

TECO ELECTRIC & MACHINERY CO., LTD.
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2013 AND 2012

For the convenience of readers and for information purpose only, the auditors' report 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 auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income for the three-month periods ended June 30, 2013 and 2012 and the six-month periods ended June 30, 2013 and 2012, of changes in stockholders' equity and of cash flows for the six-month periods ended June 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews. As described in Note 4(3)2 to the consolidated financial statements, we did not review the financial statements of certain consolidated subsidiaries and investee companies accounted for under the equity method. These statements reflect total assets (including investments accounted for under the equity method) of \$5,903,582,000 and \$9,238,883,000, constituting 8% and 13% of total consolidated assets as of December 31, 2012 and January 1, 2012, respectively, and total liabilities (including credit balance of investments accounted for under equity method) of \$549,841,000 and \$728,166,000, both constituting 2% of total consolidated liabilities as of December 31, 2012 and January 1, 2012. And as described in Note 6 (10) to the consolidated financial statements, we did not review the financial statements of certain consolidated subsidiaries. These statements reflect total assets (including investments accounted for under the equity method) of \$1,370,341,000 and \$1,181,082,000, constituting 1.8% and 1.7% of total consolidated assets as of June 30, 2013 and 2012 respectively, and total comprehensive income (including share of profit (loss) and other comprehensive income of associates and joint ventures accounted for under equity method) of \$7,220,000, \$11,935,000, \$32,363,000 and \$30,861,000, constituting 2.4%, 3.2%, 1.3% and 2% of the consolidated total comprehensive income for the Three-month periods ended June 30, 2013 and 2012 and the six-month periods then ended, respectively. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, “Review of Financial Statements” in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 4(3) to the consolidated financial statements and investments accounted for under equity method, we did not review the financial statements of certain consolidated subsidiaries and investees accounted for under equity method which statements reflect total assets (including investments accounted for under the equity method) of \$23,925,311,000 and \$24,730,146,000, constituting 31% and 36% of total consolidated assets as of June 30, 2013 and 2012, respectively, total liabilities (including credit balance of investments accounted for under equity method) of \$4,125,281,000 and \$4,226,904,000, constituting 12% and 13% of total consolidated liabilities as of June 30, 2013 and 2012, respectively, and comprehensive income (including share of profit or loss and share of other comprehensive income of associates and joint ventures accounted for under the equity method) of \$183,023,000 and \$98,015,000, constituting 60% and 26% of the consolidated comprehensive income for the three-month periods ended June 30, 2013 and 2012, respectively, and \$386,810,000 and \$135,615,000, constituting 16% and 9% of the consolidated comprehensive income for the six-month periods ended June 30, 2013 and 2012, respectively. These amounts and the related information disclosed in Note 13 were based on the unreviewed financial statements of such consolidated subsidiaries and investees companies.

Based on our reviews and the reports of the other auditors, except for the effect on the consolidated financial statements and related disclosures of such adjustments, if any, as might have been determined to be necessary had the financial statements of these consolidated subsidiaries and investees companies been reviewed by independent auditors as explained in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph, in all material respects, in order for them to be in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, International Accounting Standard No. 34, “Interim Financial Reporting”, and International Financial Reporting Standard No. 1, “First-time Adoption of International Financial Reporting Standards” as endorsed by the Financial Supervisory Commission (FSC).

PricewaterhouseCoopers, Taiwan

August 14, 2013

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED JUNE 30

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets		Notes	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets										
1100	Cash and cash equivalents	6(1) and 8	\$ 14,423,676	19	\$ 13,178,775	18	\$ 10,880,064	16	\$ 11,602,770	16
1110	Financial assets at fair value through profit or loss - current	6(2) and 8	246,794	-	152,882	-	178,781	-	198,334	-
1125	Available-for-sale financial assets - current	6(3) and 8	691,420	1	516,105	1	346,238	-	200,874	-
1147	Bond investments without active markets - current	6(4)	163,025	-	280,930	-	11,906	-	9,906	-
1150	Notes receivable, net	6(5)(6) and 8	1,408,848	2	1,163,129	2	1,237,089	2	1,239,636	2
1160	Notes receivable - related parties	7	37,554	-	7,128	-	463	-	14,474	-
1170	Accounts receivable, net	6(6) and 8	9,318,889	12	7,495,723	10	7,483,756	11	6,765,242	10
1180	Accounts receivable - related parties	7	675,422	1	776,630	1	313,954	-	415,095	1
1190	Receivables from customers on construction contracts	6(8)	1,065,039	1	1,065,843	2	1,087,692	2	1,807,984	3
1200	Other receivables		163,409	-	244,294	-	198,817	-	215,578	-
1210	Other receivables - related parties	7	309,032	-	381,150	1	279,880	-	350,827	-
130X	Inventory	6(7) and 8	11,075,559	15	10,761,437	15	10,445,071	15	11,069,910	16
1410	Prepayments		570,978	1	326,313	-	404,593	1	324,858	-
1460	Non-current assets held for sale - net	6(9)	75,302	-	73,673	-	-	-	-	-
1470	Other current assets	8	560,849	1	603,719	1	696,609	1	605,343	1
11XX	Current Assets		40,785,796	53	37,027,731	51	33,564,913	48	34,820,831	49
Non-current assets										
1523	Available-for-sale financial assets - non-current	6(3) and 8	10,670,283	14	11,030,914	15	11,907,126	17	11,144,890	16
1550	Investments accounted for under equity method	6(10) and 8	4,731,863	6	4,768,049	7	4,604,729	7	4,851,715	7
1600	Property, plant and equipment	6(12), 8 and 9	15,537,303	21	14,544,940	20	14,526,986	21	14,870,955	21
1760	Investment property - net	6(13)	2,175,588	3	2,198,444	3	2,205,672	3	2,218,200	3
1780	Intangible assets		99,200	-	74,087	-	82,027	-	90,629	-
1840	Deferred income tax assets	6(17)	1,231,265	2	1,267,498	2	1,192,919	2	1,272,297	2
1900	Other non-current assets	6(14) and 8	998,374	1	1,294,401	2	1,314,468	2	1,266,747	2
15XX	Non-current assets		35,443,876	47	35,178,333	49	35,833,927	52	35,715,433	51
1XXX	Total assets		\$ 76,229,672	100	\$ 72,206,064	100	\$ 69,398,840	100	\$ 70,536,264	100
Liabilities and Equity										
Current liabilities										
2100	Short-term borrowings	6(15) and 8	\$ 3,006,558	4	\$ 2,915,595	4	\$ 1,495,114	2	\$ 1,653,930	2
2120	Financial liabilities at fair value through profit or loss - current	6(16)	500	-	2,855	-	2,629	-	1,305	-
2150	Notes payable		183,831	-	228,119	-	415,420	1	248,530	-
2160	Notes payable - related parties	7	6,424	-	1,180	-	2,097	-	8,000	-
2170	Accounts payable		8,673,861	11	7,336,642	10	6,719,948	10	7,378,020	11
2180	Accounts payable - related parties	7	183,038	-	196,807	-	66,163	-	187,582	-
2190	Payables to customers on construction contracts	6(8)	207,387	-	313,710	1	271,380	-	1,102,051	2
2200	Other payables		5,704,072	8	4,182,011	6	5,337,989	8	3,614,382	5
2230	Current income tax liabilities	6(17)	379,671	1	372,322	1	275,870	-	314,194	-
2250	Provisions for liabilities - current		331,869	-	75,833	-	42,986	-	88,644	-

