.63% of share capital originally held, the Group collectively holds 52.75% of the share capital in Century Development Corporation and exercises control over Century Development Corporation, which is engaged in designing, developing and managing parks in Taiwan. As a result of the acquisition, the Group is expected to strengthen its ability to develop and manage real estate.

(b) The following table summarizes the consideration paid for Century Development Corporation and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in Century Development Corporation:

	February 5, 2016
Purchase consideration	
Cash	$ 462,233
Fair value at the acquisition date of share capital of the company held before the business combination	1,841,807
Fair value of the non-controlling interest	1,824,817
	4,128,857
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	728,501
Notes and accounts receivable	36,261
Other current assets	346,376
Property, plant and equipment	4,278,726
Other non-current assets	1,123,485
Notes and accounts payable	(70,186)
Other current liabilities	(506,374)
Long-term borrowings	(1,897,782)
Other non-current liabilities	(177,126)
Total identifiable net assets	3,861,881
Goodwill (listed as intangible assets)	$ 266,976

(c) The fair value of identifiable net assets acquired in the investment is still pending the final valuation.

(d) The Group recognized a gain of $216,160 as a result of measuring at fair value its 40.63% equity interest in Century Development Corporation held before the business combination.

(33) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Acquisition of property, plant and equipment	$ 1,494,401	$ 1,215,912
Add:		
Payables at beginning of the period	122,004	602,773
Less:		
Payables at end of the period	(151,433)	(122,004)
Cash paid	$ 1,464,972	$ 1,696,681

B. The book value of the assets and liabilities of the consolidated subsidiaries for the period is as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cash and cash equivalents	$ 728,501	$ 119,481
Other current assets	382,637	3,065,032
Property, plant and equipment	4,278,726	516,440
Goodwill	266,976	5,388,736
Other non-current assets	1,123,485	122,998
Other current liabilities	(576,560)	(1,748,053)
Other non-current liabilites	(2,074,908)	(3,363,466)
	$ 4,128,857	$ 4,101,168
Proceeds from acquisition of subsidiaries	$ 462,233	$ 4,013,517
Cash balance of subsidiaries	(728,501)	(119,481)
Net cash effect of consolidated subsidiaries	($ 266,268)	$ 3,894,036

(34) Details of significant controlling interests

As of December 31, 2016, and 2015, the non-controlling interest amounted to $5,992,976 and $3,968,462 respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-Controlling Interest			
		December 31, 2016		December 31, 2015	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Tecom Co., Ltd.	R.O.C	$ 328,767	36.48%	$ 306,582	36.48%
Taiwan Pelican Express Co., Ltd.	R.O.C	1,101,883	67.85%	1,101,619	67.85%
Kuen Ling Machinery Refrigerating Co., Ltd.	R.O.C	1,083,945	80.02%	1,048,630	80.02%
Wuxi Teco Electric & Machinery Co., Ltd.	China	355,527	17.65%	371,059	17.65%
Jiangxi Teco Electric & Machinery Co., Ltd.	China	30,849	1.93%	34,766	1.93%
Qingdao Teco Precision Mechatronics Co., Ltd.	China	33,066	14.69%	37,141	14.69%
Century Development Corporation (Note)	R.O.C	1,935,474	47.25%	-	-

Note: A subsidiary that the Company obtained control in 2016.

Summarized financial information of the subsidiaries:

Balance sheets

	Tecom Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 2,226,004	$ 1,975,384
Non-current assets	673,974	557,248
Current liabilities	(2,066,348)	(1,801,728)
Non-current liabilities	(286,116)	(321,531)
Total net assets	$ 547,514	$ 409,373

	Taiwan Pelican Express Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 1,626,126	$ 1,520,795
Non-current assets	616,732	661,872
Current liabilities	(603,606)	(536,896)
Non-current liabilities	(15,253)	(22,162)
Total net assets	$ 1,623,999	$ 1,623,609

	Kuen Ling Machinery Refrigerating Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 1,800,946	$ 1,551,156
Non-current assets	601,271	647,862
Current liabilities	(832,903)	(665,641)
Non-current liabilities	(148,213)	(156,400)
Total net assets	$ 1,421,101	$ 1,376,977

	Wuxi Teco Electric & Machinery Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 2,712,241	$ 2,768,135
Non-current assets	532,231	566,467
Current liabilities	(1,157,778)	(1,162,104)
Non-current liabilities	(72,379)	(70,170)
Total net assets	$ 2,014,315	$ 2,102,328

	Jiangxi Teco Electric & Machinery Co., Ltd.	
	December 31, 2016	December 31, 2015
Current assets	$ 559,429	$ 819,304
Non-current assets	1,349,908	1,568,027
Current liabilities	(308,111)	(583,940)
Non-current liabilities	(2,810)	(2,047)
Total net assets	$ 1,598,416	$ 1,801,344

	Qingdao Teco Precision Mechatronic Co., Ltd.	
	December 31, 2016	December 31, 2016
Current assets	$ 436,103	$ 414,007
Non-current assets	685,375	786,027
Current liabilities	(893,968)	(947,202)
Non-current liabilities	(2,419)	-
Total net assets	$ 225,091	$ 252,832

	December 31, 2016	December 31, 2016
Current assets	$ 990,841	$ -
Non-current assets	5,308,707	-
Current liabilities	(535,338)	-
Non-current liabilities	(1,682,024)	-
Total net assets	$ 4,082,186	$ -

Statements of comprehensive income

	Tecom Co., Ltd.	
	ended December 31, 2016	ended December 31, 2015
Revenue	$ 4,101,045	$ 4,080,867
Profit (loss) before income tax	69,858	(74,548)
Income tax expense	(6,496)	(2,151)
Profit (loss) for the period	63,362	(76,699)
Other comprehensive income (loss) (net of tax)	132,093	(7,394)
Total comprehensive income (loss) for the period	$ 195,455	($ 84,093)
Comprehensive income (loss) attributable to non-controlling interest	$ 32,767	$ 26,920

	Taiwan Pelican Express Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ 2,638,239	$ 2,588,168
Profit before income tax	101,208	125,154
Income tax expense	(18,046)	(23,933)
Profit for the period	83,162	101,221
Other comprehensive loss (net of tax)	(25,492)	(185,561)
Total comprehensive income (loss) for the period	$ 57,670	($ 84,340)
Comprehensive income (loss) attributable to non-controlling interest	$ 62,149	($ 57,225)
Dividends paid to non-controlling interest	$ 38,863	$ 70,748

	Kuen Ling Machinery Refrigerating Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ 2,577,835	$ 2,474,604
Profit before income tax	295,353	238,362
Income tax expense	(56,632)	(46,412)
Profit for the period	238,721	191,950
Other comprehensive loss (net of tax)	(56,634)	(11,332)
Total comprehensive income for the period	$ 182,087	$ 180,618
Comprehensive income attributable to non-controlling interest	$ 145,992	$ 154,426
Dividends paid to non-controlling interest	$ 109,680	$ 109,687

	Wuxi Teco Electric & Machinery Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ 3,415,761	$ 3,721,706
Profit before income tax	153,456	138,541
Income tax expense	(22,335)	(20,813)
Profit for the period	131,121	117,728
Other comprehensive income (net of tax)	-	-
Total comprehensive income for the period	$ 131,121	$ 117,728
Comprehensive income attributable to non-controlling interest	$ 23,143	$ 13,480
Dividends paid to non-controlling interest	$ 10,007	$ 20,265

	Jiangxi Teco Electric & Machinery Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ 556,581	$ 1,655,457
(Loss) profit before income tax	(58,582)	115,535
Income tax expense	(4,048)	-
(Loss) profit for the period	(62,630)	115,535
Total comprehensive (loss) income for the period	($ 62,630)	$ 115,535
Comprehensive (loss) income attributable to non-controlling interest	($ 1,209)	$ 2,230

	Qingdao Teco Precision Mechatronic Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ 850,298	$ 725,722
Loss before income tax	(9,012)	(23,063)
Loss for the period	(9,012)	(23,063)
Total comprehensive loss for the period	($ 9,012)	($ 23,063)
Comprehensive loss attributable to non-controlling interest	($ 1,324)	($ 3,388)

	Century Development Corporation (Note)	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue	$ 801,525	$ -
Profit before income tax	305,594	-
Income tax expense	(47,654)	-
Profit for the period	257,940	-
Other comprehensive loss, net of tax	(3,732)	-
Total comprehensive income for the period	$ 254,208	$ -
Comprehensive income attributable to non-controlling interest	$ 186,605	$ -
Dividends paid to non-controlling interest	$ 61,637	$ -

Note : A subsidiary that the company obtained control in 2016.

