

TECO Electric & Machinery Co., Ltd.
Minutes of the 2016 Annual General Shareholders' Meeting
(Summary Translation)

Time: 09:00am, June 16, 2016 (Thursday)

Place: TECO Chung-Li Plant

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

Shares represented at the meeting:

The total issued shares of the Company is 2,002,692,886, net of shares without voting rights 22,365,800, the total number of valid issued shares of the Company is 1,980,327,086. A total of 1,405,845,271 valid issued shares of the Company were presented at the above meeting (including a total of 1,092,616,029 shares were presented by electronic voting), representing 70.99% of the above total valid issued shares of the Company.

Chairman: Chwen-Jy Chiu (Chairman)

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

Observer:

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

Recorder: Doreen Lin, Nadia Chu

1. Meeting called to order

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

2. Address by the Chairman

3. Discussion

Proposal 1:

Amendment to Articles of Incorporation

Explanatory note:

1. According to President decree No. 10400058161, May 20,2015, Ministry of Economic Affairs formulated Articles 235-1 of "Company Law" to regulate the distribution of remuneration to employee and issued the letter No.10402413890 regarding distribution of remuneration to directors and supervisors. The company proposed to revise the related measures of Article in Incorporation.
2. The company plans to add "Controlled telecommunication radio-frequency device" to its business lineup and already filed and received the approval from the National Communication Commission.
3. For the comparison between the revision and the original, please refer to Appendix 1.

Resolution:

After being voted by a total of 1,397,461,101 shares presented (has been deducted 8,027,019 shares without voting right), a total of 1,196,182,806 shares voted “for” (including a total of 906,195,108 shares were presented by electronic voting), a total of 110,138 shares voted “against” (including a total of 110,138 shares were presented by electronic voting), and a total of 201,168,157 shares abstained from voting (including a total of 186,310,783 shares were presented by electronic voting). The percentage of approval represented 85.60% of the total voting rights of shareholders in attendance.

4. Reports:

4.1 Business Report for 2015 (please see Appendix 2)

4.2 Inspection Report of Audit Committee for 2015 (please see Appendix 3)

4.3 Remuneration distribution to employees and directors for 2015

Explanatory note

- I. Based upon the letter of the Ministry of Economic Affairs (No. 10402413890, June 11, 2015 and No. 10402427800, Oct 15, 2015)
- II. In 2015, income before tax is NT\$ 3,506,444 thousands, and remuneration to employees is proposed to be NT\$ 257,361 thousands, whilst remuneration to directors is proposed to be NT\$ 114,382 thousands. The remuneration would be distributed in cash.

5. Ratification:**Proposal 1:**

Business Report and Financial Statements for 2015 (Proposed by the Board of Directors)

Explanatory note:

1. The Board of Directors entrusted certified public accountants Audrey Tseng and Dexter Chang with PricewaterhouseCoopers to audit and certify the Business Report and Financial Statements for 2015 (including consolidated financial statements), both of which were subsequently inspected by Audit Committee and are hereby submitted for ratification.
2. Please see Appendix 2 for “Business Report” and Appendix 4 for Auditors’ Report and Financial Statements of Year 2014.

Resolution:

After being voted by a total of 1,397,818,252 shares presented (has been deducted 8,027,019 shares without voting right), a total of 1,188,727,034 shares voted “for” (including a total of 898,739,336 shares were presented by electronic voting), a total of 89,251 shares voted “against” (including a total of 89,251 shares were presented by electronic voting), and a total of 209,001,967 shares abstained from voting (including a total of 193,787,442 shares were presented by electronic voting). The percentage of approval represented 85.04% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

Proposal 2:

Distribution of 2015 profits (Proposed by the Board of Directors)

Explanatory note:

1. The board of directors plans to appropriate NT\$1,602,154,309 from allocable earnings in 2015 for dividend payout, capable of paying NT\$0.8 of cash dividend per share, which, though, will be rounded off, leaving out decimal fraction.
2. Subject to the approval by the General Shareholders Meeting, it is proposed that the ex-dividend date and the distribution date shall be determined by the Board of Directors authorized to do so.
3. Please see Appendix 5 for the detailed profit distribution plan.

Resolution:

After being voted by a total of 1,397,818,252 shares presented (has been deducted 8,027,019 shares without voting right), a total of 1,195,913,979 shares voted “for” (including a total of 905,926,281 shares were presented by electronic voting), a total of 350,936 shares voted “against” (including a total of 350,936 shares were presented by electronic voting), and total of 201,553,337 shares abstained from voting (including a total of 186,338,812 shares were presented by electronic voting). The percentage of approval represented 85.56% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

6. Election:

By-Election of the Independent Director (proposed by the board of directors)

Explanatory note:

1. Due to the job exchange, the company’s 24th Managing & Independent Director, Mr. Tian-Jy Chen resigned on May. 12, 2016, and the company plans to by-election for a seat of Independent Director.
2. According to article 15 of the Articles of Incorporation, the candidate of independent director shall be elected by nomination. The newly elected independent director will have a term from June 16, 2016 to June 10, 2018 and can be reelected later on for another term.
3. After investigating based upon Article 192-1 of Company Act, the board listed the candidate as following.

Name	ID/Shareholding	Education	Experience
CHENG, TING-WONG	-/ 0 shares	Ph.D & Master, School of Accountancy, Robert J. Trulaske, Sr. College of Business,	Principal of National Chengchi University Dean, National Chengchi University Dean, NCCU College of Commerce Graduate Chair, NCCU

		University of Missouri Master of Public Finance, National Chengchi University (NCCU) BA, Department of Accounting & Statistics, National Chengchi University (NCCU)	Department of Accounting Professor, National Chengchi University Supervisor, Central Bank of the Republic of China (Taiwan) Managing Director & Independent Director, Asia Pacific Telecom
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Result of Election

	ID Number	Name	Vote-getting
1	R10080XXXX	CHENG, TING-WONG	1,129,657,791 Rights

7. Discussion:

Proposal:

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

Explanation:

1. Article 209 of Company Law stipulates that “For behaviors of their own or others within the company’s business scope, the Directors shall explain their importance of their conducts during the Shareholders’ Meeting and obtain its approval.”
2. Some newly elected members of the 24th board of directors (including Independent Directors) have invested in or are managing other companies with identical or similar business scope of the company, in addition to being directors of those companies. The board of directors plans to remove the non-competition obligation on newly elected directors, pending approval of shareholders’ meeting, according to article 209 of the Company Law.
3. Please see the following for planning to remove non-competition obligation on the newly elected Independent Director.