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED JUNE 30

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
2300	Other current liabilities	6(20)(21)	\$ 2,831,583	4	\$ 2,056,965	3	\$ 2,194,626	3	\$ 1,732,612	3
21XX	Current Liabilities		<u>21,508,794</u>	<u>28</u>	<u>17,682,039</u>	<u>25</u>	<u>16,824,222</u>	<u>24</u>	<u>16,329,250</u>	<u>23</u>
	Non-current liabilities									
2530	Corporate bonds payable	6(19)	2,965,641	4	2,902,653	4	-	-	-	-
2540	Long-term borrowings	6(20) and 8	5,078,119	7	7,905,912	11	10,463,224	15	11,973,030	17
2550	Provisions for liabilities - non-current		91,574	-	105,794	-	83,328	-	140,856	-
2570	Deferred income tax liabilities	6(17)	1,924,986	2	1,720,753	2	1,883,350	3	1,760,054	3
2600	Other non-current liabilities	6(10)(21)(22)	2,731,526	4	2,603,223	4	2,725,352	4	2,610,388	4
25XX	Non-current liabilities		<u>12,791,846</u>	<u>17</u>	<u>15,238,335</u>	<u>21</u>	<u>15,155,254</u>	<u>22</u>	<u>16,484,328</u>	<u>24</u>
2XXX	Total Liabilities		<u>34,300,640</u>	<u>45</u>	<u>32,920,374</u>	<u>46</u>	<u>31,979,476</u>	<u>46</u>	<u>32,813,578</u>	<u>47</u>
	Equity attributable to owners of parent									
	Share capital	6(24)								
3110	Share capital - common stock		18,727,172	25	18,471,209	26	18,432,329	27	18,375,519	26
3140	Advance receipts for share capital	6(19)	493,768	1	19,760	-	24,030	-	12,500	-
	Capital surplus	6(25)								
3200	Capital surplus		6,627,408	8	5,881,995	7	5,764,613	8	5,746,161	8
	Retained earnings	6(26)								
3310	Legal reserve		4,629,663	6	4,333,193	6	4,333,193	6	4,054,872	6
3320	Special reserve		3,737,786	5	3,737,786	5	3,737,786	5	3,737,786	5
3350	Total unappropriated retained earnings	6(17)	6,337,875	8	6,697,545	9	5,071,669	7	5,764,461	8
	Other equity interest	6(27)								
3400	Other equity interest		(1,311,533)	(2)	(1,645,960)	(2)	(1,081,673)	(1)	(1,279,759)	(2)
3500	Treasury stocks	6(10)(24) and 8	<u>(320,839)</u>	<u>-</u>	<u>(320,839)</u>	<u>-</u>	<u>(320,839)</u>	<u>-</u>	<u>(320,839)</u>	<u>-</u>
31XX	Equity attributable to owners of the parent		<u>38,921,300</u>	<u>51</u>	<u>37,174,689</u>	<u>51</u>	<u>35,961,108</u>	<u>52</u>	<u>36,090,701</u>	<u>51</u>
36XX	Non-controlling interest		<u>3,007,732</u>	<u>4</u>	<u>2,111,001</u>	<u>3</u>	<u>1,458,256</u>	<u>2</u>	<u>1,631,985</u>	<u>2</u>
3XXX	Total equity		<u>41,929,032</u>	<u>55</u>	<u>39,285,690</u>	<u>54</u>	<u>37,419,364</u>	<u>54</u>	<u>37,722,686</u>	<u>53</u>
	Significant contingent liabilities and unrecognized contract commitments	9								
	Significant event after the balance sheet date	11								
	Total liabilities and equity		<u>\$ 76,229,672</u>	<u>100</u>	<u>\$ 72,206,064</u>	<u>100</u>	<u>\$ 69,398,840</u>	<u>100</u>	<u>\$ 70,536,264</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 14, 2013.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2013		2012		2013		2012	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(28) and 7	\$ 15,023,036	100	\$ 12,193,776	100	\$ 28,288,402	100	\$ 23,759,390	100
5000 Operating costs	6(32) and 7	(11,548,138)	(77)	(9,116,782)	(75)	(21,647,285)	(76)	(17,986,465)	(75)
5900 Net operating margin		3,474,898	23	3,076,994	25	6,641,117	24	5,772,925	25
5910 Unrealized (profit) loss from sales		2,896	-	(2,525)	-	(11,543)	-	(9,582)	-
5920 Realized profit on from sales		-	-	-	-	14,439	-	6,952	-
5950 Net operating margin		3,477,794	23	3,074,469	25	6,644,013	24	5,770,295	25
Operating expenses	6(32)								
6100 Selling expenses		(1,083,690)	(7)	(907,730)	(7)	(2,022,191)	(7)	(1,773,009)	(7)
6200 General & administrative expenses		(734,539)	(5)	(694,486)	(6)	(1,462,942)	(5)	(1,335,314)	(6)
6300 Research and development expenses		(398,255)	(2)	(353,482)	(3)	(746,320)	(3)	(643,898)	(3)
6000 Total operating expenses		(2,216,484)	(14)	(1,955,698)	(16)	(4,231,453)	(15)	(3,752,221)	(16)
6900 Operating profit		1,261,310	9	1,118,771	9	2,412,560	9	2,018,074	9
Non-operating income and expenses									
7010 Other income	6(4)(13)(29) and 7	187,690	1	172,138	1	285,082	1	268,749	1
7020 Other gains and losses	6(2)(16)(30)	127,841	1	(4,756)	-	161,599	1	(107,026)	(1)
7050 Finance costs	6(12)(31)	(63,324)	-	(57,386)	(1)	(125,775)	(1)	(106,775)	-
7060 Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(10)	57,720	-	(42,360)	-	63,765	-	(37,362)	-
7000 Total non-operating revenue and expenses		309,927	2	67,636	-	384,671	1	17,586	-
7900 Profit before income tax		1,571,237	11	1,186,407	9	2,797,231	10	2,035,660	9
7950 Income tax (expense) benefit	6(17)	(410,242)	(3)	(395,339)	(3)	(770,059)	(3)	(650,369)	(3)
8200 Profit for the year		\$ 1,160,995	8	\$ 791,068	6	\$ 2,027,172	7	\$ 1,385,291	6