Statements of cash flows

	Tecom Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Net cash used in operating activities	($ 78,928)	($ 91,873)
Net cash provided by (used in) investing activities	105,012	(75,220)
Net cash (used in) provided by financing activities	(16,839)	66,849
Increase (decrease) in cash and cash equivalents	9,245	(100,244)
Cash and cash equivalents, beginning of period	265,875	366,119
Cash and cash equivalents, end of period	$ 275,120	$ 265,875

	Taiwan Pelican Express Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Net cash provided by operating activities	$ 151,135	$ 174,420
Net cash used in investing activities	(50,586)	(112,573)
Net cash used in financing activities	(57,263)	(105,074)
Effect of exchange rates on cash and cash equivalents	(501)	(192)
Increase (decrease) in cash and cash equivalents	42,785	(43,419)
Cash and cash equivalents, beginning of period	1,005,884	1,049,303
Cash and cash equivalents, end of period	$ 1,048,669	$ 1,005,884

	Kuen Ling Machinery Refrigerating Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Net cash provided by operating activities	$ 300,241	$ 196,063
Net cash used in investing activities	(22,019)	(87,422)
Net cash used in financing activities	(150,114)	(181,322)
Effect of exchange rates on cash and cash equivalents	(27,538)	(13,027)
Increase (decrease) in cash and cash equivalents	100,570	(85,708)
Cash and cash equivalents, beginning of period	302,505	388,213
Cash and cash equivalents, end of period	$ 403,075	$ 302,505

	Wuxi Teco Electric & Machinery Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Net cash (used in) provided by operating activities	($ 56,533)	$ 240,431
Net cash used in investing activities	(70,228)	(84,771)
Net cash used in financing activities	(56,697)	(181,482)
Effect of exchange rates on cash and cash equivalents	(34,217)	(9,230)
Decrease in cash and cash equivalents	(217,675)	(35,052)
Cash and cash equivalents, beginning of period	460,452	495,504
Cash and cash equivalents, end of period	$ 242,777	$ 460,452

	Jiangxi Teco Electric & Machinery Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Net cash provided by operating activities	$ 25,211	$ 319,808
Net cash provided by (used in) investing activities	11,646	(345,186)
Net cash provided by (used in) financing activities	961	(153,709)
Effect of exchange rates on cash and cash equivalents	(12,720)	(4,827)
Increase (decrease) in cash and cash equivalents	25,098	(183,914)
Cash and cash equivalents, beginning of period	145,637	329,551
Cash and cash equivalents, end of period	$ 170,735	$ 145,637

	Qingdao Teco Precision Mechatronic Co., Ltd.	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Net cash provided by operating activities	$ 70,475	$ 39,775
Net cash used in investing activities	(10,800)	(14,529)
Net cash used in financing activities	(37,932)	(26,772)
Effect of exchange rates on cash and cash equivalents	(4,329)	(878)
Increase (decrease) in cash and cash equivalents	17,414	(2,404)
Cash and cash equivalents, beginning of period	44,310	46,714
Cash and cash equivalents, end of period	$ 61,724	$ 44,310

	Century Development Corporation (Note)	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Net cash provided by operating activities	$ 399,016	$ -
Net cash used in investing activities	(20,541)	-
Net cash used in financing activities	(484,359)	-
Decrease in cash and cash equivalents	(105,884)	-
Cash and cash equivalents, of period	728,501	-
Cash and cash equivalents, end of period	$ 622,617	- $ -

Note: A subsidiary that the Company obtained control over in 2016

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Operating revenue:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Sales of goods and services:		
Associates	$ 410,808	$ 394,897
Other related parties	133,148	54,509
	$ 543,956	$ 449,406

Goods and services are sold to associates and other related parties on normal commercial terms and conditions. The sales terms, including pricing and collection, were negotiated in consideration of cost, market, competitors and other factors.

B. Purchases of goods and services:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Purchases of goods:		
Associates	$ 108,447	$ 158,683

The purchase terms, including pricing and payments, were based on mutual agreement and have no similar transaction can be compared with.

C. Receivables from related parties:

	December 31, 2016	December 31, 2015
Receivables from related parties:		
Associates	$ 227,425	$ 197,013
Other related parties	29,524	20,715
Less: recorded as other receivables	(16,795)	(8,703)
	240,154	209,025
Other receivables - transfer of accounts receivable that were past due		
Other related parties	16,795	8,703
Other receivables - others		
Associates	478,670	680,156
Other related parties	2,331	3,481
	481,001	683,637
Total other receivables	497,796	692,340
	$ 737,950	$ 901,365

(a) The receivables from related parties arise mainly from sale transactions. The receivables are due 30 to 90 days after the date of sale, unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

(b) The aforementioned accounts receivable that were past due were $16,795 and $8,703 as of December 31, 2016 and 2015, respectively. The ageing of the past due accounts receivable is beyond 90 days.

(c) The other receivables arise mainly from other receivables for rental.

D. Payables to related parties:

	December 31, 2016	December 31, 2015
Payables to related parties:		
Associates	$ 105,889	$ 96,240
Other related parties	839	839
	$ 106,728	$ 97,079

The payables to related parties arise mainly from purchase transactions and are due 180 days after the date of purchase. The payables bear no interest.

E. Loans to related parties:

(a) Receivables from related parties

	December 31, 2016	December 31, 2015
Associates	$ 55,071	$ 271,571

(b) Interest income

	For the year ended December 31, 2016	For the year ended December 31, 2015
Associates	$ 6,007	$ 7,071

The loans to associates are payable monthly over 2 years and carry interest at 1.25%~7% and 1.3%~7% per annum for the years ended December 31, 2016 and 2015, respectively.

F. Endorsements and guarantees provided to related parties:

	December 31, 2016	December 31, 2015
Associates	$ 171,198	$ 175,109

G. Acquisition of property, plant and equipment:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Associates	$ 235,000	$ -

(2) Key management compensation

	For the year ended December 31, 2016	For the year ended December 31, 2015
Salaries and other short-term employee benefits	$ 573,630	$ 470,758
Post-employment benefits	4,451	22,455
	$ 578,081	$ 493,213

8. PLEDGED ASSETS

Pledged asset	Book value December 31, 2016	Book value December 31, 2015	Purpose
Available-for-sale financial assets - current			
Innolux Corporation	$ 12,126	$ 10,391	Commercial papers payable and short-term loans
Notes receivable	41,723	46,044	Short-term loans
Accounts receivable	723,141	755,554	〃
Inventories	650,121	829,867	〃
Other current assets			
Demand deposits	79,945	64,329	Short-term loans, deposits for renting warehouses, deposits for acceptance bill, provisional seizure guarantee of compensation, exercise guarantee for construction, warranty margin, engineering bond, and tariff guarantee
Time deposits	11,293	23,169	Merchandise loans, long-term and short-term loans, engineering guarantees, customs security deposit, warranty margin and exercise guarantee for construction
Cash and bank deposits	336,115	326,044	Engineering bond, tariff guarantee seizure guarantee long guarantee, and quality assurance for product sales
Available-for-sale financial assets - non-current			
Teco Image System Co., Ltd.	15,900	15,660	Commercial papers payable and short-term loans
Far Eastone Telecommunications Co., Ltd.	217,500	202,800	〃
Innolux Corporation	25,233	21,622	Long-term loans
Baycom Opto-Electronics Technology Co., Ltd.	128,485	-	〃
Taiwan High Speed Rail Corporation	298,486	168,547	〃
Investments accounted for under the equity method			
Creative Sensor Inc.	116,830	122,115	Short-term loans
Century Development Corporation	88,585	94,248	〃

Pledged asset	Book value December 31, 2016	Book value December 31, 2015	Purpose
Property, plant, and equipment			
Land	$ 243,537	$ 113,561	Long-term loans, short-term loans
Buildings	4,210,332	245,584	〃
Other non-current assets			
Refundable deposits	82,597	56,384	Exercise guarantee for construction and customs security deposit and warranty margin
Restricted assets	-	511	False compensation seizure guarantee, sinking fund
Long-term prepaid rent	991,502	18,374	Short-term loans, long-term loans and endorsements and guarantees to others
Treasury stock	462,053	247,091	Short-term loans
	$ 8,735,504	$ 3,361,895	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

A. On September 30, 2011, the Company's subsidiary—Tecom Co., Ltd. (Tecom) applied with the court for a provisional seizure on the property of PointRed Limited ("PointRed") within a limit of $30,000, because PointRed failed to fulfill the payment for its purchase of radio frequency remote equipment from Tecom. Subsequently, the application was approved by the court. In addition, Tecom filed a lawsuit on December 19, 2011 requesting for a compensation of US$7,238,270 from PointRed for this case. However, the compensation had been revised to US$5,637,909 after the court had formulated the issues, and both the plaintiff and defendant had presented their evidences. Ministry of Economic Affairs has canceled PointRed's company registration and the designated representative's whereabouts is unknown. The Group considered that the ligation is meaningless, therefore, decided to withdraw its appeal from the High Court on February 20, 2017. As of March 24, 2017, the case is still pending in court.

B. In August, 2012, Rullingnet Corporation Limited ("Rullingnet") filed a lawsuit against Tecom with the court requesting for termination of all the purchase contracts of certain products signed with Tecom and a compensation of $50,492, since the products it commissioned Tecom to design and manufacture were defective and Tecom did not fulfill its obligations to fix the defects. The case was settled and closed in the High Court on January 5, 2017.

C. Intel Capital Corporation ("Intel") has acquired the amount of $386 million of Vmax Telecom Co., Ltd. ("Vmax Telecom") when Vmax Telecom increased its capital. Vmax Telecom, VIBO Telecom Inc. and Tecom International have signed investment agreement that under certain circumstances, Intel has to dispose its shares in Vmax Telecom, or acquire back shares when Vmax Telecom dissolves. If Intel cannot compensate the loss incurred when disposing shares, contracting companies including Tecom International shall be liable jointly and severally for the loss. The investment disputes for this case are long overdue. Intel negotiated with the Company to reach a settlement subsequently and exempted the joint liability for compensation of the Company and Tecom. The Company then required Tecom to share the joint liability and signed a payment agreement reaching a settlement on this case on May 26, 2016.

(2) Commitments

A. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2016	December 31, 2015
Property, plant and equipment	$ 191,261	$ 187,819
Intangible assets	-	644
	$ 191,261	$ 188,463

B. Operating lease commitments

The Company leases offices, factory and warehouse under non-cancellable operating lease agreements.The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 436,331	$ 426,028
Later than one year but not later than five years	943,534	782,399
Later than five years	3,146,031	181,929
	$ 4,525,896	$ 1,390,356

C. As of December 31, 2016, the outstanding usance L/C used for acquiring raw materials and equipment was $682,149.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are based on the industrial scale, considering industrial future growth and product development, and setting appropriate market share, as well as plan of corresponding capital expenditure, calculation of operating capital needed for financial operations, and considering operating profit and cash inflows arising from product competitiveness, to determine appropriate capital structure.

(2) Financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, bond investments without active markets, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, bonds payable and long-term borrowings) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.The Group uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(15)).