Name	Position in other companies
CHENG, TING-WONG	Managing Director & Independent Director, Asia Pacific Telecom

Resolution:

After being voted by a total of 1,397,818,252 shares presented (has been deducted 8,027,019 shares without voting right), a total of 1,169,759,661 shares voted “for” (including a total of 879,771,963 shares were presented by electronic voting), a total of 531,630 shares voted “against” (including a total of 531,630 shares were presented by electronic voting), and total of 227,526,961 shares abstained from voting (including a total of 212,312,436 shares were presented by electronic voting). The percentage of approval represented 83.68% of the total voting rights of shareholders in attendance. The proposal was approved as proposed.

8. Extempore Motions:

None

9. Meeting Adjourned: 09:43 AM

Attachments

1. The comparison between the revision and the original of Articles of Incorporation
2. Business Report for 2015
3. Inspection Report of Audit Committee for 2015
4. Financial Statements and Auditors’ Report for 2015
5. Distribution of 2015 Profits

Appendix 1

The comparison between the revision and the original of Articles of Incorporation

Proposed Amendment	Current Provision	Note
Article 2 The scope of business of this Company is as follows: 1-14 (omission) 15. CC01101 Manufacturing of controlled telecom radio-frequency products 16-39 (omission) 40. F113070 Wholesale of telecom-products 41-48 (omission) 49. F213060 Retail of telecom products 50 F218010 Retail of information software 51. F401010 International Trade 52. F401021 Import of controlled telecommunication radio-frequency devices 53-63 (omission)	Article 2 The scope of business of this Company is as follows: 1-14 (omission) New added 15-38 (omission) (New added) 39-46 (omission) (New added) 47. F218010 Retail of information software 48. F401010 International Trade (New added) 49-59(omission)	1. With the approval of the National Communication s Commission, the company has added controlled telecommunication radio-frequency devices to its business lineup. 2. Change in the numbers of items

Proposed Amendment	Current Provision	Note
<p>Article 26 The company appropriates part of its annual profits, ranging from 1% to 10%, for distribution of remuneration to employee. Remuneration to directors are capped at 5% of profits. Employees of affiliated companies are also entitled to remuneration to employee. Profits should be used, in priority, for making up accumulated loss, should it exist.</p> <p>The shares of the aforementioned distribution of remuneration to employee and the directors, as well as the choice of stock or cash should be resolved by the board of directors, with approval of over half of attendees in a meeting attended by over two thirds of directors, before being reported to shareholders' meeting.</p> <p>The annual profit mentioned in item 1 refers to pre-tax profits of the year before deduction of distribution of remuneration to employee and directors.</p>	(New added)	<p>The company formulates measures for distribution of remuneration to employee and directors, according to the revised "Company Law," promulgated by the President (Presidential decree No. 10400058161, May 20, 2015) and letter of the Ministry of Economic Affairs (No. 10402413890, June 11, 2015 & No. 10402427800, Oct. 15, 2015).</p>
<p>Article 27 Profit, should it appear in final account, should be used, in descending order, in paying tax, making up for accumulated loss, and then appropriating 10% of the remainder for legal reserve, on top of appropriation or reversal of special reserve, according to the regulation of regulator. The balance, should it exist, should be combined with retained earnings of previous year for the board of directions to formulate proposal of profit distribution for approval by the shareholders' meeting.</p> <p>The Company is in a stably growing industry with investment made in developing business. In consideration of possible expansion of operation and</p>	<p>Article 26 The profit of the Company as of the final accounting each year shall be appropriated in the following order to</p> <ol style="list-style-type: none"> 1. Pay taxes. 2. Make up accumulated loss from previous years. 3. Set aside 10% thereof in legal reserve. 4. Set aside or reverse special earnings reserve in accordance with the requirements prescribed by the competent authority 5. Pay 1% to 5% of the balance as of the application provided in subparagraphs 1 to 4 to Directors as remuneration. 6. Pay profit sharing to the employees which is from 1% 	<ol style="list-style-type: none"> 1. Change in the numbers of items 2. In line with the addition of article 26 on distribution of remuneration to employee and directors to the charter, remove repetitive regulation in the article.

Proposed Amendment	Current Provision	Note
<p>investment, the earnings distributed to the shareholders each year will basically be in an amount equal to 80% of the earnings received in the period combined with the retained earnings from the previous year, net of the legal reserve and special earning reserve. Basically 50% but not less than 5% of the earnings distributed to the shareholders shall be distributed in cash.</p>	<p>to 10% of the balance net of the reserved amounts provided in subparagraphs 1 to 4. Profit sharing to employees in stock and in cash shall not exceed the ratio stock dividend from the reversed retained earning and cash dividend to the shareholders. Where there is no capital increase from capitalization of the retained earnings or where the capital increase proposed is not ratified or approved by the shareholders meeting or the competent authority, all profit sharing will be paid in cash.</p> <p>7. Bonus to shareholders, the balance net of the above and the retained earnings from the previous year will be distributed or retained to shareholders according to their percentage of shareholding.</p> <p>8. Conditions and method of profit-sharing in stock to eligible employees shall be determined by the Board of Directors.</p> <p>The Company is in a stably growing industry with investments made in developing businesses. In consideration of possible expansion of operation and investment, the earnings distributed to the shareholders each year will basically be in an amount equal to 80% of the earnings received in the period combined with the retained earnings from the previous year, net of the legal reserve, special earning reserve, remuneration to the Directors (ranging from 1% to 5%), and profit sharing to employees (ranging from 1% to 5%). Basically 50% but not less than 5% of the earnings distributed to the shareholders</p>	

Proposed Amendment	Current Provision	Note
	shall be distributed in cash.	
Article 28-29 (omission)	Article 27-28 (omission)	Change in the numbers of items
Article 30 The fifty-sixth amendment was on June 16, 2016 It will take effect after the approval of shareholders' meeting.	Article 29 The fifty-fifth amendment was on June 23, 2014 It will take effect after the approval of shareholders' meeting.	1. Change in the numbers of items 2. Add the date and the number of times of amendment

Business Report

Dear Shareholders,

2015 turned out to be the sternest year in international politics and economy since the global financial tsunami, due to the effect of a litany of adverse factors, including Greek debt crisis, slowdown of the Chinese economy, and collapse of energy and other raw-material prices. On the domestic front, affected by weak demand of global trade, investments and exports declined continuously, with GDP growth falling short of 1%, the lowest since 2009. Faced with shrinking external and domestic demands, which dampened both revenue and profit, the company still continued development of smart and variable-frequency products, which offer higher added value, and foraying into new markets, new industries and overseas acquisitions, in order to uphold the foundation for sustainable development.