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

Items			Three months ended June 30		Six months ended June 30					
			2013		2012		2013		2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Notes										
Other comprehensive income										
8310	Financial statements translation differences of foreign operations	6(27)	(\$ 186,918)	(1)	\$ 51,606	-	\$ 294,184	1	(\$ 154,643)	(1)
8325	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(27)	(673,821)	(5)	(434,990)	(3)	135,033	1	334,752	2
8399	Income tax relating to the components of other comprehensive income	6(17)	5,558	-	(32,529)	-	(29,321)	-	13,295	-
8300	Other comprehensive income for the period		(\$ 855,181)	(6)	(\$ 415,913)	(3)	\$ 399,896	2	\$ 193,404	1
8500	Total comprehensive income for the period		\$ 305,814	2	\$ 375,155	3	\$ 2,427,068	9	\$ 1,578,695	7
Profit, attributable to:										
8610	Owners of the parent		\$ 1,040,258	7	\$ 758,593	6	\$ 1,858,895	6	\$ 1,319,333	6
8620	Non-controlling interest		120,737	1	32,475	-	168,277	1	65,958	-
			\$ 1,160,995	8	\$ 791,068	6	\$ 2,027,172	7	\$ 1,385,291	6
Comprehensive income attributable to:										
8710	Owners of the parent		\$ 269,810	2	\$ 346,481	3	\$ 2,193,322	8	\$ 1,517,419	7
8720	Non-controlling interest		36,004	-	28,674	-	233,746	1	61,276	-
			\$ 305,814	2	\$ 375,155	3	\$ 2,427,068	9	\$ 1,578,695	7
Basic earnings per share			6(18)							
9750	Profit attributable to owners of the parent		\$ 0.56		\$ 0.42		\$ 1.01		\$ 0.73	
Diluted earnings per share			6(18)							
9850	Profit attributable to owners of the parent		\$ 0.56		\$ 0.41		\$ 1.01		\$ 0.72	

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 14, 2013.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	Equity attributable to owners of the parent			Retained Earnings			Other equity interest			Total	Non-controlling interest	Total equity
	Share capital - common stock	Advance receipts for share capital	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks			
<u>Six-month Period Ended June 30, 2012</u>												
Balance at January 1, 2012	\$ 18,375,519	\$ 12,500	\$ 5,746,161	\$ 4,054,872	\$ 3,737,786	\$ 5,764,461	\$ -	(\$ 1,279,759)	(\$ 320,839)	\$ 36,090,701	\$ 1,631,985	\$ 37,722,686
Appropriations of 2011 net income (Note)												
Legal reserve	-	-	-	278,321	-	(278,321)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,661,072)	-	-	-	(1,661,072)	-	(1,661,072)
Exercise of employee stock options	56,810	11,530	18,452	-	-	-	-	-	-	86,792	-	86,792
Effect of changes in ownership percentage of investee companies	-	-	-	-	-	(72,732)	-	-	-	(72,732)	-	(72,732)
Change of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(235,005)	(235,005)
Other comprehensive income	-	-	-	-	-	-	(139,643)	337,729	-	198,086	(4,682)	193,404
Total consolidated income	-	-	-	-	-	1,319,333	-	-	-	1,319,333	65,958	1,385,291
Balance at June 30, 2012	<u>\$ 18,432,329</u>	<u>\$ 24,030</u>	<u>\$ 5,764,613</u>	<u>\$ 4,333,193</u>	<u>\$ 3,737,786</u>	<u>\$ 5,071,669</u>	<u>(\$ 139,643)</u>	<u>(\$ 942,030)</u>	<u>(\$ 320,839)</u>	<u>\$ 35,961,108</u>	<u>\$ 1,458,256</u>	<u>\$ 37,419,364</u>
<u>Six-month Period Ended June 30, 2013</u>												
Balance at January 1, 2013	\$ 18,471,209	\$ 19,760	\$ 5,881,995	\$ 4,333,193	\$ 3,737,786	\$ 6,697,545	(\$ 366,207)	(\$ 1,279,753)	(\$ 320,839)	\$ 37,174,689	\$ 2,111,001	\$ 39,285,690
Appropriations of 2012 net income (Note)												
Legal reserve	-	-	-	296,470	-	(296,470)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,922,095)	-	-	-	(1,922,095)	-	(1,922,095)
Exercise of employee stock options	43,360	195,683	11,568	-	-	-	-	-	-	250,611	-	250,611
Converted from convertible corporate bonds	212,603	278,325	733,845	-	-	-	-	-	-	1,224,773	-	1,224,773
Change of non-controlling interests	-	-	-	-	-	-	-	-	-	-	662,985	662,985
Other comprehensive income	-	-	-	-	-	-	255,431	78,996	-	334,427	65,469	399,896
Total consolidated income	-	-	-	-	-	1,858,895	-	-	-	1,858,895	168,277	2,027,172
Balance at June 30, 2013	<u>\$ 18,727,172</u>	<u>\$ 493,768</u>	<u>\$ 6,627,408</u>	<u>\$ 4,629,663</u>	<u>\$ 3,737,786</u>	<u>\$ 6,337,875</u>	<u>(\$ 110,776)</u>	<u>(\$ 1,200,757)</u>	<u>(\$ 320,839)</u>	<u>\$ 38,921,300</u>	<u>\$ 3,007,732</u>	<u>\$ 41,929,032</u>

Note : For the years ended December 31, 2012 and 2011, directors' and supervisors' remuneration amounting to \$106,729 and \$100,196, respectively, and employees' bonus amounting to \$204,141 and \$202,327, respectively had been deducted from the consolidated statements of income.