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors.Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB.Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii.The Group uses forward exchange contracts / forward exchange traded derivatives transactions that hedge the recognized foreign asset or liability due to exchange rate fluctuations.

iv.The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		December 31, 2016					
					Sensitivity Analysis		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD:NTD	USD	$ 133,099	32.2500	$ 4,292,437	1%	$ 42,924	$ -
EUR:USD	EUR	7,615	1.0512	258,151	1%	2,582	-
EUR:NTD	EUR	34,844	33.9000	1,181,201	1%	11,812	-
USD:RMB	USD	53,804	6.9851	1,735,170	1%	17,352	-
USD:SGD	USD	20,048	1.4468	646,542	1%	6,465	-
CAD:USD	CAD	4,572	0.7414	109,316	1%	1,093	-
JPY:NTD	JPY	1,252,894	0.2756	345,297	1%	3,453	-
RMB:NTD	RMB	555,262	4.6170	2,563,646	1%	25,636	-
USD:MYR	USD	2,775	4.4712	89,505	1%	895	-
MYR:SGD	MYR	14,590	0.3236	105,236	1%	1,052	-
USD:EUR	USD	339	0.9513	10,928	1%	109	-
Non-monetary items							
USD:NTD	USD	587,761	32.2500	18,955,277			
EUR:NTD	EUR	114,067	33.9000	3,866,855			
SGD:NTD	SGD	131,571	22.2900	2,932,708			
VND:NTD	VND	124,202,143	0.0014	173,883			
MYR:NTD	MYR	16,332	7.2128	117,796			
Financial liabilities							
Monetary items							
USD:NTD	USD	87,278	32.2500	2,796,990	1%	27,970	-
USD:RMB	USD	17,401	6.9851	561,191	1%	5,612	-
USD:SGD	USD	6,679	1.4468	215,403	1%	2,154	-
USD:VND	USD	3,948	23,035.7143	127,316	1%	1,273	-

		December 31, 2015					
					Sensitivity Analysis		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD:NTD	USD	$ 87,602	32.8250	$ 2,875,529	1%	$ 28,755	$ -
EUR:USD	EUR	7,873	1.0931	282,480	1%	2,825	-
EUR:NTD	EUR	36,135	35.8800	1,296,515	1%	12,965	-
USD:RMB	USD	45,049	6.5716	1,478,718	1%	14,787	-
USD:SGD	USD	33,826	1.4118	1,110,327	1%	11,103	-
CAD:USD	CAD	5,283	0.7202	124,889	1%	1,249	-
JPY:NTD	JPY	1,897,852	0.2727	517,544	1%	5,175	-
RMB:NTD	RMB	162,454	4.9950	811,455	1%	8,115	-
AUD:NTD	AUD	6,579	23.9850	157,787	1%	1,578	-
USD:MYR	USD	4,009	4.2880	131,593	1%	1,316	-
USD:EUR	USD	3,273	0.9149	107,425	1%	1,074	-
Non-monetary items							
USD:NTD	USD	582,932	32.8250	19,134,729			
EUR:NTD	EUR	103,744	35.8800	3,722,317			
SGD:NTD	SGD	120,876	23.2500	2,810,374			
VND:NTD	VND	105,655,714	0.0014	147,918			
MYR:NTD	MYR	15,427	7.6551	118,099			
Financial liabilities							
Monetary items							
USD:NTD	USD	82,720	32.8250	2,715,289	1%	27,153	-
USD:RMB	USD	12,280	6.5716	403,097	1%	4,031	-
USD:SGD	USD	7,056	1.4118	231,613	1%	2,316	-
RMB:NTD	RMB	305,672	4.9950	1,526,832	1%	15,268	-
EUR:NTD	EUR	11,734	35.8800	421,006	1%	4,210	-

v. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015 amounted to $23,928 and $170,002, respectively.

Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by $10,134 and $11,581, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreas ed by $656,386 and $618,439 as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is floating rate. During the years ended December 31, 2016 and 2015, the Group's borrowings at variable rates were denominated in the NTD, USD and RMB.

ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

iii. At December 31, 2016 and 2015, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been $27,700 and $18,704 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a better credit rating are accepted.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(6).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2016	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 3,078,361	$ -	$ -	$ -	$ -
Notes payable	170,772	-	-	-	-
Accounts payable	7,610,470	-	-	-	-
Other payables	4,998,690	-	-	-	-
Bonds payable	-	-	-	3,000,000	-
Long-term borrowings (including current portion)	6,535,764	917,069	789,327	1,866,071	167,528

December 31, 2015	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 6,619,012	$ -	$ -	$ -	$ -
Notes payable	113,411	-	-	-	-
Accounts payable	6,724,648	-	-	-	-
Other payables	4,863,815	-	-	-	-
Bonds payable (including current portion)	1,498,500	-	-	3,000,000	-
Long-term borrowings (including current portion)	2,130,069	67,613	179,694	18,202	1,787

iii. As of December 31, 2016 and 2015, the derivative financial liabilities which are executed by the Group were all due within one year.

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(11).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates and others is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in derivative instruments is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 202,676	$ -	$ -	$ 202,676
Forward exchange contracts	-	30,832	-	30,832
Available-for-sale financial assets				
Equity securities	11,877,610	-	1,250,106	13,127,716
	$ 12,080,286	$ 30,832	$ 1,250,106	$ 13,361,224

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 231,614	$ -	$ -	$ 231,614
Forward exchange contracts	-	34,370	-	34,370
Available-for-sale financial assets				
Equity securities	10,706,154	-	1,662,626	12,368,780
	$ 10,937,768	$ 34,370	$ 1,662,626	$ 12,634,764
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 15,043	$ -	$ 15,043

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

(c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

(d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(e) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments as at December 31, 2016 and 2015.

	Non-derivative equity	
	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning balance	$ 1,662,626	$ 1,624,982
Gain and loss recognised in other comprehensive income (Note)	(70,189)	117,887
Acquired during the period	81,685	133,645
Sold during the period	(414,833)	(138,035)
Impaiment loss	(9,183)	(129,238)
Transfers out from level 3	-	(9,010)
Transfer from business	-	62,395
Ending balance	$ 1,250,106	$ 1,662,626

Note: Recorded as unrealized valuation gain or loss on available-for-sale financial assets.

G. Finance and Accounting Department is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 1,250,106	Market comparable companies	Price to earnings ratio multiple	0.94~2.30	The higher the multiple and control premium, the higher the fair value
Private equity fund			Discount for lack of marketability	15%~20%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 1,662,626	Market comparable companies	Price to earnings ratio multiple	1.51~2.53	The higher the multiple and control premium, the higher the fair value
Private equity fund			Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

	December 31, 2016					
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	±5%	$ -	$ -	$ 62,505	($ 62,505)

	December 31, 2015					
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	±5%	$ -	$ -	$ 83,131	($ 83,131)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative financial instruments undertaken during the reporting periods ended: Please refer to Notes 6(2) and 6(15).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third party, transactions with the investee companies in Mainland Area: Please refer to table 10.

14. SEGMENT FINANCIAL INFORMATION

(1) General information

The Group operates and makes decisions on the basis of products and service line, which the Group uses to identify reportable segments.

The Group's reportable segments include motor division and the home appliance division. The motor division primarily engages in the manufacturing and sales of motors and generators. The home appliance division primarily engages in the manufacturing, installation, sales and service of home appliances.

(2) Segment performance

The Group uses the operating income as the basis for segment performance assessment. The operating income excludes non-recurring expenditures, unrealized gain or loss on financial instruments, interest income and interest expense.

(3) Financial information by industry

The segment information of the reportable segments provided to the Chief Operating Decision-Maker for the years ended December 31, 2016 and 2015 is as follows:

	For the year ended December 31, 2016				
	Motor division	Home electric appliance division	Others	Adjustment and elimination	Total
Operating revenues					
Operating revenues from external customers	$ 30,413,129	$ 8,312,065	$ 11,198,642	$ -	$ 49,923,836
Operating revenues from internal segments	15,275,073	3,797,065	814,436	(19,886,574)	-
Total operating revenues	$ 45,688,202	$ 12,109,130	$ 12,013,078	($ 19,886,574)	$ 49,923,836
Segment profits and losses	$ 3,512,771	$ 181,835	$ 494,875	$ -	$ 4,189,481
Segment profits and losses including:					
Depreciation and amortization	$ 866,026	$ 214,066	$ 469,631	$ -	$ 1,549,723
Not included in segment profit, but regularly provided to the Chief Operating Decision-Maker					
Segment assets					
Identifiable assets	$ 38,050,775	$ 6,149,450	$ 19,838,521	($ 6,911,953)	$ 57,126,793
Capital expenditures	$ 1,080,040	$ 71,649	$ 342,712	$ -	$ 1,494,401
Segment liabilities	$ 15,270,189	$ 3,575,822	$ 5,917,239	($ 7,499,238)	$ 17,264,012

	For the year ended December 31, 2015				
	Motor division	Home electric appliance division	Others	Adjustment and elimination	Total
Operating revenues					
Operating revenues from external customers	$ 30,438,019	$ 8,209,381	$ 9,951,173	$ -	$ 48,598,573
Operating revenues from internal segments	17,934,285	3,632,769	799,530	(22,366,584)	-
Total operating revenues	$ 48,372,304	$ 11,842,150	$ 10,750,703	($ 22,366,584)	$ 48,598,573
Segment profits and losses	$ 3,857,456	($ 31,692)	($ 38,137)	$ -	$ 3,787,627
Segment profits and losses including:					
Depreciation and amortization	$ 778,630	$ 253,832	$ 275,077	$ -	$ 1,307,539
Not included in segment profit, but regularly provided to the Chief Operating Decision-Maker					
Segment assets					
Identifiable assets	$ 39,210,873	$ 5,980,989	$ 13,763,425	($ 8,865,114)	$ 50,090,173
Capital expenditures	$ 774,432	$ 100,661	$ 340,819	$ -	$ 1,215,912
Segment liabilities	$ 17,455,597	$ 3,159,071	$ 4,942,562	($ 8,956,255)	$ 16,600,975

(4) Reconciliation for segment profit (loss), assets and liabilities

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2016 and 2015 is provided as follows:

	For the years ended December 31,	
	2016	2015
Adjusted operating income of reportable segments	$ 3,694,606	$ 3,825,764
Adjusted operating income of other operating segments	494,875	(38,137)
Total segments	4,189,481	3,787,627
Interest income	172,217	178,084
Unrealized (loss) profit on financial instruments	13,231	41,910
Financial cost	(282,231)	(227,691)
Associates' and joint ventures' profit and loss accounted for under the equity method	(90,260)	153,936
Gain (loss) on disposal of property, plant and equipment	687	(10,233)
Impairment loss	(127,277)	(412,195)
Others	1,057,443	1,051,833
Income before income tax	$ 4,933,291	$ 4,563,271

The total assets amount reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the financial statements.