A. Review of Business Performance in 2015

Analysis of the company's business performance in 2015 follows:

a. Parent Company

Unit: NT\$ thousand

	2015	2014	Change
Sales revenue	21,809,717	24,256,762	(10%)
Operating profit	1,617,491	1,949,849	(17%)
Profit for the year	3,177,291	4,062,960	(22%)

As for sales revenue, sales of home-appliances business grew further, due to replacement demand and expanding need for white goods. Demands for motors, however, slackened, due to plunge in capital outlays of the oil and mining industry and sales decline of other businesses on sluggish business of downstream industries. Overall revenue dropped 10% in 2015.

As for operating profit, thanks to the result of negotiation for procurement and increased share of custom and variable-frequency products boasting higher gross margin, gross margins of major business divisions and the entire company increased. In addition, operating expense decreased by NT\$200 million in 2015 than 2014, due to adjustment in production/marketing strategy, reduction of inventories, and further rationalization of personnel outlays and expenses. Despite the savings, operating profit still dropped, due to shrinking revenue.

As for non-operating income and expenses, thanks to intensified restructuring and management of equipment investments, investment income, excluding listed income from disposal of land in Wugu of New Taipei City in 2014, investment profit still increased by NT\$530 million in 2015 than 2014. Overall speaking, the company's net profit slipped 22% in 2015.

To cope with rigorous market challenge and sustain long-term development, the company successfully developed a number of cutting-edge products in 2015, including monitoring system for smart motor, IE5 ultra high-efficient

variable-frequency permanent magnetic motor, IE4 ultra high-efficient induction motor, pan-American high power-factor medium-voltage excellent-efficiency motor, multi-task electric-voltage vector inverter, cloud-end variable-frequency multi-split type air conditioner, cloud-end smart sea-water heat-dissipation air conditioner, dual variable-frequency multi-unit central conditioning system, and R32 environment-friendly coolant air conditioner, on top of the obtaining of 31 domestic and foreign patents.

b. Consolidated Financial Statements

Unit: NT\$ thousand

	2015	2014	Change
Sales revenue	48,598,573	53,748,466	(10%)
Operating profit	3,787,627	4,422,836	(14%)
Profit for the year	3,514,116	4,402,267	(20%)
Total comprehensive income for the year	560,158	8,992,173	(94%)
Profit attributable to:			
Owner of the parent	3,177,291	4,062,960	(22%)
Non-controlling interest	336,825	339,307	(1%)
Comprehensive income attributable to:			
Owner of the parent	359,066	8,448,923	(96%)
Non-controlling interest	201,092	543,250	(63%)

Consolidated sales revenue declined in 2015, due to sales drop of main business on market factor and continuing business adjustment of subsidiary Tecom. The acquisition of Italian firm Motovario in mid-October, however, will boost sales revenue. Operating profit slipped 14%, due to drop in consolidated sales revenue. Other comprehensive income shrank on drop in the unrealized gain on valuation, due to drop in prices of shares of Taiwan High-Speed Rail and momo-com Inc., listed as available-for-sale. Overall speaking, current consolidated net profit plunged 96%.

B. Outline of 2016 Business Plan

Looking ahead, the Cabinet-level Directorate General of Budget, Accounting, and Statistics predicts that Taiwan's economic growth will reach 1.47% in 2016, slightly higher than the 2015 level. The economic outlook, however, is shrouded in uncertainty, due to a number of adverse factors, including shrinking public outlays, low-lying prices of crude oil and other raw materials, and continuing slowdown of the Chinese economy. To cope with the challenges, as well as potential opportunities, of the uncertainty, the company will continue developing new products, new

applications, and new markets, adhering to the concept of "energy conservation, carbon abatement, intelligence, and automation."

For domestic sales, induced by the subsidy of the Ministry of Economic Affairs for high-efficiency motors, the company will consolidate its core business by marketing intelligent high-performance motors. In addition, the company will deploy in the markets of smart micro grid and cloud-end smart air conditioner, tapping energy-conservation and the Internet-of-things businesses, so as to expand market share.

For exports, newly developed high-performance motor IE3+, medium-voltage inverter, and new servo products will hit the market successively, boosting overseas sales. Overseas sales will also benefit from moderate economic recovery in North America, the company's effort to solicit new OEM customers, and other business opportunities. Business in the European market will benefit from the effect of integration resulting from the newly acquired company. In addition, the company will step up marketing and investments in emerging markets, in line with its globalization strategy.

In sum, to cope with changes in domestic and external economies, the company will continue the quest for revenue and profit growth, the materialization of the norms for corporate governance, and fulfillment of corporate social responsibility. In 2015, the company's effort was acknowledged by a number of awards, including top 5% in the evaluation of corporate governance, the corporate citizen award for the fourth year running granted by Commonwealth magazine, and the gold award for the traditional manufacturing industry of the "Taiwan Corporate Sustainability Awards. In line with the concept of management of integrity and the vision of energy conservation, automation, and intelligence, the company will dedicate to the development of smart environment-friendly products, so as to create maximum benefits for shareholders and give payback to shareholders and investing public, in return to their long-term support to and patronage of the company.

TECO Electric & Machinery Co., Ltd

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

The Audit Committee has duly inspected and approved the financial statements for 2015 (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 2016

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Tain-Jy, Chen

Date: March 21, 2016

Appendix 4

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

We have audited the accompanying parent company only balance sheets of TECO Electric & Machinery Co., Ltd. as of December 31, 2015 and 2014, and the related parent company only statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years then ended. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these parent company only financial statements based on our audits. As described in Note 6(8) to the parent company only financial statements, we did not audit the financial statements of certain investee companies accounted for under the equity method. These investments amounted to \$8,265,099,000 and \$4,349,311,000, constituting 12% and 6% of the related total assets as of December 31, 2015 and 2014, respectively, the related credit investments balance amounted to \$0 and \$11,948,000, both constituting 0% of the related total assets as of December 31, 2015 and 2014, respectively, and the comprehensive income amounted to \$290,837,000 and \$222,402,000, constituting 81% and 3% of the total comprehensive income for the years then ended, respectively. The financial statements of these investee companies were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the parent company only financial statements and information disclosed in Note 13 relative to these investees, is based solely on the reports of the other independent accountants.