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 14, 2013.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(UNAUDITED)

	2013/1/1~6/30		2012/1/1~6/30
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the period	\$ 2,797,231	\$	2,035,660
Adjustments to reconcile consolidated profit before income tax to net cash (used in) provided by operating activities			
Income and expenses having no effect on cash flows			
Net gain on financial assets at fair value through profit or loss	(27,230)	(	26,664)
Net (gain) loss on financial liabilities at fair value through profit or loss	(1,712)	(	2,629)
Reversal of allowance for doubtful accounts	(16,077)	(	76,218)
Provision for decline in value of inventories	129,637		27,572
Interest revenue	(40,472)	(	34,954)
Interest expense	117,212		99,044
Depreciation and amortization	689,262		646,440
Gain on disposal of investments	(423,081)	(	107,550)
Loss on disposal of property, plant and equipment	6,879		7,736
Gain on associates and joint ventures accounted for under equity method	(63,765)		37,362
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current	(66,682)		46,217
Notes receivable	(47,516)		24,095
Notes receivable - related parties	(30,426)		14,011
Accounts receivable	(1,522,202)	(	663,844)
Accounts receivable - related parties	101,208		101,141
Receivables from customers on constructions contract	804		720,292
Other receivables	80,885		16,761
Other receivables-related parties	72,118		70,947
Inventories	(91,016)		597,267
Prepayments	(244,665)	(	79,735)
Other current assets	134,020	(	3,510)
Net changes in liabilities relating to operating activities			
Notes payable	(96,176)		166,890
Notes payable - related parties	5,244	(	5,903)
Accounts payable	1,193,765	(	658,072)
Accounts payable - related parties	(23,673)	(	121,419)
Payables to customers on constructions contract	(106,323)	(	830,671)
Other payables	(602,146)		39,238
Provisions for liabilities	230,719	(	103,186)
Other current liabilities	527,087		462,014
Other non-current liabilities	63,819		114,964
Cash provided by generated from operations	2,746,728		2,518,554
Interest received	40,472		34,954
Cash dividends from investee companies accounted for under the equity method	115,244		150,272
Interest paid	(98,223)	(	75,747)
Income tax paid	(547,812)	(	479,327)
Net cash provided by operating activities	2,256,409		2,148,706
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in available-for-sale financial assets - current	(97,400)	(	179,996)
Decrease (increase) in bond investments without active market	117,905	(	2,000)
Increase in pledged demand and fixed deposits	(31,527)	(	22,313)
Acquisition of subsidiary	65,792		12,587
Proceeds from disposal of available-for-sale financial assets - non-current	600,448		407,527
Acquisition of available-for-sale financial assets - non-current	(608,855)	(	608,553)
Increase in investments accounted for under the equity method	(45,000)	(	17,226)
Acquisition of property, plant and equipment	(498,765)	(	365,699)
Proceeds from disposal of property, plant and equipment	13,883		125
Acquisition of intangible assets	(12,577)	(	36,484)
Increase in restricted assets	48,006		33,948
Other non-current assets	(14,708)	(	77,628)
Net cash used in investing activities	(462,798)	(	855,712)

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	<u>2013/1/1~6/30</u>	<u>2012/1/1~6/30</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Decrease in short-term loans	(\$ 38,728)	(\$ 158,816)
Issuance of bonds payable	1,457,100	-
Payments of long-term loans	(3,116,435)	(1,609,806)
Proceed from long-term loans	200,000	100,000
Exercise of employee stock option	250,611	86,792
Net cash used in financing activities	(1,247,452)	(1,581,830)
Effect of exchange rate changes	698,742	(433,870)
Increase (decrease) in cash and cash equivalents	1,244,901	(722,706)
Cash and cash equivalents at beginning of period	13,178,775	11,602,770
Cash and cash equivalents at end of period	<u>\$ 14,423,676</u>	<u>\$ 10,880,064</u>
<u>Financing activities with no effect on cash flows</u>		
Cash dividends declared	<u>\$ 1,922,095</u>	<u>\$ 1,661,072</u>
<u>Investing activities that resulted in partial cash flows</u>		
Acquisition of property, plant and equipment	\$ 378,904	\$ 223,339
Add: other payables at beginning of the period	299,844	290,489
liability under capital lease at beginning of the period	602,097	670,635
Less: other payables at end of the period	(150,299)	(151,094)
liability under capital lease at end of the period	(631,781)	(667,670)
Cash paid	<u>\$ 498,765</u>	<u>\$ 365,699</u>
<u>The book value of net assets through merging with subsidiaries</u>		
Cash and cash equivalents	\$ 361,795	\$ 214,195
Other current assets	895,456	8,589
Available-for-sale financial assets - non-current	24,703	1,091
Property, plant and equipment	587,592	13,633
Other assets	95,546	12,740
Other current liabilities	(814,231)	(138,529)
Other liabilities	(76,218)	(52,000)
Investment cost before merger	-	56,284
Non-controlling interest	(78,889)	85,605
	<u>\$ 995,754</u>	<u>\$ 201,608</u>
Acquisition price of subsidiary	\$ 296,003	\$ 201,608
Cash balance of subsidiaries	(361,795)	(214,195)
	<u>(\$ 65,792)</u>	<u>(\$ 12,587)</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 14, 2013.

aaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaa
aaaaaaaaaszz

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

(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 company limited by shares under the provisions of the Company Law 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 typxd units, 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 authorised for issuance by the Board of Directors on August 14, 2013.

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”)

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

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

IFRS 9, ‘Financial Instruments’: Classification and measurement of financial assets

A.The International Accounting Standards Board (“IASB”) published IFRS 9, ‘Financial Instruments’, in November, 2009, which will take effect on January 1, 2015 with early application permitted. Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 (“IAS 39”), ‘Financial Instruments: Recognition and Measurement’ reissued in 2009.

B.IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

C.The Group has not evaluated the overall effect of the IFRS 9 adoption. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as ‘available-for-sale financial assets’ held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognised in other comprehensive income should not be reclassified to profit or loss when such assets are derecognised. The Group recognised gain (or loss) on equity instruments amounting to \$135,033, in other comprehensive income for the six -month period ended June 30, 2013.