Equity investments (classified as available-for-sale financial assets, bond investments without active markets, investments accounted for under equity method or financial assets at fair value through profit or loss) held by the Group are not considered to be segment assets but rather are managed by the financial function.

A reconciliation of assets of reportable segment and total assets is as follows:

	For the years ended December 31,	
	2016	2015
Assets of reportable segments	$ 40,664,817	$ 39,731,741
Assets of other operating segments	16,461,976	10,358,432
Unamortised items:		
Deferred income tax assets	1,194,242	1,183,247
Available-for-sale financial assets	13,127,716	12,368,780
Bond investments without active market	2,830,572	141,551
Investments accounted for under the equity method	3,871,299	5,464,797
Financial assets at fair value through profit or loss	233,508	265,984
General assets of the Group	13,989,826	14,919,720
Total assets	$ 92,373,956	$ 84,434,252

The amounts provided to the Chief Operating Decision-Maker with respect to total liabilities are measured in a manner consistent with that of the financial statements.
Interest-bearing liabilities of the Group are not considered to be segment liabilities but rather are managed by the financial function.
A reconciliation of liabilities of reportable segment and total liabilities is as follows:

	For the years ended December 31,	
	2016	2015
Liabilities of reportable segments	$ 13,227,941	$ 13,464,818
Liabilities of other operating segments	4,036,071	3,136,157
Unamortised items:		
Deferred income tax liabilities	2,485,443	2,317,721
Current income tax liabilities	550,441	555,477
Short-term borrowings(including current portion)	3,920,947	6,713,733
Corporate bonds payable	3,000,000	4,498,500
Long-term borrowings	9,428,570	2,300,299
Financial liabilities at fair value through profit or loss	-	15,043
Total liabilities	$ 36,649,413	$ 33,001,748

(5) Information on products and services

Revenue from external customers are derived from the manufacture, installation and wholesale, retail of various types of electrical and mechanical equipment. Details of revenues are as follows:

	For the years ended December 31,	
	2016	2015
Sales revenue	$ 41,073,462	$ 39,766,085
Construction revenues	2,466,811	2,943,060
Service revenue	6,212,372	5,795,548
Others	171,191	93,880
	$ 49,923,836	$ 48,598,573

(6) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows (revenue recognition is based on the operating locations where revenue is earned):

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 28,368,002	$ 16,433,614	$ 27,598,118	$ 12,284,395
America	7,154,529	678,229	9,845,637	698,614
China	3,599,044	3,323,309	3,691,375	3,341,563
Others	10,802,261	1,990,777	7,463,443	1,732,683
	$ 49,923,836	$ 22,425,929	$ 48,598,573	$ 18,057,255

(7) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2016 and 2015.

TECO ELECTRIC & MACHINERY CO., LTD.

Loans to others

Year ended December 31, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated

Number (Note 1)	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016 (Note 17)	Actual amount drawn down	Interest rate (%)	Nature of loans	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	TECO ELECTRIC & MACHINERY CO., LTD.	Xiamen An-Tai	Other receivables	Yes	$ 101,002	$ 93,557	$ 92,423	2.3	Short-term financing	$ -	For operating capital	$ -	-	$ -	$ 1,492,309	$ 4,974,364	Note 2
0	TECO ELECTRIC & MACHINERY CO., LTD.	QingDao Teco	〃	〃	150,127	150,127	137,940	3.5	Short-term financing	-	For operating capital	-	-	-	1,492,309	4,974,364	Note 2
1	Tong-an Investment	Le-Li Co., Ltd.	〃	〃	33,500	-	-	2.5	Short-term financing	-	For operating capital	-	-	-	50,000	200,000	Note 3
2	U.V.G.	Teco Netherlands	〃	〃	257,460	237,300	237,300	1.54	Short-term financing	-	For operating capital	-	-	-	471,401	785,668	Note 4
2	U.V.G.	Teco Century	〃	〃	55,071	55,071	55,071	1.25	Short-term financing	-	For operating capital	-	-	-	471,401	785,668	Note 4
3	Tai-An Wuxi	Fujian Teco	〃	〃	12,710	11,543	11,543	5.6	Short-term financing	-	For operating capital	-	-	-	67,311	134,622	Note 5
4	Teco Westinghouse	TWMM	〃	〃	66,458	66,458	55,470	2.55~4.36	Short-term financing	-	For operating capital	-	-	-	719,814	1,439,627	Note 6
4	Teco Westinghouse	Motovario S.p.A.	〃	〃	1,283,760	-	-	1.25	Short-term financing	-	Capital investment	-	-	-	222,516	222,516	Note 7,12
5	TecoWestinghouse Canada	Motovario S.p.A.	〃	〃	641,880	-	-	1.25	Short-term financing	-	Capital investment	-	-	-	113,024	113,024	Note 8,12
6	Tong-An Assets	TECO ELECTRIC & MACHINERY CO., LTD.	〃	〃	280,000	280,000	280,000	1.05	Short-term financing	-	For operating capital	-	-	-	527,761	527,761	Note 9
6	Tong-An Assets	Le-Li Co., Ltd.	〃	〃	183,000	-	-	1.30	Short-term financing	-	For operating capital	-	-	-	527,761	527,761	Note 9
7	Motovario S.p.A.	GEAR SOLUTIONS ES	〃	〃	157,334	152,042	152,042	4.00	Short-term financing	-	For operating capital	-	-	-	190,089	380,178	Note 10
7	Motovario S.p.A.	GR GENESIS	〃	〃	93,681	-	-	4.00	Short-term financing	-	For operating capital	-	-	-	190,089	380,178	Note 10
8	TECO EMM	Motovario S.p.A.	〃	〃	2,666,387	-	-	1.35	Short-term financing	-	For operating capital	-	-	-	2,881,500	2,881,500	Note 11,12
9	Baycom	Tecom	〃	〃	55,000	46,000	46,000	2.13	Short-term financing	-	Repayments of debt	-	-	-	56,044	112,088	Note 13

Number (Note 1)	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016 (Note 17)	Actual amount drawn down	Interest rate (%)	Nature of loans	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
10	Tecom Co.,LTD	Tecom	Other receivables	Yes	$ 25,000	$ 25,000	$ 25,000	2.15	Short-term financing	$ -	Repayments of debt	$ -	-	$ -	$ 26,753	$ 53,507	Note 14
11	Kuen Ling	Kuen Ling (Vietnam)	〃	〃	38,676	38,640	-	-	Short-term financing	-	For operating capital	-	-	-	131,851	527,403	Note 15
11	Kuen Ling	K.A. Corp.	〃	〃	32,230	32,200	16,744	2.79	Short-term financing	-	For operating capital	-	-	-	131,851	527,403	Note 15
12	Kuen Ling (Suzhou)	Kuen Ling (Shanghai)	〃	〃	39,571	37,067	-	-	Short-term financing	-	For operating capital	-	-	-	55,970	55,970	Note 16

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: In accordance with the Company's policy, limit on total loans shall not exceed 10% of the Company's net assets based on the latest financial statements (December 31, 2016), and limit on loans to a single party shall not exceed 3% of the Company's net assets based on the latest financial statements (December 31,2016).

Note 3: In accordance with Tong-an Investment's limit on total loans shall not exceed $200 million, and limit on loans to a single party shall not exceed $50 million.

Note 4: In accordance with U.V.G.' s policy, limit on total loans shall not exceed 10% of U.V.G.' s net assets based on the latest financial statements (December 31, 2016), and limit on loans to a single party shall not exceed 6% of U.V.G.' s net assets based on the latest financial statements (December 31, 2016).

Note 5: In accordance with Tai-An Wuxi' s policy, limit on total loans shall not exceed 10% of Tai-An Wuxi' s net assets based on the latest financial statements (December 31, 2016), and limit on loans to a single party shall not exceed 5% of Tai- An Wuxi' s net assets based on the latest financial statements (December 31, 2016).

Note 6: In accordance with Teco Westinghouse' s policy, limit on total loans shall not exceed 20% of Teco Westinghouse' s net assets based on the latest financial statements (December 31, 2016), and limit on loans to a single party shall not 10% of Teco Westinghouse' s net assets based on the latest financial statements (December 31, 2016).

Note 7: Limit on Teco Westinghouse’ loans to TECO EMM S.R.L. shall not exceed EUR 63,000 thousand.

Note 8: Limit on TecoWestinghouse Canada’s loans to TECO EMM S.R.L. shall not exceed EUR 32,000 thousand.

Note 9: In accordance with Tong-An Assets' policy, limit on total loans shall not exceed 10% of Tong-An Assets' net assets based on the latest audited financial statement (December 31, 2016), and limit on loans to a single party shall not exceed 10% of Tong-An Assets' net assets based on the latest audited financial statement (December 31, 2016).