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

In our opinion, based on our audits and the reports of other independent accountants, the parent company only financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of TECO Electric & Machinery Co., Ltd. as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”.

PricewaterhouseCoopers, Taiwan

March 23, 2016

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

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

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

(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2015		(adjusted) December 31, 2014	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,111,218	2	\$ 2,795,583	4
1110	Financial assets at fair value	6(2)(23)				
	through profit or loss - current		-	-	21,006	
1150	Notes receivable, net	6(4)(5)	309,109	1	252,766	-
1160	Notes receivable - related parties	7	279,145	-	412,389	1
1170	Accounts receivable, net	6(5)	1,576,044	2	1,764,143	3
1180	Accounts receivable - related parties	6(8) and 7	1,556,391	2	1,931,288	3
1190	Receivables from customers on construction contracts	6(7)	730,166	1	768,393	1
1200	Other receivables		47,622	-	48,266	-
1210	Other receivables - related parties	6(8) and 7	1,226,378	2	1,175,049	2
130X	Inventories, net	6(6)	2,941,725	4	3,284,765	5
1410	Prepayments		20,063	-	14,661	-
1470	Other current assets	6(1) and 8	319,424	1	381,460	-
11XX	Total current assets		10,117,285	15	12,849,769	19
Non-current assets						
1523	Available-for-sale financial assets - non-current	6(3)	4,227,347	6	4,523,795	7
1550	Investments accounted for under equity method	6(8) and 7	46,389,595	69	43,886,886	64
1600	Property, plant and equipment, net	6(9) and 7	3,877,206	6	3,959,960	6
1760	Investment property - net	6(10)	2,059,317	3	2,081,331	3
1840	Deferred income tax assets	6(27)	624,028	1	571,748	1
1900	Other non-current assets	6(11)	302,936	-	252,936	-
15XX	Total non-current assets		57,480,429	85	55,276,656	81
1XXX	Total assets		\$ 67,597,714	100	\$ 68,126,425	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2015		(adjusted) December 31, 2014	
			AMOUNT	%	AMOUNT	%
	Current liabilities:					
2100	Short-term borrowings	6(12)	\$ 3,354,685	5	\$ 128,751	-
2120	Financial liabilities at fair value through profit or loss - current	6(13)(23)	1,962	-	-	-
2150	Notes payable		14,267	-	20,070	-
2160	Notes payable - related parties	7	184,663	-	182,749	-
2170	Accounts payable		2,659,470	4	3,441,261	5
2180	Accounts payable - related parties	7	1,159,348	2	1,481,283	2
2190	Payables to customers on construction contracts	6(7)	343,133	-	259,109	1
2200	Other payables	6(29)	2,485,286	4	2,582,698	4
2220	Other payables - related parties	7	119,214	-	786,201	1
2230	Current income tax liabilities	6(27)	343,926	-	161,960	-
2250	Provisions for liabilities - current		41,265	-	43,622	-
2300	Other current liabilities	6(14)	1,719,616	3	274,790	1
21XX	Total current liabilities:		<u>12,426,835</u>	<u>18</u>	<u>9,362,494</u>	<u>14</u>
	Non-current liabilities:					
2530	Corporate bonds payable	6(14)	3,000,000	5	1,527,600	2
2540	Long-term borrowings	6(15)	2,059,706	3	5,389,582	8
2570	Deferred income tax liabilities	6(27)	830,297	1	812,525	1
2600	Other non-current liabilities	6(16)	1,816,834	3	1,764,151	3
25XX	Total non-current liabilities:		<u>7,706,837</u>	<u>12</u>	<u>9,493,858</u>	<u>14</u>
2XX	Total liabilities:		<u>20,133,672</u>	<u>30</u>	<u>18,856,352</u>	<u>28</u>
	Equity					
	Share capital	6(17)				
3110	Common stock		20,026,929	30	20,026,929	29
	Capital surplus	6(18)				
3200	Capital surplus		7,638,417	11	7,600,552	10
	Retained earnings	6(19)(27)				
3310	Legal reserve		5,412,342	8	5,005,650	7
3320	Special reserve		3,640,779	5	3,737,786	6
3350	Unappropriated retained earnings		10,310,158	15	9,701,155	14
	Other equity interest	6(20)				
3400	Other equity interest		756,980	1	3,519,564	6
3500	Treasury stocks	6(8)(17)	(321,563)	-	(321,563)	-
3XX	Total equity		<u>47,464,042</u>	<u>70</u>	<u>49,270,073</u>	<u>72</u>
	Commitments and Contingent Liabilities	9				
	Subsequent events	11				
3X2X	Total liabilities and equity		<u>\$ 67,597,714</u>	<u>100</u>	<u>\$ 68,126,425</u>	<u>100</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 23, 2016.

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

	Items	Notes	Year ended December 31			
			2015		2014	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 21,809,717	100	\$ 24,256,762	100
5000	Operating costs	6(6)(16)(19)(25)(26) and 7	(16,971,458)	(78)	(18,843,170)	(78)
5900	Net operating margin		4,838,259	22	5,413,592	22
5910	Unrealized profit from sales	7	(550,823)	(3)	(559,116)	(2)
5920	Realized profit from sales		559,116	3	520,178	2
5950	Net operating margin		4,846,552	22	5,374,654	22
	Operating expenses	6(16)(19)(25)(26) and 7				
6100	Selling expenses		(1,930,798)	(9)	(2,006,624)	(8)
6200	General and administrative expenses		(565,761)	(3)	(620,549)	(3)
6300	Research and development expenses		(732,502)	(3)	(797,632)	(3)
6000	Total operating expenses		(3,229,061)	(15)	(3,424,805)	(14)
6900	Operating profit		1,617,491	7	1,949,849	8
	Non-operating income and expenses					
7010	Other income	6(2)(10)(13)(22) and 7	404,789	2	524,129	2
7020	Other gains and losses	6(3)(23) and 7	(566,415)	(2)	(309,176)	(1)
7050	Finance costs	6(24) and 7	(135,806)	(1)	(110,804)	(1)
7070	Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(8)				
			2,186,385	10	2,393,625	10
7000	Total non-operating income and expenses		1,888,953	9	2,497,774	10
7900	Profit before income tax		3,506,444	16	4,447,623	18
7950	Income tax expense	6(27)	(329,153)	(1)	(384,663)	(1)
8200	Profit for the year		\$ 3,177,291	15	\$ 4,062,960	17
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans		(\$ 56,367)	-	(\$ 55,931)	-
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		726	-	19,164	-
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		(55,641)	-	(75,095)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	6(20)	(398,150)	(2)	728,508	3
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(20)	102,005	1	(448,322)	(2)
8380	Share of other comprehensive income of subsidiary, associates and joint ventures accounted for under the equity method, other comprehensive income that will be reclassified to profit or loss	6(20)	(2,524,687)	(12)	4,244,307	17
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(20)(27)	58,248	-	(63,435)	-
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		(2,762,584)	(13)	4,461,058	18
8300	Other comprehensive (loss) income for the year		(\$ 2,818,225)	(13)	\$ 4,385,963	18
8500	Total comprehensive income for the year		\$ 359,066	2	\$ 8,448,923	35
	Earnings per share (in dollars)	6(28)				
9750	Basic earnings per share		\$ 1.60		\$ 2.05	
9850	Diluted earnings per share		\$ 1.60		\$ 2.04	