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

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	January 1, 2015
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date	July 1, 2011

New Standards, Interpretations

and Amendments	Main Amendments	Effective Date
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters are allowed to apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013

New Standards, Interpretations

and Amendments	Main Amendments	Effective Date
IFRS 11, 'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013
IFRS 12, 'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013

New Standards, Interpretations

and Amendments	Main Amendments	Effective Date
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past-service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income.	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognised as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, 'Inventories'.	January 1, 2013
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013

New Standards, Interpretations

and Amendments	Main Amendments	Effective Date
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendment clarifies criterion that an entity 'currently has a legally enforceable right to set off the recognised amounts' and gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.	January 1, 2014
Mandatory effective date and transition disclosures (amendment to IFRS 7 and IFRS 9)	The mandatory effective date has been postponed to January 1, 2015.	January 1, 2015
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, 'Financial instruments', and IAS 20, 'Accounting for government grants and disclosure of government assistance', prospectively to government loans that exist at the date of transition to IFRS.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	January 1, 2014
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014

The Group is assessing the potential impact of the new standards and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

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

A. These consolidated financial statements are the first second-quarter consolidated financial

statements prepared by the Group in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, IAS 34, ‘Interim Financial Reporting’, and IFRS 1, ‘First-time Adoption of International Financial Reporting Standards’, as endorsed by the FSC.

B. In the preparation of the balance sheet of January 1, 2012 (the Group’s date of transition to IFRSs), the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to the International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins as endorsed by the FSC (collectively referred herein as the “IFRSs”) on the Group’s financial position, operating results and cash flows.

(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) Liabilities on cash-settled share-based payment arrangements measured at fair value.
- (d) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised prior period’s service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs 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 special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- (b) Inter-company transactions, balances and unrealised 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) 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 recognised directly in equity.
- (d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value

and carrying amount is recognised in profit or loss. All amounts previously recognised 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 recognised 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. Conversely, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be transferred directly to retained earnings, if such gains or losses would be transferred directly to retained earnings when the related assets or liabilities are disposed of.

B.Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
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	Note 1
Teco Electric & Machinery Co., Ltd.	Tong-An Assets Management & Development Co., Ltd.	Real estate business	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Electric Europe Limited	Distribution of motors	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Electric & Machinery (Pte) Ltd.	Distribution of motors	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Tong Dai Co., Ltd.	Distribution of motors	92.63	92.63	Note 1
Teco Electric & Machinery Co., Ltd.	Tong Tai Jung Co., Ltd.	Distribution of motors	60	60	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Electro Devices Co., Ltd.	Manufacturing and sales of motors	64.08	64.08	Note 1
Teco Electric & Machinery Co., Ltd.	Yatec Engineering Corporation	Development and maintenance of various electric appliances	64.95	64.95	Note 1
Teco Electric & Machinery Co., Ltd.	Taian (Subic) Electric Co., Inc.	Manufacturing and sales of switches	76.7	76.7	Note 1
Teco Electric & Machinery Co., Ltd.	Taian-Etacom Technology Co., Ltd.	Manufacturing of busway and related components	84.73	84.73	Note 1
Teco Electric & Machinery Co., Ltd.	Taian (Malaysia) Electric Sdn. Bhd.	Manufacturing of switches	76.85	66.85	Note 1
Teco Electric & Machinery Co., Ltd.	Micropac Worldwide (BVI)	International trading	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
Teco Electric & Machinery Co., Ltd.	E-Joy International Co., Ltd.	Wholesale and retail of electric appliances	95.24	95.24	Note 1
Teco Electric & Machinery Co., Ltd.	A-Ok Technical Co., Ltd.	Repair of electric appliances	86.67	86.67	Note 1
Teco Electric & Machinery Co., Ltd.	Tecom Co., Ltd.	Touch-tone phone system and billing box	63.52	63.52	Note 1
Teco Electric & Machinery Co., Ltd.	Information Technology Total Services Co., Ltd.	E-business service, mailing and data management	71.30	71.30	Note 1
Teco Electric & Machinery Co., Ltd.	GD Teco Taiwan Co., Ltd.	Manufacturing of IC projects	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco International Investment Co., Ltd.	Various investments	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Tong-An Investment Co., Ltd.	Various investments	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Tecnos International Consultant Co., Ltd.	Business management consulting	73.54	73.54	Note 1
Teco Electric & Machinery Co., Ltd.	An-Tai International Investment Co., Ltd.	Various investments	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Taiwan Pelican Express Co., Ltd.	Delivery and logistic services	40.31	40.31	Note 1 、 Note2
Teco Electric & Machinery Co., Ltd.	Teco Technology (Vietnam) Co., Ltd.	Manufacturing and sales of motors	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Nanotech Co., Ltd.	Manufacturing and sales of nanotech material products	86.83	86.83	Note 1
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	20.16	2.97	Note 1 、 Note 5