Note 10: In accordance with Motovario S.p.A.' s policy, limit on total loans shall not exceed 10% of Motovario S.p.A.' s net assets based on the latest financial statements (December 31, 2016), and limit on loans to a single party shall not exceed 5% of Motovario S.p.A.' s net assets based on the latest financial statements (December 31, 2016).

Note 11: Limit on TECO EMMA’s loans to Motovario S.p.A. shall not exceed EUR 85,000 thousand.

Note 12: TECO EMM merged with Motovario S.p.A. on November 7, 2016, and the surviving company was Motovario S.p.A..

Note 13:In accordance with the "Procedures for Provision of Loans" of Baycom Opto-Electronics Technology Co.,Ltd. Tech.Co.Ltd., limit on loans to Baycom is 20% of the granting company's net assets based on the latest audited financial statements (December 31, 2016);limit on loans to a single party is 10% of the granting company's net assets based on the latest audited financial statements (December 31, 2016).

Note 14：In accordance with the “Procedures for Provision of Loans” of the Tecom International Investment Co., Ltd. limit on loans to Tecom International is 20% of the granting company's net assets based on the latest financial statements (December 31, 2016); limit on loans to a single party is 10% of the granting company's net assets based on the latest audited financial statements (December 31, 2016).

Note 15: In accordance with the KUEN LING' s policy, limit on total loans shall not exceed 40% of the KUEN LING' s net assets based on the latest audited financial statements (December 31, 2016) and limit on loans to a single party or group exceed 10% of the KUEN LING' s net assets based on the latest audited financial statements (December 31, 2016), where an inter-company or inter-firm financing facility is necessary provided that the amount of such financing facility.

Note 16: According to the policy of the KUEN LING's subsidiaries, limit on total loans to a single party or group shall not exceed 20% of the KUEN LING's net assets based on the latest audited financial statements (December 31, 2016).

Note 17: The credit line approved by the Board of Directors.

TECO ELECTRIC & MACHINERY CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2016

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	TECO ELECTRIC & MACHINERY CO., LTD.	GD TECO	1	$ 9,948,728	$ 100,000	$ 100,000	$ 100,000	$ -	0.2	$ 29,846,185	Y	N	N	Note 3
0	TECO ELECTRIC & MACHINERY CO., LTD.	Teco International	1	9,948,728	100,000	100,000	100,000	-	0.2	29,846,185	Y	N	N	〃
0	TECO ELECTRIC & MACHINERY CO., LTD.	Straits	3	9,948,728	218,068	-	-	-	-	29,846,185	N	N	Y	〃
0	TECO ELECTRIC & MACHINERY CO., LTD.	Motorvario	2	9,948,728	2,876,560	2,779,800	2,779,800	-	5.59	29,846,185	Y	N	N	〃
0	TECO ELECTRIC & MACHINERY CO., LTD.	Others	1,2,4	9,948,728	127,701	115,048	115,048	-	0.23	29,846,185	Y	N	N	〃
1	Teco Westinghouse	TWMM	1	719,814	53,837	42,041	42,041	-	0.58	1,439,627	Y	N	N	Note 4
2	Teco Australia	Ejoy Australia	1	257,602	713	-	-	-	-	772,806	Y	N	N	Note 5
2	Teco Australia	MOS Burger Australia Pty Ltd.	5	257,602	1,416	1,338	1,338	-	8	772,806	N	N	N	〃

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
3	Tong-an Investment	TG Teco Vacuum Insulated Glass Corp.	4	$ 126,000	$ 126,000	$ 119,226	$ 119,226	$ -	1.38	$ 200,000	N	N	N	Note 6
4	Motovario S.p.A.	TECNOFIB SRL	3	744,137	2,367	1,363	1,363	-	0.04	2,281,070	N	N	N	Note 7

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following five categories:
(1)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(2)The endorser/guarantor parent company directly or indirectly through its subsidiaries owns more than 50% voting shares of the endorsed/guaranteed company.
(3)Having business relationship.
(4)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
(5)An investee accounted for under the equity method.

Note 3: In accordance with the Company's policy, the total guarantee amount shall not exceed 60% of Company's net assets based on the latest financial statements (December 31, 2016), and the guarantee to a single party shall not exceed 20% of the Company's net assets.

Note 4: In accordance with the Teco Westinghouse's policy, the total guarantee amount shall not exceed 20% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2016), and the guarantee to a single party shall not exceed 10% of Teco Westinghouse's net assets.

Note 5: In accordance with the Teco Australia's policy, the total guarantee amount shall not exceed 60% of Teco Australia's net assets based on the latest financial statements (December 31, 2016), and the guarantee to a single party shall not exceed 20% of Teco Australia's net assets.

Note 6: In accordance with Tong-An Investment' s policy, the total guarantee amount shall not exceed $200 million, and the guarantee to a single party shall not exceed $50 million.
If due to special needs, the guarantee amount exceeds the limit, stockholders' resolution is required.

Note 7: In accordance with Motovario S.p.A.' s policy, the total guarantee amount shall not exceed 60% of Motovario S.p.A.' s net assets based on the latest financial statements (December 31, 2016), and the guarantee to a single party shall not exceed 20% of Motovario S.p.A.'s net assets.

TECO ELECTRIC & MACHINERY CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2016

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
TECO ELECTRIC & MACHINERY CO., LTD.	Stock 1	None	Note 1	10,084	$ 114,961	0.08	$ 114,961	
	Stock 2	〃	〃	12,860	149,178	0.13	149,178	
	Stock 3	The Company is a supervisor of the investee	〃	11,527	257,062	1.96	257,062	
	Stock 4	The Company is a director of the investee	〃	190,061	3,497,115	3.38	3,497,115	
	Stock 5	None	〃	51,924	434,603	2.17	434,603	
	Stock 6	〃	〃	16,689	172,731	0.39	172,731	
	Stock 7	The Company is a director of the investee	〃	32,980	308,553	10.99	308,553	
	Stock 8	None	〃	7,500	314,775	5.00	314,775	
	Fund 1	〃	〃	-	125,331	-	125,331	
	Stock 9, etc.	The Company is a director of the investee	〃	-	349,284	-	349,284	
Teco International	Stock 10	None	〃	377	73,138	0.27	73,138	
	Stock 11, etc.	〃	〃	16,232	258,356	-	258,356	
	Stock 12, etc.	〃	Note 3	3,936	293,326	-	293,326	
	Stock 28	〃	Note 2	424	21,426	-	21,426	
Tong-an Investment	Stock 14	An investee company accounted by the Company using equity method	Note 1	19,540	545,167	0.98	545,167	
	Stock 15	Related party in substance	〃	9,197	121,854	8.17	121,854	
	Stock 16, etc.	〃	〃	27,486	248,361	-	248,361	
	Stock 17	None	〃	10,323	748,414	0.32	748,414	
	Stock 18	〃	〃	2,000	208,000	0.06	208,000	
	Stock 10	〃	〃	15,470	3,001,180	10.89	3,001,180	
	Stock 19	〃	〃	898	133,789	3.64	133,789	
	Stock 20	〃	Note 2	1,530	81,475	-	81,475	
	Stock 12	〃	Note 3	554	57,090	0.47	57,090	
	Stock 21	〃	〃	15,620	864,966	-	864,966	
	Fund 2, etc.	〃	〃	5,688	64,014	-	64,014	
	Fund 3	〃	Note 1	1,650	55,142	-	55,142	
U.V.G	Stock 22, etc.	〃	〃	118	11,790	-	11,790	
An-Tai International	Stock 14	An investee company accounted by the Company using equity method	〃	2,826	78,838	0.14	78,838	
	Stock 15	Related party in substance	〃	1,270	16,829	1.13	16,829	
	Stock 16	〃	〃	2,771	211,957	8.55	211,957	
	Stock 23, etc.	None	〃	532	8,830	-	8,830	
	Stock 12, etc.	〃	Note 3	855	69,440	-	69,440	
Jack Property	Fund 4	〃	Note 2	5,118	59,531	-	59,531	
Teco Electro	Stock 15	Related party in substance	Note 1	200	2,653	0.18	2,653	
Information Technology Total Service	Stock 25, etc.	None	〃	4,074	34,158	-	34,158	
Teco Singapore	Stock 10	〃	〃	666	129,126	0.47	129,126	
Taiwan Pelican Express	Stock 10, etc.	〃	〃	1,968	221,742	-	221,742	
Teco Australia	Stock 10	〃	〃	460	89,318	0.32	89,318	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016 Number of shares	Book value	Ownership (%)	Fair value	Footnote
Teco Nanotech	Stock 15	Related party in substance	Note 1	81	$ 1,067	0.07	$ 1,067	
	Fund 5	None	Note 2	98	17,239	-	17,239	
Sankyo	Stock 26	〃	Note 3	-	7,965	0.54	7,965	
Yatec	Fund 6, etc.	〃	Note 2	1,123	17,004	-	17,004	
Kuen Ling	Stock 27	〃	Note 1	1,000	-	9.00	-	
	Stock 28	〃	〃	158	4,039	15.00	4,039	
	Stock 29	〃	〃	-	5,720	18.00	5,720	
Tecom	Stock 2	〃	〃	2,175	25,233	0.02	25,233	
	Stock 4	The Company is a corporate director of the investee	〃	16,222	298,486	0.29	298,486	
Tecom International	Stock 30	None	Note 3	3,354	36,054	1.68	36,054	
	Stock 31, etc.	〃	Note 1	370	680	-	680	
Top-Tower	Stock 14	An investee company accounted by the Company using equity method	Note 3	77	2,154	-	2,154	
	Stock 32, etc.	None	〃	3	48	-	48	

Note 1: Available-for-sale financial assets - non-current.
Note 2: Financial assets at fair value through profit or loss - current.
Note 3: Available-for-sale financial assets - current.