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Capital		Retained earnings				Other equity interest			
	Notes	Share capital - common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total equity
2014											
Balance at January 1, 2014		\$ 19,646,374	\$ 380,555	\$ 7,493,180	\$ 4,629,663	\$ 3,737,786	\$ 8,292,239	(\$ 312,141)	(\$ 629,353)	(\$ 321,563)	\$ 42,916,740
Appropriations of 2013 net income (Note)	6(19)										
Legal reserve		-	-	-	375,987	-	(375,987)	-	-	-	-
Cash dividends		-	-	-	-	-	(2,202,962)	-	-	-	(2,202,962)
Exercise of employee stock options	6(17)	48,720	(48,720)	-	-	-	-	-	-	-	-
Common stock converted from corporate bonds	6(14)(17)	331,835	(331,835)	-	-	-	-	-	-	-	-
Effect of changes in the net equity of associates and joint ventures accounted for under the equity method		-	-	29,476	-	-	-	-	-	-	29,476
Differences between the price for acquisition or disposal of subsidiaries and carrying amount	6(8)	-	-	77,896	-	-	-	-	-	-	77,896
Other comprehensive income for the year	6(20)	-	-	-	-	-	(55,931)	665,073	(448,322)	-	160,820
Share of other comprehensive income of subsidiary, associates and joint venture accounted for under the equity method	6(20)	-	-	-	-	-	(19,164)	-	4,244,307	-	4,225,143
Net income for the year		-	-	-	-	-	4,062,960	-	-	-	4,062,960
Balance at December 31, 2014		<u>\$ 20,026,929</u>	<u>\$ -</u>	<u>\$ 7,600,552</u>	<u>\$ 5,005,650</u>	<u>\$ 3,737,786</u>	<u>\$ 9,701,155</u>	<u>\$ 352,932</u>	<u>\$ 3,166,632</u>	<u>(\$ 321,563)</u>	<u>\$ 49,270,073</u>
2015											
Balance at January 1, 2015		\$ 20,026,929	\$ -	\$ 7,600,552	\$ 5,005,650	\$ 3,737,786	\$ 9,701,155	\$ 352,932	\$ 3,166,632	(\$ 321,563)	\$ 49,270,073
Appropriations of 2014 net income (Note)	6(19)										
Reversal of special reserve		-	-	-	-	(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 income of subsidiary, associates and joint venture accounted for under the equity method	6(20)	-	-	-	-	-	726	-	(2,524,687)	-	(2,523,961)
Net income for the year		-	-	-	-	-	3,177,291	-	-	-	3,177,291
Balance at December 31, 2015		<u>\$ 20,026,929</u>	<u>\$ -</u>	<u>\$ 7,638,417</u>	<u>\$ 5,412,342</u>	<u>\$ 3,640,779</u>	<u>\$ 10,310,158</u>	<u>\$ 13,030</u>	<u>\$ 743,950</u>	<u>(\$ 321,563)</u>	<u>\$ 47,464,042</u>

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

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 23, 2016.

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 3,506,444	\$ 4,447,623
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(23)	(33,672)	(56,546)
Net loss (gain) on financial liabilities at fair value through profit or loss	6(13)(23)	1,962	1,163
Provision for doubtful accounts	6(5)	1,663	2,605
Provision for (reversal of) decline in value of inventories	6(6)	27,559	(15,664)
Interest income	6(22) and 7	(28,640)	(35,855)
Interest expense	6(24)	115,847	95,197
Dividend income	6(22)	(84,084)	(69,467)
Impairment loss	6(23)	308,328	-
Loss on disposal of investments	6(23)	31,878	8,395
Changes in unrealized (gain) loss from downstream sales	6(8) and 7	(8,293)	38,938
Reclassification to current profit (loss) from other comprehensive income of investments accounted for under the equity method prior to gaining control		21,547	-
Share of profit of associates and joint ventures accounted for under the equity method	6(8)	(2,186,385)	(2,393,625)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(9)(10)(23)(25)	416,374	462,174
Foreign currency exchange (gain) loss on bonds payable	6(14)	(29,100)	51,900
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current	6(2)	54,678	40,895
Notes receivable	6(4)	(55,818)	(29,586)
Notes receivable - related parties	7	133,244	19,239
Accounts receivable	6(5)	185,835	159,833
Accounts receivable - related parties	7	374,897	102,233
Receivables from customers on construction contract	6(7)	38,227	(24,125)
Other receivables		644	(19,890)
Other receivables - related parties	7	(22,107)	(103,975)
Inventories	6(6)	315,481	71,784
Prepayments		(5,402)	21,815
Other current assets		61,116	(64,323)
Changes in operating liabilities			
Notes payable		(5,803)	2,835
Notes payable - related parties	7	1,914	55,123
Accounts payable		(781,791)	(34,201)
Accounts payable - related parties	7	(321,935)	(13,368)
Payables to customers on construction contract	6(7)	84,024	41,835
Other payables		(99,412)	176,884
Other payables - related parties	7	(23,507)	(105,130)
Provisions for liabilities		(2,357)	(41,128)
Other current liabilities		(53,674)	15,737
Other non-current liabilities		(11,167)	5,674
Cash inflow generated from operations		1,928,515	2,812,673
Interest received	6(22)	28,640	35,855
Dividends received		965,897	583,469
Interest paid		(89,489)	(83,308)
Income tax paid		(123,447)	(287,907)
Net cash flows from operating activities		2,710,116	3,060,782