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
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	
United View Global Investment Co., Ltd.	Great Teco Motor (Pte) Ltd.	Holding company	100	100	Note 1
United View Global Investment Co., Ltd.	Asia Air Tech Industrial (Pte) Ltd.	Holding company	100	100	Note 1
United View Global Investment Co., Ltd.	Teco Australia Pty. Ltd.	Manufacturing and sales of motors and home appliances	99.99	99.99	Note 1
United View Global Investment Co., Ltd.	P.T Teco Elektro Indonesia	Manufacturing and sales of motors and home appliances	100	100	Note 1
United View Global Investment Co., Ltd.	Teco Industrial (Malaysia) Sdn. Bhd.	Manufacturing and sales of motors	100	100	Note 1
United View Global Investment Co., Ltd.	Tecoson Industrial Development	Investment in South-East Asia and Hong Kong	100	100	Note 1
United View Global Investment Co., Ltd.	Asia Electric & Machinery (Pte) Ltd.	Holding company	100	100	Note 1
United View Global Investment Co., Ltd.	Great Teco, S.L.	Distribution of LCD	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
United View Global Investment Co., Ltd.	Teco Electric & Machinery B.V.	Distribution of LCD	100	100	Note 1
Teco Electric & Machinery (Pte) Ltd.	P.T Teco Multiguna Electro	Sales of motors in Singapore	87.5	87.5	Note 1
Teco Electric & Machinery (Pte) Ltd.	Teco (Thai) Co.	Sales of motors in Singapore	55	55	Note 1
Teco Electric & Machinery (Pte) Ltd.	Teco Electric & Machinery Sdn. Bhd.	Sales of motors in Singapore	100	100	Note 1
Teco Electric & Machinery (Pte) Ltd.	Teco (Vietnam) Electric & Machinery Company Ltd.	Manufacturing of motors	60	60	Note 1
Teco Electric & Machinery (Pte) Ltd.	TYM Electric and Machinery Sdn. Bhd.	Distribution of motors	100	100	Note 1
Teco Electro Devices Co., Ltd.	Teco Electro Devices Co., Ltd.	Trading and various investments	100	100	Note 1
Micropac Worldwide (BVI)	An-Tai International Investment (Singapore) Co., Ltd.	Investment holdings	100	100	Note 1
Teco International Investment Co., Ltd.	Tasia (Pte) Ltd.	Various investments	100	100	Note 1
Tong-An Investment Co., Ltd.	Jack Property Service & Management Company	Building management servicing	50	50	Note 1
Tong-An Investment Co., Ltd.	Tecocapital Investment (Samoa) Co., Ltd.	Holding company	100	100	Note 1
Tong-An Investment Co., Ltd.	Tecocapital Investment Co., Ltd.	Holding company	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
Taiwan Pelican Express Co., Ltd.	Pelecanus Express Pte. Ltd.	Holding company	100	100	Note 1
Teco Westinghouse Motor Company	Teco Westinghouse Motor Company S. A. de C.V.	Manufacturing and sales of motors and generators	100	100	Note 1
Tecom Co., Ltd.	Tecom International Investment Co., Ltd.	Business of investment in various undertakings	100	100	Note 1
Tecom Co., Ltd.	Baycom Opto-Electronics Technology Co., Ltd.	Manufacturer 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	Note 1
Tecom Co., Ltd.	Tecom Global Tech Investment (B.V.I.) Limited	Business of investment in various undertakings	100	100	Note 1
Tecom Co., Ltd.	Tecom Global Tech Investment Pte Limited	Business of investment in various undertakings	100	100	Note 1
Tecom Co., Ltd.	Tecom Tech Investment (B.V.I.) Limited	Business of investment in various undertakings	100	100	Note 1
Kuen Ling Machinery Refrigerating Co., Ltd.	Ching Chi International Limited	Investment in other areas	100	100	Note 1
Kuen Ling Machinery Refrigerating Co., Ltd.	K.A. Corp.	Commodity sales and trading business	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
Kuen Ling Machinery Refrigerating Co., Ltd.	I Chi Industrial Co., Ltd.	General manufacturing	70	70	Note 1
Kuen Ling Machinery Refrigerating Co., Ltd.	Cozy Air-Conditioning Co., Ltd.	General manufacturing	100	100	Note 1
Great Teco Motor (Pte) Ltd.	Suzhou Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors and generators	100	100	Note 1
Great Teco Motor (Pte) Ltd.	Wuxi Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors and generators	82.35	82.35	Note 1
Great Teco Motor (Pte) Ltd.	Jiangxi Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors	91.67	91.67	Note 1
Great Teco Motor (Pte) Ltd.	Qingdao Teco Precision Mechatronics Co., Ltd.	Manufacturing and sales of motors	85.31	85.31	Note 1
Great Teco Motor (Pte) Ltd.	Fujian Teco Precision Co., Ltd.	Manufacturing and sales of electric components	100	100	Note 1
Great Teco Motor (Pte) Ltd.	Shanghai Teco Electric & Machinery Co., Ltd.	Agents and sales of motors	100	100	Note 1
Asia Air Tech Industrial (Pte) Ltd.	Teco (Dong Guang) Air Conditioning Equipment Co., Ltd.	Manufacturing and sales of air-conditioning mechanical equipment	100	100	Note 1
Teco Australia Pty. Ltd.	Teco (New Zealand) Limited	Manufacturing and sales of motors and home appliances	100	100	Note 1
Tecoson Industrial Development (Pte) Ltd.	Tecoson HK Co., Ltd.	Various investments	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Nanchang Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of home appliances	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
Asia Electric & Machinery (Pte) Ltd.	Xiamen Teco Technology Co., Ltd.	Distribution of motors and home appliances	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Asia Innovative Technology Co., Ltd.	Distribution of LCD	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Qingdao Teco Century Advanced High-tech Mechatronics Co., Ltd.	Manufacturing and sales of centrifugal compressor and centrifugal chiller	50	50	Note 1 Note 3
Asia Electric & Machinery (Pte) Ltd.	Tianjin Teco Technology Co., Ltd.	Operations center in Central China	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Jiangxi TECO Air Conditioning Equipment Co., Ltd.	Manufacturing and sales of various air-conditioning units	100	100	Note 1
Teco Electric & Machinery B.V.	Teco Electric & Machinery GmbH.	Manufacturing and sales of motors	100	100	Note 1
Teco Electro Devices Co., Ltd.	Taichang Teco Electro Devices Co.	Manufacturing and sales of motors	100	100	Note 1
An-Tai International Investment (Singapore) Co., Ltd.	Tai-An Technology (Wuxi) Co., Ltd.	Manufacturing and sales of fiber electric equipment	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
Tecom International Investment Co., Ltd.	WondaLink Inc.	Wired Communication Equipment and Apparatus, Manufacturing, Telecommunication Equipment and Apparatus Manufacturing, Electronic Parts and Components Manufacturing	80	80	Note 1
Tecom Global Tech Investment (B.V.I.) Limited	Wuhan Tecom Co., Ltd.	Communication network information technology development, sales and technology services business	100	100	Note 1
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 ; for sale of products to provide technology services	100	100	Note 1 、 Note 4

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
Tecom Global Tech Investment (B.V.I.) Limited	Tecom Tech Investment (BVI) Limited	Flat panel displays, IT products, printed circuit board assembly, manufacture , testing and communication products and equipment R & D reproduction	100	100	Note 1
Tecom Global Tech Investment (B.V.I.) Limited	Beijing Tecom Innovation Technology Co., Ltd.	Intelligent home systems and spare parts of the Internet of Things, fixed-line mobile phone multi-network integration of family related systems and spare parts, the broadband access network communication system hardware, software and accessories, wireless network communication system hardware and software, and zero communication system hardware and software and spare parts business communications telephone system, batch systems and spare parts and spare parts wholesale, import and export of goods and technology import and export, import and export agency, to provide technical advice, technical training, technology services	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
Tasia (Pte) Ltd.	Sankyo Co., Ltd.	Sales of home appliances	100	100	Note1
Tecocapital Investment (Samoa) Co., Ltd.	Qingdao TECO Innovation Co., Ltd.	Science Park development and business operations consulting services	100	100	Note1
Tecocapital Investment Co., Ltd.	Technical Information International Co., Ltd.	Development and sales of software	70	70	Note1
Pelecanus Express Pte. Ltd.	Beijing Pelican Express Co., Ltd.	Storage services	100	100	Note1
Ching Chi International Limited	Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd.	Manufacturing and sales of water-cooled chiller etc.	100	100	Note1
Ching Chi International Limited	Suzhou KuenYuan Refrigerating Equipment Co., Ltd.	General manufacturing	100	100	Note1
K.A. Corp.	Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd.	General manufacturing	100	100	Note1
Tai-An Technology (Wuxi) Co., Ltd.	Teco Sichuan Trading Co., Ltd.	Sales of motors and home appliances	100	100	Note1