TECO ELECTRIC & MACHINERY CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2016

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

					Balance as at January 1, 2016		Addition		Disposal				Balance as at December 31, 2016	
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Tong-An Assets	Straits, common stocks	Available-for-sale financial assets - non-current	True Excel Limited	None	1,000	$ 304,010	-	$ -	1,000	$ 394,620	$ 304,010	$ 90,610	-	$ -

TECO ELECTRIC & MACHINERY CO., LTD.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
TECO ELECTRIC & MACHINERY CO., LTD.	Tesen	An investee accounted for under the equity method	Purchases	$ 2,606,991	17%	30 days	Note	Note	($ 102,676)	(2%)	
	Kuen Ling	〃	〃	244,981	2%	〃	〃	〃	(164,891)	(3%)	
	Taian Subic	〃	〃	184,391	1%	〃	〃	〃	(65,569)	(1%)	
	Wuxi Teco	An indirect investee accounted for under the equity method	〃	1,249,027	8%	〃	〃	〃	(687,282)	(14%)	
	Teco Malaysia	〃	〃	376,571	2%	〃	〃	〃	(38,507)	(1%)	
	Tai-An Wuxi	〃	〃	456,401	3%	〃	〃	〃	(46,457)	(1%)	
	QingDao Teco	〃	〃	362,184	2%	〃	〃	〃	(82,609)	(2%)	
	Jianxi Teco	〃	〃	146,411	1%	〃	〃	〃	(56,462)	(1%)	
	Teco Singapore	An investee accounted for under the equity method	Sales	(860,043)	(4%)	90 days	〃	〃	114,216	3%	
	Tong Dai	〃	〃	(868,715)	(4%)	〃	〃	〃	213,446	5%	
	Tong Tai Jung	〃	〃	(668,492)	(3%)	〃	〃	〃	149,176	4%	
	Taisan	〃	〃	(206,484)	(1%)	〃	〃	〃	18,736	-	
	E-Joy International	〃	〃	(154,425)	(1%)	〃	〃	〃	41,872	1%	
	Teco Westinghouse	An indirect investee accounted for under the equity method	〃	(2,901,606)	(14%)	〃	〃	〃	494,318	12%	
	Teco Westinghouse Canada	〃	〃	(713,092)	(4%)	〃	〃	〃	80,349	2%	
	Teco Australia	〃	〃	(887,570)	(4%)	〃	〃	〃	215,493	5%	
	Teco Netherlands	〃	〃	(401,817)	(2%)	〃	〃	〃	490,765	12%	
	Sankyo	〃	〃	(256,141)	(1%)	〃	〃	〃	247,779	6%	
	Top-Tower	〃	〃	(313,422)	(2%)	〃	〃	〃	105,949	3%	
	TECO MIDDLE EAST	〃	〃	(108,151)	(1%)	〃	〃	〃	29,086	1%	
	TWMM	〃	〃	(122,591)	(1%)	〃	〃	〃	33,768	1%	

Note: Comparable with other types of transactions, trading conditions are handled in accordance with the agreement of the conditions.

TECO ELECTRIC & MACHINERY CO., LTD.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2016

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
TECO ELECTRIC & MACHINERY CO., LTD.	Tong Dai	An investee accounted for under the equity method	$ 213,446	4.29	$ -	-	$ 200,784	
〃	Tong Tai Jung	〃	149,230	8.96	-	-	149,230	
〃	Teco Singapore	〃	115,000	5.95	-	-	98,330	
〃	Teco Westinghouse	An indirect investee accounted for under the	494,318	6.41	-	-	343,750	
〃	Teco Australia	〃	215,551	4.03	-	-	90,797	
〃	Sankyo	〃	256,617	0.96	188,940	In the process of collection	16,580	
〃	Teco Netherlands	〃	491,010	0.82	312,828	〃	14,025	
〃	QingDao Teco	〃	181,102	0.01	-	-	149,523	
〃	Top-Tower	〃	106,746	2.94	-	-	102,546	
Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	An investee accounted for under the equity method	687,282	1.88	-	-	239,108	
Tesen	〃	〃	102,676	45.63	-	-	102,676	
Kuen Ling	〃	〃	164,891	1.41	-	-	65,317	
Tong-An-Assets	〃	〃	280,000	-	-	-	-	
U.V.G.	Teco Netherlands	〃	237,300	-	-	-	-	
Motovario S.p.A.	GEAR SOLUTIONS ES	〃	152,042	-	-	-	-	Total amount was $18,894

TECO ELECTRIC & MACHINERY CO., LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	TECO ELECTRIC & MACHINERY CO., LTD.	Tong Dai	(1)	Notes receivable and accounts receivable	$ 213,446	Because there is no transaction in same type which can be compared with, it is based on the condition and the period of both side's agreement.	-
0	〃	Tong Tai Jung	〃	Notes receivable, accounts receivable and other receivables	149,230	〃	-
0	〃	Top-Tower	〃	〃	106,746	〃	-
0	〃	Teco Westinghouse	〃	Accounts receivable	494,318	〃	1%
0	〃	Teco Singapore	〃	Accounts receivable and other receivables	115,000	〃	-
0	〃	Teco Australia	〃	〃	215,551	〃	-
0	〃	Teco Netherlands	〃	〃	491,010	〃	1%
0	〃	Sankyo	〃	〃	256,617	〃	-
0	〃	QingDao Teco	〃	〃	181,102	〃	-
1	Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Accounts receivable	687,282	〃	1%
2	Tesen	〃	〃	〃	102,676	〃	-
3	Kuen Ling	〃	〃	Notes receivable and accounts receivable	164,891	〃	-
4	Tong-An-Assets	〃	〃	Other receivables	280,000	〃	-
5	U.V.G	Teco Netherlands	〃	〃	237,300	〃	-
6	Motovario S.p.A.	GEAR SOLUTIONS ES	〃	〃	152,042	〃	-
0	TECO ELECTRIC & MACHINERY CO., LTD.	Teco Singapore	(1)	Sales	860,043	〃	2%
0	〃	Tong Dai	〃	〃	868,715	〃	2%
0	〃	Tong Tai Jung	〃	〃	668,492	〃	2%
0	〃	E-Joy International	〃	〃	154,425	〃	-
0	〃	Teco Westinghouse	〃	〃	2,901,606	〃	8%
0	〃	TecoWestinghouse Canada	〃	〃	713,092	〃	2%
0	〃	Teco Australia	〃	〃	887,570	〃	2%
0	〃	Teco Netherlands	〃	〃	401,817	〃	1%
0	〃	Sankyo	〃	〃	256,141	〃	1%
0	〃	TECO MIDDLE EAST	〃	〃	108,151	〃	-
0	〃	Top-Tower	〃	〃	313,422	〃	1%
0	〃	TWMM	〃	〃	122,591	〃	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Sales	$ 1,249,027	Because there is no transaction in same type which can be compared with, it is based on the condition and the period of both side's agreement.	3%
2	Tesen	〃	〃	〃	2,606,991	〃	7%
3	Kuen Ling	〃	〃	〃	244,981	〃	1%
7	Teco Malaysia	〃	〃	〃	376,571	〃	1%
8	Taian Subic	〃	〃	〃	184,391	〃	1%
9	Tai-An Wuxi	〃	〃	〃	456,401	〃	1%
10	QingDao Teco	〃	〃	〃	362,184	〃	1%
11	Jianxi Teco	〃	〃	〃	146,411	〃	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship with the transaction company:
(1) The parent company to the subsidiary.
(2) The subsidiary to the parent company.
(3)The subsidiary to another subsidiary.

Note 3: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investees

Year ended December 31, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
TECO ELECTRIC & MACHINERY CO., LTD.	Tung Pei	Taiwan	Manufacturing of bearings	$ 12,293	$ 12,293	39,145,044	31.14	$ 1,965,442	$ 338,383	$ 102,033	None
	Tecom	Taiwan	Manufacturing of key telephone system and nonkey service unit telephone system	631,410	631,410	400,602,050	63.52	154,295	63,362	30,595	None
	Teco International	Taiwan	Investment holdings, investments in securities and construction of commercial buildings	100,013	100,013	52,584,480	100	1,096,953	67,304	80,067	None
	Teco Holdings and its subsidiaries	U.S.A	Manufacturing and distribution of motors and generators, and investment and trading in USA	726,428	726,428	1,680	100	9,344,018	398,002	399,982	None
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore	112,985	112,985	7,200,000	90	2,932,708	313,251	263,375	None
	Tong-An Investment	Taiwan	Investment holdings	2,490,000	2,490,000	415,851,528	99.6	8,010,325	372,740	371,009	None
	Teco Electro	Taiwan	Manufacturing of Stepping motors	128,496	128,496	15,386,949	62.57	226,209	2,699	1,489	None
	UVG and its subsidiaries	Cayman Islands	Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings	8,505,434	8,505,434	195,416,844	100	7,828,693	(51,103)	(50,502)	None
	Information Technology Total Service	Taiwan	E-business service, mailing and data management	121,232	121,232	12,123,248	60.62	160,689	45,686	27,372	None
	Tesen	Taiwan	Manufacturing and sales of home appliance	200,000	200,000	20,000,000	100	215,772	16,487	17,572	None
	Lien Chang	Taiwan	Manufacturing of color flybacks transformers, mono flyback transformers and mono deflection yokes	117,744	117,744	37,542,159	33.84	570,069	97,725	33,074	None
	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	22,444	22,444	5,290,800	92.63	248,469	106,249	66,630	None