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TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other receivables - related parties	7	(\$ 29,222)	(\$ 221,907)
Decrease in pledged demand and fixed deposits	8	920	4,216
Proceeds from disposal of available-for-sale financial assets - non-current		95,807	273,065
Increase in available-for-sale financial assets - non-current		(37,560)	(48,925)
Increase in investments accounted for under the equity method		(4,063,078)	(1,413,988)
Proceeds from disposal of property, plant and equipment		4,999	-
Acquisition of property, plant and equipment	6(9)(10)(29)	(309,740)	(933,730)
Increase in deferred expenses	6(11)	(2,340)	(11,254)
(Increase) decrease in refundable deposits	6(11)	(34,397)	6,397
Increase in other non-current assets		(69,486)	(38,388)
Net cash flows used in investing activities		(4,444,097)	(2,384,514)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term loans	6(12)	3,225,934	128,751
(Decrease) increase in other payables - related parties - financing	7	(643,480)	643,480
Proceeds from issuance of bonds payable	6(14)	3,000,000	-
(Decrease) increase in long-term loans	6(15)	(3,329,876)	989,996
Cash dividends paid	6(19)	(2,202,962)	(2,202,962)
Net cash flows from (used in) financing activities		49,616	(440,735)
Net (decrease) increase in cash and cash equivalents		(1,684,365)	235,533
Cash and cash equivalents at beginning of year		2,795,583	2,560,050
Cash and cash equivalents at end of year		\$ 1,111,218	\$ 2,795,583

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As described in Notes 4(3) and 6(9) to the consolidated financial statements, we did not audit the financial statements of certain consolidated subsidiaries and investee companies accounted for under the equity method. The financial statements of these subsidiaries reflect total assets of \$11,314,418,000 and \$2,486,924,000, constituting 13% and 3% of the consolidated total assets as of December 31, 2015 and 2014, respectively, and total operating revenues of \$3,074,913,000 and \$2,483,505,000, constituting 6% and 5% of consolidated total operating revenues for the years then ended, respectively. These investments accounted for under the equity method amounted to \$4,040,747,000 and \$3,924,963,000, both constituting 5% of total consolidated assets as of December 31, 2015 and 2014, respectively, the credit balance of investments accounted for under equity method amounted to \$28,270,000 and \$23,334,000, both constituting 0% of total consolidated assets as of December 31, 2015 and 2014, respectively, and the share of profit of associates and joint ventures accounted for under the equity method amounted to \$94,683,000 and \$114,585,000, constituting 17% and 1% of the consolidated comprehensive income for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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

as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of TECO Electric & Machinery Co., Ltd. and subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended, in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2015 and 2014, and have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan
March 23, 2016

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, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2015		(Adjusted) December 31, 2014	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 14,919,042	18	\$ 17,201,690	21
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		265,984	-	318,399	-
1125	Available-for-sale financial assets	6(3) and 8				
	- current		1,462,871	2	1,252,111	2
1147	Bond investments without active	6(4)				
	markets - current		141,551	-	122,540	-
1150	Notes receivable, net	6(5)(6) and 8	1,006,151	1	998,510	1
1160	Notes receivable - related parties	7	14,943	-	99,132	-
1170	Accounts receivable, net	6(6) and 8	9,329,829	11	8,333,056	10
1180	Accounts receivable - related	7				
	parties		194,082	-	583,912	1
1190	Receivables from customers on	6(8)				
	construction contracts		805,488	1	844,335	1
1200	Other receivables		323,881	-	256,546	-
1210	Other receivables - related parties	7	692,340	1	701,582	1
130X	Inventories, net	6(7) and 8	11,755,227	14	11,539,306	14
1410	Prepayments		333,968	1	250,509	-
1470	Other current assets	6(1) and 8	1,047,045	1	773,706	1
11XX	Total current assets		42,292,402	50	43,275,334	52
Non-current assets						
1523	Available-for-sale financial assets	6(3) and 8				
	- non-current		10,905,909	13	14,155,901	17
1550	Investments accounted for under	6(9) and 8				
	the equity method		5,464,797	6	5,352,012	7
1600	Property, plant and equipment, net	6(10) and 8	15,018,217	18	14,569,687	18
1760	Investment property, net	6(11)	2,561,444	3	2,591,956	3
1780	Intangible assets	6(12)(33)	5,541,844	7	174,250	-
1840	Deferred income tax assets	6(31)	1,183,247	1	1,078,738	1
1900	Other non-current assets	6(13) and 8	1,466,392	2	1,515,167	2
15XX	Total non-current assets		42,141,850	50	39,437,711	48
1XXX	Total assets		\$ 84,434,252	100	\$ 82,713,045	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2015		(Adjusted) December 31, 2014	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(14) and 8	\$ 6,619,012	8	\$ 2,472,904	3
2120	Financial liabilities at fair value through profit or loss - current	6(15)	15,043	-	-	-
2150	Notes payable		112,098	-	119,833	-
2160	Notes payable - related parties	7	1,313	-	8,850	-
2170	Accounts payable		6,628,882	8	7,461,702	9
2180	Accounts payable - related parties	7	95,766	-	87,358	-
2190	Payables to customers on construction contracts	6(8)	367,467	-	291,341	1
2200	Other payables	6(16)	4,863,815	6	5,246,997	6
2230	Current income tax liabilities	6(31)	555,477	1	393,743	1
2250	Provisions for liabilities - current		256,979	-	192,504	-
2300	Other current liabilities	6(17)(18)	3,199,186	4	1,800,595	2
21XX	Total current liabilities		<u>22,715,038</u>	<u>27</u>	<u>18,075,827</u>	<u>22</u>
	Non-current liabilities					
2530	Corporate bonds payable	6(17)	3,000,000	3	1,527,600	2
2540	Long-term borrowings	6(18) and 8	2,300,299	3	5,474,646	7
2550	Provisions for liabilities - non-current		230,265	-	226,994	-
2570	Deferred income tax liabilities	6(31)	2,317,721	3	1,911,066	2
2600	Other non-current liabilities	6(9)	2,438,425	3	2,208,190	3
25XX	Total non-current liabilities		<u>10,286,710</u>	<u>12</u>	<u>11,348,496</u>	<u>14</u>
25XX	Total liabilities		<u>33,001,748</u>	<u>39</u>	<u>29,424,323</u>	<u>36</u>
	Equity attributable to owners of parent					
	Share capital	6(21)				
3110	Common stock		20,026,929	24	20,026,929	24
	Capital surplus	6(22)				
3200	Capital surplus		7,638,417	8	7,600,552	8
	Retained earnings	6(23)(31)				
3310	Legal reserve		5,412,342	7	5,005,650	6
3320	Special reserve		3,640,779	4	3,737,786	5
3350	Unappropriated retained earnings		10,310,158	12	9,701,155	12
	Other equity interest	6(24)				
3400	Other equity interest		756,980	1	3,519,564	4
3500	Treasury stocks	6(21) and 8	(321,563)	-	(321,563)	-
31XX	Equity attributable to owners of the parent		<u>47,464,042</u>	<u>56</u>	<u>49,270,073</u>	<u>59</u>
36XX	Non-controlling interest		<u>3,968,462</u>	<u>5</u>	<u>4,018,649</u>	<u>5</u>
35XX	Total equity		<u>51,432,504</u>	<u>61</u>	<u>53,288,722</u>	<u>64</u>
	Commitments and contingent liabilities	9				
	Subsequent events	11				
35XX	Total liabilities and equity		<u>\$ 84,434,252</u>	<u>100</u>	<u>\$ 82,713,045</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 23, 2016.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