- Note 1 : The financial statements as of June 30, 2013 and 2012 of the subsidiary were not reviewed because it's not the significant subsidiary of the company.
- Note 2 : The Company sold part of its ownership in Taiwan Pelican Express Co., Ltd. in August, 2012, so that its ownership does not reach 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., so Taiwan Pelican Express Co., Ltd. continues to be included in the consolidated entities.
- Note 3 : This group uses the proportion merge to recognize row it rights and interests of in the union control individual, if it to property of, the debt, the income and the expense the union control individual damages the share by the line in the financial report the similar project merge.
- Note 4 : The Board of Directors meeting of the subsidiary made a resolution on October 16, 2012 to close the operations of Tecom Tech (Wuxi) Co., Ltd. Accordingly, the investments in Tecom Tech (Wuxi) Co., Ltd were reclassified to 'long-term equity investments to be disposed of' at net realizable value on the balance sheet date. And the assets and liabilities of Tecom Tech (Wuxi) Co., Ltd were presented separately in the consolidated financial statements.
- Note 5 : The Company has the right to dominate the subsidiary's board of directors and has effective control over it, so the subsidiary is included in the consolidated financial statements.

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2012	January 1, 2012	
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	Note 1
Teco Electric & Machinery Co., Ltd.	Tong-An Assets Management & Development Co., Ltd.	Real estate business	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Electric Europe Limited	Distribution of motors	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Electric & Machinery (Pte) Ltd.	Distribution of motors	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Tong Dai Co., Ltd.	Distribution of motors	92.63	92.63	Note 1
Teco Electric & Machinery Co., Ltd.	Tong Tai Jung Co., Ltd.	Distribution of motors	60	60	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Electro Devices Co., Ltd.	Manufacturing and sales of motors	64.08	64.08	Note 1
Teco Electric & Machinery Co., Ltd.	Yatec Engineering Corporation	Development and maintenance of various electric appliances	64.95	64.95	Note 1
Teco Electric & Machinery Co., Ltd.	Taian (Subic) Electric Co., Inc.	Manufacturing and sales of switches	76.7	76.7	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2012	January 1, 2012	
Teco Electric & Machinery Co., Ltd.	Taian-Etacom Technology Co., Ltd.	Manufacturing of busway and related components	84.73	84.73	Note 1
Teco Electric & Machinery Co., Ltd.	Taian (Malaysia) Electric Sdn. Bhd.	Manufacturing of switches	66.85	66.85	Note 1
Teco Electric & Machinery Co., Ltd.	Micropac Worldwide (BVI)	International trading	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Great Teco Whirlpool Co., Ltd.	Distribution of Whirlpool's home appliances	100	60	Note 1
Teco Electric & Machinery Co., Ltd.	E-Joy International Co., Ltd.	Wholesale and retail of electric appliances	79.37	79.37	Note 1
Teco Electric & Machinery Co., Ltd.	A-Ok Technical Co., Ltd.	Repair of electric appliances	86.67	86.67	Note 1
Teco Electric & Machinery Co., Ltd.	Media Vision Inc.	Design of telecommunications equipped with wires and wireless	78.63	78.63	Note 1
Teco Electric & Machinery Co., Ltd.	Information Technology Total Services Co., Ltd.	E-business service, mailing and data management	71.30	71.30	Note 1
Teco Electric & Machinery Co., Ltd.	GD Teco Taiwan Co., Ltd.	Manufacturing of IC projects	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco International Investment Co., Ltd.	Various investments	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2012	January 1, 2012	
Teco Electric & Machinery Co., Ltd.	Tong-An Investment Co., Ltd.	Various investments	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Tecnos International Consultant Co., Ltd.	Business management consulting	68.28	68.28	Note 1
Teco Electric & Machinery Co., Ltd.	An-Tai International Investment Co., Ltd.	Various investments	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Taiwan Pelican Express Co., Ltd.	Delivery and logistic services	61.12	61.12	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Technology (Vietnam) Co., Ltd.	Manufacturing and sales of motors	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Nanotech Co., Ltd.	Manufacturing and sales of nanotech material products	86.83	38.6	Note 1 、 Note 2
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	
United View Global Investment Co., Ltd.	Great Teco Motor (Pte) Ltd.	Holding company	100	100	Note 1
United View Global Investment Co., Ltd.	Asia Air Tech Industrial (Pte) Ltd.	Holding company	100	100	Note 1
United View Global Investment Co., Ltd.	Teco Australia Pty. Ltd.	Manufacturing and sales of motors and home appliances	99.99	99.99	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2012	January 1, 2012	
United View Global Investment Co., Ltd.	P.T Teco Elektro Indonesia	Manufacturing and sales of motors and home appliances	100	100	Note 1
United View Global Investment Co., Ltd.	Teco Industrial (Malaysia) Sdn. Bhd.	Manufacturing and sales of motors	100	100	Note 1
United View Global Investment Co., Ltd.	Tecoson Industrial Development (Pte) Ltd.	Investment in South-East Asia and Hong Kong	100	100	Note 1
United View Global Investment Co., Ltd.	Asia Electric & Machinery (Pte) Ltd.	Holding company	100	100	Note 1
United View Global Investment Co., Ltd.	Great Teco, S.L.	Distribution of LCD	100	100	Note 1
United View Global Investment Co., Ltd.	Teco Electric & Machinery B.V.	Distribution of LCD	100	100	Note 1
Teco Electric & Machinery (Pte) Ltd.	Tong Yuan Electronic & Machinery Sdn. Bhd.	Sales of motors in Singapore	100	100	Note 1
Teco Electric & Machinery (Pte) Ltd.	P.T Teco Multiguna Electro	Sales of motors in Singapore	87.5	87.5	Note 1
Teco Electric & Machinery (Pte) Ltd.	Teco (Thai) Co.	Sales of motors in Singapore	55	55	Note 1
Teco Electric & Machinery (Pte) Ltd.	Teco Electric & Machinery Sdn. Bhd.	Sales of motors in Singapore	100	100	Note 1
Teco Electric & Machinery (Pte) Ltd.	Teco (Vietnam) Electric & Machinery Company Ltd.	Manufacturing of motors	60	60	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2012	January 1, 2012	
Teco Electric & Machinery (Pte) Ltd.	TYM Electric and Machinery Sdn. Bhd.	Distribution of motors	100	100	Note 1
Teco Electro Devices Co., Ltd.	Teco Electro Devices Co., Ltd.	Trading and various investments	100	100	Note 1
Micropac Worldwide (BVI)	An-Tai International Investment (Singapore) Co., Ltd.	Investment holdings	100	100	Note 1
Teco International Investment Co., Ltd.	Tasia (Pte) Ltd.	Various investments	100	100	Note 1
Tong-An Investment Co., Ltd.	Jack Property Service & Management Company	Building management servicing	50	50	Note 1
Tong-An Investment Co., Ltd.	Tecocapital Investment (Samoa) Co., Ltd.	Holding company	100	100	Note 1
Taiwan Pelican Express Co., Ltd.	Pelecanus Express Pte. Ltd.	Delivery and logistic services	100	100	Note 1
Teco Westinghouse Motor Company	Teco Westinghouse Motor Company S. A. de C.V.	Manufacturing and sales of motors and generators	100	100	Note 1
Great Teco Motor (Pte) Ltd.	Suzhou Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors and generators	100	100	Note 1
Great Teco Motor (Pte) Ltd.	Wuxi Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors and generators	82.35	82.35	Note 1
Great Teco Motor (Pte) Ltd.	Jiangxi Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors	91.67	91.67	Note 1
Great Teco Motor (Pte) Ltd.	Qingdao Teco Precision Mechatronics Co., Ltd.	Manufacturing and sales of motors	85.31	85.31	Note 1
Great Teco Motor (Pte) Ltd.	Fujian Teco Precision Co., Ltd.	Manufacturing and sales of electric components	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2012	January 1, 2012	
Asia Air Tech Industrial (Pte) Ltd.	Teco (Dong Guang) Air Conditioning Equipment Co., Ltd.	Manufacturing and sales of air-conditioning mechanical equipment	100	100	Note 1
Teco Australia Pty. Ltd.	Teco (New Zealand) Limited	Manufacturing and sales of motors and home appliances	100	100	Note 1
Tecoson Industrial Development (Pte) Ltd.	Tecoson HK Co., Ltd.	Various investments	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Nanchang Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of home appliances	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Xiamen Teco Technology Co., Ltd.	Distribution of motors and home appliances	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Asia Innovative Technology Co., Ltd.	Distribution of LCD	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Qingdao Teco Century Advanced High-tech Mechatronics Co., Ltd.	Manufacturing and sales of centrifugal compressor and centrifugal chiller	50	50	Note 1 、 Note 3
Asia Electric & Machinery (Pte) Ltd.	Tianjin Teco Technology Co., Ltd.	Operations center in Central China	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Jiangxi TECO Air Conditioning Equipment Co., Ltd.	Manufacturing and sales of various air-conditioning units	100	100	Note 1
Teco Electro Devices Co., Ltd.	Taichang Teco Electro Devices Co.	Manufacturing and sales of motors	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2012	January 1, 2012	
An-Tai International Investment (Singapore) Co., Ltd.	Tai-An Technology (Wuxi) Co., Ltd.	Manufacturing and sales of fiber electric equipment	100	100	Note 1
Tasia (Pte) Ltd.	Sankyo Co., Ltd.	Sales of home appliances	100	100	Note 1
Tecocapital Investment (Samoa) Co., Ltd.	Qingdao TECO Innovation Co., Ltd.	Science Park development and business operations consulting services	100	100	Note 1
Pelecanus Express Pte. Ltd.	Beijing Pelican Express Co., Ltd.	Storage services	100	100	Note 1
Tai-An Technology (Wuxi) Co., Ltd.	Teco Sichuan Trading Co., Ltd.	Sales of motors and home appliances	100	100	Note 1