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
TECO ELECTRIC & MACHINERY CO., LTD.	Teco Vietnam	Vietnam	Manufacturing and sales of motors	$ 264,111	$ 264,111	13,772,799	100	$ 173,883	($ 3,156)	($ 3,273)	None
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,799,996	64.95	141,242	14,717	9,691	None
	Tong-An Assets	Taiwan	Real estate business	2,111,889	2,111,889	147,323,399	100	5,277,612	141,107	141,107	None
	Taian Subic	Philippines	Manufacturing and sales of switches	165,819	165,819	17,131,155	76.7	164,183	8,004	5,993	None
	Micropac (BVI) and its subsidiaries	British Virgin Islands	Manufacturing and distribution of optical fiber apparatus and international trading	454,923	454,923	14,883,591	100	1,489,407	38,697	38,241	None
	Century Development	Taiwan	Development and management of industrial park	951,141	673,801	87,776,520	28.67	1,294,865	254,208	73,238	None
	An-Tai International	Taiwan	Investment holdings	150,000	150,000	22,910,337	100	502,297	36,036	36,036	None
	Pelican	Taiwan	Logistics and distribution services	255,116	255,116	24,121,700	25.27	410,337	83,162	21,013	None
	Kuen Ling	Taiwan	Manufacturing, installation, repair, domestic and export sales and leasing of condenser, water cooling, watercooled chiller and freezer	296,003	296,003	15,218,642	19.98	337,056	238,721	45,766	None
	Senergy Wind Power	Taiwan	Manufacturing machinery for electricity generation, transmission and distribution	249,990	249,990	24,999,000	50	241,650	(15,749)	(7,874)	None
	Taian-Etacom Technology Co., Ltd.	Taiwan	bus bar and manufacturing of its components	70,330	70,330	7,033,000	84.73	151,151	40,530	32,898	None
	Eagle Holding Co.	Cayman Islands	Investment holdings	3,691,723	3,691,723	1	100	3,866,855	284,335	284,335	None
Eagle Holding Co.	TECO MOTOR B.V.	Netherlands	Investment holdings	3,691,723	3,691,723	1	100	3,866,855	284,335	284,335	None
TECO MOTOR B.V.	Motovario S.p.A	Italy	Production and sale of gear reducers and motors	3,989,850	3,989,850	18,010,000	100	3,866,855	284,335	284,335	Note
Tung Pei	Tung Pei (SAMOA) Industrial Co., Ltd.	Samoa	Investment holdings and establishment of overseas distribution channel	646,343	646,343	23,031,065	100	1,349,404	(88,424)	(88,424)	None
Tecom	Tecom International	Taiwan	Investment holdings	100,000	100,000	12,000,000	100	281,366	39,801	39,801	None
	Baycom	Taiwan	Manufacturing and sales of optical telecom products	359,656	359,656	9,619,819	28.64	128,293	15,347	4,034	None
Tong-An Investments	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	87,464	87,464	7,913,310	6.23	212,660	257,536	16,040	None

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
	Century Development	Taiwan	Development and management of industrial park	420,646	420,646	40,332,965	13.17	624,672	254,208	37,851	None
	Pelican	Taiwan	Logistics and distribution services	54,874	54,874	6,474,468	6.78	110,138	83,162	5,640	None
Lien Chang	Gen Mao International Corp.	Taiwan	Investment holdings	92,000	92,000	11,720,000	100	121,101	19,074	19,074	None
	Gen Mao (Singapore)	Singapore	Investment holdings	582,246	582,246	27,502,354	84.97	662,909	96,899	106,439	None
Gen Mao International Corp.	Gen Mao (Singapore)	Singapore	Investment holdings	91,079	91,079	4,866,045	15.03	115,260	96,899	18,827	None
Century Development	Centurytech Construction and Management Corp.	Taiwan	Construction and sales of related raw materials	98,170	98,170	10,000,000	100	146,852	(11,394)	(10,138)	None
	Jack Property Serrice & Management Company	Taiwan	Building management servicing	13,750	13,750	1,512,500	50	66,757	39,632	19,941	None
	United Development	Taiwan	Investment consultancy service for domestic and foreign industrial parks and land	25,536	7,340	2,682,352	51.6	59,830	9,549	4,790	None
	Greyback International Property Inc.	Philippines	Housing project in Subic	9,912	9,912	144,600	30.11	10,941	(2,792)	(846)	None
Teco Electro	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100	94,577	(14,226)	(15,065)	None
Teco Singapore	Century Development	Taiwan	Development and management of industrial park	179,222	179,222	18,557,402	6.06	243,980	254,208	15,405	None
Teco International	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	52,560	52,560	4,326,447	3.41	116,268	257,536	8,770	None
Kuen LING	CHING CHI INTERNATIONAL LIMITED	British Virgin Islands	Investment holdings	201,467	201,467	6,200,000	83	473,783	49,113	40,464	None
Tong-An Assets	Century Development	Taiwan	Development and management of industrial park	184,893	-	14,845,922	4.85	195,154	254,208	12,295	None

Note: TECO EMM S.R.L merged with Motovario S.p.A. on November 7, 2016 and Motovario S.p.A. was the surviving company.

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
Teco (Dong Guan)	Manufacturing and sales of air conditioners mechanical equipment	$ 268,799	Note 2	$ 188,139	$ -	$ -	$ 188,139	($ 3,960)	100	($ 3,960)	$ 157,162	$ -	Note 16
Suzhou Teco	Manufacturing and sales of motors	143,255	Note 1	143,255	-	-	143,255	1,597	100	1,597	216,038	-	Note 16,21
Wuxi Teco	Manufacturing and sales of motors	1,697,276	Note 1	768,259	-	-	768,259	131,121	82.35	107,978	1,658,788	-	Note 16
Taian (Wuxi)	Manufacturing and sales of optical fiber	495,213	Note 12	205,551	-	-	205,551	88,889	100	88,889	1,346,223	-	Note 16
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 3	456,293	-	-	456,293	(5,048)	100	(5,048)	(9,243)	-	Note 16
Hang Zhou Xizi-Iuk	Manufacturing and sales of parking equipment	129,840	Note 1	19,117	-	-	-	-	-	-	-	-	Note 22
Jiangxi Teco	Manufacturing and sales of motors	1,481,569	Note 1	1,383,653	-	-	1,383,653	(62,630)	98.07	(61,421)	1,567,567	-	Note 16
QingDao Teco	Manufacturing and sales of dyes	804,076	Note 1	1,505,255	-	-	1,505,255	(9,012)	85.31	(7,688)	192,025	-	Note 16
Xiamen Teco	Sales of motors and home appliances	20,590	Note 3	20,590	-	-	20,590	2,037	100	2,037	27,605	-	Note 16
Xiamen An-Tai	Development, manufacturing and sales of LCD monitors. Plant rentals and related real estate management	678,681	Note 3	467,577	-	-	467,577	(113,145)	100	(113,145)	328,238	-	Note 16

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
Teco Han Zou	Development and consulting of device products	$ 9,837	Note 1	$ 9,837	$ -	$ -	$ 9,837	$ 1,988	100	$ 1,988	$ 27,295	$ -	Note 16
Nanchang Dong-Huan	Business management consulting	3,222	Note 1	3,222	-	-	3,222	-	100	-	1,172	-	Note 20
Teco Century	Manufacturing and sales of compressor	680,938	Note 3	340,469	-	-	340,469	(146,476)	24	(42,152)	39,920	-	Note 16
Fujian Teco	Manufacturing and sales of electronic components	391,843	Note 1	391,843	-	-	391,843	(48,747)	100	(48,747)	89,480	-	Note 16
Ecolectric International	Distribution of air conditioner	24,004	Note 2	-	-	-	-	1,632	39.90	651	13,807	-	Note 17
Teco (Tianjin) Innovation	Central China area Operation center	15,990	Note 3	15,990	-	-	15,990	276	100	276	14,890	-	Note 16
Teco (Jiang Xi)	Manufacturing and sales of air conditioning mechanical equipment	79,813	Note 3	79,813	-	-	79,813	1,068	100	1,068	117,860	-	Note 16
Teco Sichuan Trading	Sales of home appliances	26,522	Note 12	-	-	-	-	(3,326)	100	(3,326)	4,990	-	Note 16
Jiangxi Teco-Lead	Manufacturing and sales of wind generator	141,079	Note 1	62,865	-	-	62,865	(71)	45	(32)	3,633	-	Note 17
Qingdao Teco Innovation	Science Park development and business operations and consulting services	59,444	Note 14	59,444	-	-	59,444	(4,866)	100	(4,866)	34,458	-	Note 16
Shanghai Teco	Sales of home appliances	23,829	Note 1	23,829	-	-	23,829	(39,424)	100	(39,424)	(40,341)	-	Note 16
Hunan TECO Wind Energy Limited	Manufacturing, sales and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components	240,818	Note 12	240,818	-	-	240,818	(50,128)	100	(50,128)	184,108	-	Note 16
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	Manufacturing and sales of motors, winding and related parts	119,840	Note 13	-	-	-	-	4,244	100	4,244	119,841	-	Note 16
Wuxi TECO Precision Industry Co. Ltd.	Production and sale of industrial motors and applications	656,500	Note 15	-	-	-	-	(17,619)	100	(17,619)	892,466	-	Note 16