	Items	Notes	Year ended December 31			
			2015		2014	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(25) and 7	\$ 48,598,573	100	\$ 53,748,466	100
5000	Operating costs	6(7)(19)(29)(30) and 7	(36,203,039)	(74)	(40,356,727)	(75)
5900	Net operating margin		12,395,534	26	13,391,739	25
5910	Unrealized profit from sales		(5,488)	-	(10,265)	-
5920	Realized profit from sales		10,265	-	10,329	-
5950	Net operating margin		12,400,311	26	13,391,803	25
	Operating expenses	6(19)(29)(30)				
6100	Selling expenses		(4,155,857)	(9)	(4,322,767)	(8)
6200	General and administrative expenses		(3,021,603)	(6)	(3,042,610)	(6)
6300	Research and development expenses		(1,435,224)	(3)	(1,603,590)	(3)
6000	Total operating expenses		(8,612,684)	(18)	(8,968,967)	(17)
6900	Operating profit		3,787,627	8	4,422,836	8
	Non-operating income and expenses					
7010	Other income	6(4)(26) and 7	1,361,206	3	1,185,074	2
7020	Other gains and losses	6(2)(3)(10)(11)(15)(27)(33)	(511,807)	(1)	141,095	-
7050	Finance costs	6(10)(28)	(227,691)	(1)	(229,363)	-
7060	Share of profit of associates and joint ventures accounted for under the equity method	6(9)	153,936	-	180,329	1
7000	Total non-operating income and expenses		775,644	1	1,277,135	3
7900	Profit before income tax		4,563,271	9	5,699,971	11
7950	Income tax expense	6(31)	(1,049,155)	(2)	(1,297,704)	(3)
8200	Profit for the year		\$ 3,514,116	7	\$ 4,402,267	8

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

Items	Notes	Year ended December 31			
		2015		2014	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss					
8311 Other comprehensive income, before tax, actuarial losses on defined benefit plans		(\$ 61,881)	-	(\$ 70,088)	-
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		(6,113)	-	(8,743)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(31)	2,852	-	1,009	-
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		(65,142)	-	(77,822)	-
Other comprehensive income that will be reclassified to profit or loss					
8361 Currency translation differences of foreign operations	6(24)	(398,131)	(1)	753,275	1
8362 Unrealized (loss) gain on valuation of available-for-sale financial assets	6(3)(24)	(2,540,151)	(5)	3,984,367	8
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(24)	(8,826)	-	(6,350)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(31)	58,292	-	(63,564)	-
8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss		(2,888,816)	(6)	4,667,728	9
8300 Other comprehensive (loss) income for the year		(\$ 2,953,958)	(6)	\$ 4,589,906	9
8500 Total comprehensive income for the year		\$ 560,158	1	\$ 8,992,173	17
Profit attributable to:					
8610 Owners of the parent		\$ 3,177,291	6	\$ 4,062,960	7
8620 Non-controlling interest		336,825	1	339,307	1
		\$ 3,514,116	7	\$ 4,402,267	8
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 359,066	1	\$ 8,448,923	16
8720 Non-controlling interest		201,092	-	543,250	1
		\$ 560,158	1	\$ 8,992,173	17
Earnings per share (in dollars)	6(32)				
9750 Basic earnings per share		\$ 1.60		\$ 2.05	
9850 Diluted earnings per share		\$ 1.60		\$ 2.04	

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
Capital				Retained earnings			Other equity interest					
Notes	Share capital - common stock	Advance receipts for share capital	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
2014												
Balance at January 1, 2014	\$ 19,646,374	\$ 380,555	\$ 7,493,180	\$ 4,629,663	\$ 3,737,786	\$ 8,292,239	(\$ 312,141)	(\$ 629,353)	(\$ 321,563)	\$ 42,916,740	\$ 3,860,540	\$ 46,777,280
Appropriations of 2013 net income 6(23)												
Legal reserve	-	-	-	375,987	-	(375,987)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(2,202,962)	-	-	-	(2,202,962)	-	(2,202,962)
Transferred from advance receipts for share capital 6(21)	380,555	(380,555)	-	-	-	-	-	-	-	-	-	-
Effect of changes in net equity of associates and joint ventures accounted for under the equity method	-	-	29,476	-	-	-	-	-	-	29,476	-	29,476
Difference between the price for acquisition or disposal of subsidiaries and carrying amount	-	-	77,896	-	-	-	-	-	-	77,896	-	77,896
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(385,141)	(385,141)
Other comprehensive income for the year	-	-	-	-	-	(75,095)	665,073	3,795,985	-	4,385,963	203,943	4,589,906
Profit for the year 6(23)	-	-	-	-	-	4,062,960	-	-	-	4,062,960	339,307	4,402,267
Balance at December 31, 2014	<u>\$ 20,026,929</u>	<u>\$ -</u>	<u>\$ 7,600,552</u>	<u>\$ 5,005,650</u>	<u>\$ 3,737,786</u>	<u>\$ 9,701,155</u>	<u>\$ 352,932</u>	<u>\$ 3,166,632</u>	<u>(\$ 321,563)</u>	<u>\$ 49,270,073</u>	<u>\$ 4,018,649</u>	<u>\$ 53,288,722</u>
2015												
Balance at January 1, 2015	\$ 20,026,929	\$ -	\$ 7,600,552	\$ 5,005,650	\$ 3,737,786	\$ 9,701,155	\$ 352,932	\$ 3,166,632	(\$ 321,563)	\$ 49,270,073	\$ 4,018,649	\$ 53,288,722
Appropriations of 2014 net income 6(23)												
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(24)	-	-	-	-	-	(55,641)	(339,902)	(2,422,682)	-	(2,818,225)	(135,733)	(2,953,958)
Profit for the year 6(23)	-	-	-	-	-	3,177,291	-	-	-	3,177,291	336,825	3,514,116
Balance at December 31, 2015	<u>\$ 20,026,929</u>	<u>\$ -</u>	<u>\$ 7,638,417</u>	<u>\$ 5,412,342</u>	<u>\$ 3,640,779</u>	<u>\$ 10,310,158</u>	<u>\$ 13,030</u>	<u>\$ 743,950</u>	<u>(\$ 321,563)</u>	<u>\$ 47,464,042</u>	<u>\$ 3,968,462</u>	<u>\$ 51,432,504</u>

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014 (Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 4,563,271	\$ 5,699,971
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(27)	(56,530)	(69,173)
Net loss (gain) on financial liabilities at fair value through profit or loss	6(15)(27)	14,620	(1,163)
Provision for doubtful accounts	6(6)	39,009	5,040
Provision for (reversal of) decline in value of inventories	6(7)	136,665	(156,281)
Interest income	6(26)	(178,084)	(151,465)
Dividend income	6(26)	(476,663)	(392,277)
Interest expense	6(28)	227,691	229,363
Depreciation and amortization	6(10)(11)(29)	1,307,539	1,325,539
Gain on disposal of investments	6(25)(27)	(177,504)	(139,044)
Loss (gain) on disposal of property, plant and equipment	6(27)	10,233	(646,286)
Impairment loss	6(3)(10)(27)	412,195	260,762
Share of profit of associates and joint ventures accounted for under the equity method	6(9)	(153,936)	(180,329)
Foreign currency exchange (gain) loss of bonds payable	6(17)	(29,100)	51,900
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current	6(2)	108,945	99,229
Notes receivable	6(5)	67,433	125,556
Notes receivable - related parties	7	84,189	(60,267)
Accounts receivable	6(6)	504,850	377,822
Accounts receivable - related parties	7	389,858	(9,897)
Receivables from customers on construction contracts	6(8)	38,847	34,797
Other receivables	(	63,257)	(54,279)
Other receivables - related parties	7	9,242	(105,716)
Inventories	6(7)	982,140	(212,323)
Prepayments	(	82,285)	(119,028)
Other current assets		81,192	51,887
Changes in operating liabilities			
Notes payable	(	7,824)	(233,039)
Notes payable - related parties	7	(7,537)	(8,073)
Accounts payable	(	1,857,814)	(90,355)
Accounts payable - related parties	7	2,178	7,556
Payables to customers on construction contracts	6(8)	76,126	47,905
Other payables	6(16)	164,156	279,011
Provisions for liabilities		67,746	(20,859)
Other current liabilities	(	270,965)	(376,684)
Other non-current liabilities	(	141,878)	83,809
Cash inflow generated from operations		5,784,748	5,891,665
Interest received	6(26)	178,084	151,465
Dividend received	6(26)	651,005	558,510
Interest paid	6(28)	(227,691)	(236,784)
Income tax paid	6(31)	(844,718)	(1,197,456)
Net cash flows from operating activities		5,541,428	5,167,400

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014 (Adjusted)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other receivables-related parties		\$ -	(\$ 183,000)
Increase in available-for-sale financial assets - current	6(3)	(142,407)	(206,622)
Increase in bond investments without active market	6(4)	(19,011)	(15,910)
(Increase) decrease in pledged demand and fixed deposits	8	(282,598)	97,422
Proceeds from disposal of available-for-sale financial assets - non-current	6(3)	699,142	950,148
Acquisition of available-for-sale financial assets - non-current	6(3)	(80,449)	(164,705)
Increase in investments accounted for under the equity method	6(9)	(370,784)	(86,242)
Acquisition of property, plant and equipment	6(10)(34)	(1,696,681)	(1,945,847)
Proceeds from disposal of property, plant and equipment	6(10)	28,591	1,219,352
Acquisition of intangible assets		(167,084)	(50,266)
(Increase) decrease in restricted assets	8	(219)	5,675
Decrease (increase) in other non-current assets	6(13)	57,590	(400,976)
Net cash outflow on acquisitions of subsidiaries	6(33)	(3,894,036)	-
Net cash flows used in investing activities		(5,867,946)	(780,971)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans	6(14)	3,726,661	(390,338)
(Decrease) increase in long-term loans	6(18)	(5,793,025)	395,416
Proceeds from issuance of bonds payable	6(17)	3,000,000	-
Cash dividends paid	6(23)	(2,202,962)	(2,202,962)
Net cash flows used in financing activities		(1,269,326)	(2,197,884)
Exchange rate effect		(686,804)	112,316
Net (decrease) increase in cash and cash equivalents		(2,282,648)	2,300,861
Cash and cash equivalents at beginning of year		17,201,690	14,900,829
Cash and cash equivalents at end of year		<u>\$ 14,919,042</u>	<u>\$ 17,201,690</u>

TECO Electric & Machinery Co., Ltd.

Distribution of 2015 Profits

(In NT \$)

Item	Amount
Accumulated undistributed profit as of the beginning of the period	7,142,456,635
Add: Adjustment of IFRS in 2013 (Note 1)	46,051,000
Accumulated undistributed earnings after adjustment	7,188,507,635
Less: Retained earnings after adjustment in 2015	(55,640,839)
Accumulated undistributed earnings after adjustment	7,132,866,796
Add: Net Profit after tax in 2015	3,177,290,819
Less : Legal Reserve	(317,729,082)
Total distributable earnings	9,992,428,533
Profit available for distribution for the period:	
Profit-sharing to shareholders	1,602,154,309
(Dividend per share)	0.8
Undistributed profit as of the end of 2015	8,390,274,224
Note :	
1. Please see the note "Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")" in Non-consolidated Statement in 2015	
2. Defined Pension Obligation actuarial gains and losses	

Notes:

1. Dividend per share in 2015 is NT\$0.8 and all dividends distributed this year shall be cash dividend.
2. The profit distributed this period will be distributed from the distributable earnings received in 2015 and from the accumulated undistributed profits from previous years where there is a shortfall.
3. In the event of any change to the total number of outstanding shares as a result of the issuance of convertible bond, Company's buyback of its own shares, transfer, conversion or deregistration of treasury shares, exercise of employees' stock option and other factors, it is proposed that the Shareholders' Meeting grants the Chairman full authority to handle all relevant matters subject to the fixed payout rate mentioned above.