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Beijing Pelican Express	Storage services	$ 26,422	Note 4	$ 26,422	$ -	$ -	$ 26,422	($ 9,590)	100	($ 9,590)	$ 4,185	$ -	Note 16
Fubon Gehua (Beijing) Trading Co., Ltd.	Merchandise wholesale	1,152,070	Note 5	24,746	-	-	24,746	-	2.16	-	-	-	Note 18,19
Kuen Ling (Shanghai)	Manufacturing and sales of air conditioning mechanical equipment	181,713	Note 6	116,068	-	-	116,068	41,184	100	34,183	241,769	31,922	Note 16
Kuen Yuan (Suzhou)	General manufacturing business	255,456	Note 6	58,649	-	-	58,649	9,498	100	7,883	232,277	-	Note 16
Firm Precision Industrial (Shanghai)	Manufacturing and sales of metal carton	31,764	Note 6	11,157	-	-	11,157	211	9	-	3,822	-	None
Suzhou Firm Precision Industrial	Manufacturing and sales of metal carton	255,459	Note 6	21,173	-	-	21,173	(22,775)	9	-	14,470	-	None
Wuhan Tecom	Communication network information, technology development, sales and technology services business	6,950	Note 7	6,950	-	-	6,950	303	100	303	3,810	-	Note 16
Tecom Tech (Wuxi)	R & D, manufacture of broadband access network communication system equipment; sale of products to provide technology services	485,455	Note 8	485,455	-	-	485,455	(2,125)	100	(2,125)	3,167	-	Note 16
Tecom Tech Investment (BVI)	Flat panel displays, IT products, printed circuit board assembly, manufacture, testing and communication products and equipment R & D reproduction	34,990	Note 9	34,990	-	-	34,990	(227)	100	(227)	3,242	-	Note 16
Beijing Tecom Innovation Technology Co., Ltd.	Intelligent home systems and spare parts of the Internet of things, wholesale, import and export of goods and technology import and export, import and export agency, to provide technical advice, technical training and technical services	14,566	Note 9	14,566	-	-	14,566	915	100	915	(7,242)	-	Note 16
Information Technology (Wuxi)	ERP building, system maintenance and purchases of information appliance	10,167	Note 10	10,167	-	-	10,167	268	100	268	17,018	-	Note 16
Information Technology Total Service (Hang Zhou)	ERP building, system maintenance and purchases of information appliance	2,257	Note 10	2,257	-	-	2,257	(372)	100	(372)	42	-	Note 16

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Information Technology Total Service (Xiamen)	ERP building, system maintenance and purchases of information appliance	$ 1,000	Note 10	$ -	$ -	$ -	$ -	$ 15	100	$ 15	$ 3,407	$ -	Note 16
Wuxi TECO Precision Industry Co. Ltd. (Formerly: Taichang Teco Electro Devices)	R&D, manufacturing and sales of motors and provide products sales skills	115,225	Note 11	86,101	-	-	86,101	(14,169)	100	(14,169)	95,795	43,266	Note 16

Note 1: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through United View Global Investment Co., Ltd. and Great Teco Motor (Pte) Ltd. and then invest in Mainland China.
Note 2: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through United View Global Investment Co., Ltd. and Asia Air Tech Industrial (Pte) Ltd. and then invest in Mainland China.
Note 3: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through United View Global Investment Co., Ltd. and Asia Electric & Machinery (Pte) Ltd. and then invest in Mainland China.
Note 4: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Pelecanus Express Pte. Ltd., and then invest in Mainland China.
Note 5: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Asian Crown International Co., Ltd., Fortune Kingdom Corporation and Hong Kong Fubon Multimedia Technology Co., Ltd. and then invest in Mainland China.
Note 6: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Ching Chi International Limited and Full Ocean Trading Limited and then invest in Mainland China.
Note 7: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Tecom Global Tech Investment (B.V.I) Limited and then invest in Mainland China.
Note 8: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Tecom Global Tech Investment Pte Limited and then invest in Mainland China.
Note 9: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Tecom Investment (B.V.I) Limited and then invest in Mainland China.
Note 10: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Information Technology Total Service (BVI) Co., Ltd. and then invest in Mainland China.
Note 11: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Teco Electro Devices Co., Ltd. and then invest in Mainland China.
Note 12: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invest through Micropac Worldwide (B.V.I) and then invest in Mainland China.
Note 13: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invest through Teco Holding USA Inc. and Teco Westinghouse Motor Company and then invest in Mainland China.
Note 14: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invested through Tecocapital Investment (Samoa) Co., Ltd. and then invest in Mainland China.
Note 15: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Great Teco Motor (Pte) Ltd., Teco Australia Pty. Ltd. and Teco Electric & Machinery (Pte) Ltd. and then invest in Mainland China.
Note 16: The amount recognised was based on the financial statements that were audited by R.O.C. parent company's CPA firm.
Note 17: The amount recognised was based on the financial statements that were audited by other CPA firms.
Note 18: Available-for-sale financial assets - non-current.
Note 19: As of December 31, 2016, accumulated impairment of $24,746 was accrued.
Note 20: The company had been liquidated in 2016.
Note 21: The investee company merged with Qingdao Teco as resolved by the Board of Directors and was the dissolved company. As of December 31, 2016, the merge is still in process.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
TECO Electric & Machinery Co., Ltd.	$ 6,586,439	$ 9,764,840	$ 33,419,414
Taiwan Pelican Express Co., Ltd.	51,168	51,168	974,399
Kuen Ling Machinery Refrigerating Co., Ltd.	207,047	375,448	852,601
Tecom Co., Ltd.	541,961	754,000	291,407
Information Technology Total Services Co., Ltd.	12,424	12,424	159,047
Teco Electro Devices Co., Ltd.	86,101	104,259	217,432

Note 1: The accounts of the Company are expressed in New Taiwan dollars. Income statement accounts denominated in foreigin currencies are translated into New dollars at the weighted average exchange rates prevailing at the transaction dates and balance sheet accounts at spot exchange rates prevailing at the transact

Note 2: The amount disclosed was based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 3: Tecom completed the investment in Mainland China in the third quarter of 2010 and the ceiling on investments was $1,760,251 which was calculated based net assets of $2,933,752 in the third quarter of 2010.

Table 10

TECO ELECTRIC & MACHINERY CO., LTD.
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
Year ended December 31, 2016

Expressed in thousands of NTD
(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements and guarantees		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2016	%	Balance at December 31, 2016	Purpose	Maximum balance during the year ended December 31, 2016	Balance at December 31, 2016	Interest rate	Interest during the year ended December 31, 2016	Others
Wuxi Teco	$ 30,697	-	$ -	-	$ 9,191	-	$ -	-	$ -	$ -	-	$ -	
Taian (Wuxi)	80,163	-	-	-	20,570	1%	-	-	-	-	-	-	
Jiangxi Teco	24,436	-	-	-	2,186	-	-	-	-	-	-	-	
QingDao Teco	1,035	-	-	-	1,039	-	-	-	150,127	150,127	3.50%	4,893	
Xiamen An-Tai	-	-	-	-	-	-	-	-	101,002	93,557	2.30%~3.25%	2,373	
Shanghai Teco	5,363	-	-	-	70	-	-	-	-	-	-	-	
Wuxi Teco Precision	35,260	-	-	-	27,039	1%	-	-	-	-	-	-	
Hunan Teco Wind Energy Limited	152	-	-	-	-	-	-	-	-	-	-	-	
Teco (Jang Xi)	163	-			121	-	-	-	-	-	-	-	
Wuxi Teco	(1,249,027)	(8%)	-	-	(687,282)	(14%)	-	-	-	-	-	-	
Taian (Wuxi)	(456,401)	(3%)	-	-	(46,457)	(1%)	-	-	-	-	-	-	
Jiangxi Teco	(146,411)	(1%)	-	-	(56,462)	(1%)	-	-	-	-	-	-	
QingDao Teco	(362,184)	(2%)	-	-	(82,609)	(2%)	-	-	-	-	-	-	
Xiamen An-Tai	(11,773)	-	-	-	(2,270)	-	-	-	-	-	-	-	
Fujian Teco	(80,901)	(1%)	-	-	(4,699)	-	-	-	-	-	-	-	
Teco (Jang Xi)	(34,434)	-	-	-	(5,225)	-	-	-	-	-	-	-	
Kuen Ling (Suzhou)	(41,609)	-	-	-	(2,848)	-	-	-	-	-	-	-	
Kuen Ling (Shanghai)	(6,497)	-	-	-	(1,772)	-	-	-	-	-	-	-	

TECO
東元家電

雲端變頻空調
CSPF全面一級能效

7年 主機板保固

限家庭用戶變頻機種,其餘條件請參考官方網站

WiFi 智慧連網

日本製 壓縮機

22dB 超靜音

10年 壓縮機保固

30%省電 CSPF一級

優良血統馬達 壓縮機十年保固

台灣第一的東元馬達,全台涵蓋率超過90%。並提供業界首創壓縮機10年保固,品質最有信心。

卓越自製電控基板

東元智慧空調,品牌自製研發,掌握三大獨家電控技術:Sensorless電流向量控制技術,PAM電量控制,TAF主動式濾波器,基板七年保固超安心。

舒眠靜音效果

22dBA超靜音運轉模式*,自製電控使控制馬達低速運轉,讓消費者輕鬆享受好眠夜晚。

關機防霉技術 獨家健康吹

備有防霉按鍵,自動淨空殘存水氣,兼具除臭抗菌機能消滅空氣中有害過敏原。獨家引進日本冷暖氣『健康吹』設計,利用空氣熱升冷降之原理,照料消費者健康。

HEPA醫療級濾網 維護健康空氣品質

東元採用HEPA醫療級高效率濾網*,有效過濾並阻隔空氣中的懸浮微粒子。冷暖空調獨家配備三合一濾網,光觸媒殺菌,奈米銀抗菌,負離子集塵,以淨化空氣。

永續綠能家電

CSPF 一級

東元早在2008年已提出“TECO GO ECO”的綠能概念,使用不破壞臭氧層的環保冷媒R410A,搭配低耗能及超省電模式,盼能為環保永續盡一份心力。

東元家電線上報修▶

*CSPF超越一級係指東元家用空調LV/BV 50系列　*規格功能係指部份機種,實際規格內容依東元官網公告為準　*東元雲端空調需加購通訊模組,並自備網路與連線費用。　*22DB超靜音運轉模式係指LV/BV系列2.2kW及2.8kW機型　*HEPA醫療級濾網係符合歐盟標準EN1822:2009之H13等級　*雙轉子壓縮機係指部份機種,詳細產品規格請參閱東元家電官網資訊為準

TECO ELECTRIC & MACHINERY CO., LTD.
Address: 5F., No. 19-9, San Chong Rd., Nan Kang,
Taipei, Taiwan, R.O.C.
Tel: 886-2-2655-3333