Note 1 : The financial statements as of June 30, 2013 and 2012 of the subsidiary were not reviewed because it's not the significant subsidiary of the company.

Note 2 : The subsidiary made a capital increase in January, 2012 and the group acquired all of the common stocks that were newly issued. After the capital increase, the group owns more than 50% of the voting stock of the subsidiary.

Note 3 : The company adopted proportionate consolidation method to consolidate the jointly controlled entity.

(A) Total assets of \$5,903,582 and \$9,238,883 for the years ended December 31, 2012 and 2011, (including investments accounted for under equity method), respectively, total liabilities of \$549,841 and \$728,166 as of December 31, 2012 and 2011 (including investments accounted for under equity method credit balance), respectively, were accounted for based on the subsidiaries' financial statements that were audited by other auditors.

(B) We did not review the financial statements of certain consolidated subsidiaries which statements reflect total assets of \$23,925,311 and \$24,730,146, as of June 30, 2013 and 2012, respectively, total liabilities of \$4,125,281 and \$4,226,904, as of June 30, 2013 and 2012, respectively, and total net income of \$183,023, \$98,015, \$386,810 and \$135,615, of total consolidated net income for the three-month periods ended June 30, 2013 and 2012 and the six-month periods ended June 30, 2013 and 2012, respectively.

C.Subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
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.	Taiwan Pei Li Tone Co., Ltd.	Transport and distribution	68.03	68.03	Note 1
Teco Electric & Machinery Co., Ltd.	An-Sheng Travel Co., Ltd.	Travel Industry	96	96	Note 1
Teco Electric & Machinery Co., Ltd.	Taian-Jaya Electric Sdn. Bhd.	Manufacturing and sales of home appliances	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-Techology (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	Note 1
An-Tai International Investment Co., Ltd.	Hubbell-Taian Co., Ltd.	Loses the power distribution appliance, the illumination appliance, the explosion-proof appliance import and export of and the sale and so on and the attached product	49.99	49.99	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
An-Tai International Investment Co., Ltd.	Antech Automation Corp.	Automated control product and project sale	100	100	Note 1
Hubbell-Taian Co., Ltd.	Hubbell-Anmex International(s) Pte. Ltd.	Distribution of electronic products	100	100	Note 1
Information Technology Total Services Co., Ltd.	Information Technology Total Service (BVI) Co., Ltd.	Holding company	100	100	Note 1
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Engaged in various business documents received Arrange the classification, print letters and other business equipment	100	100	Note 1
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Is engaged in services and so on information software, data processing and electronic information supply	100	100	Note 1
Information Technology Total Service (BVI) Co., Ltd.	Information Technology Total Service (Hang Zhu) Co., Ltd.	Is engaged in services and so on information software, data processing and electronic information supply	100	100	Note 1
Information Technology Total Service (BVI) Co., Ltd.	Information Technology (Wuxi) Co., Ltd.	Is engaged in services and so on information software, data processing and electronic information supply	100	100	Note 1
Information Technology (Wuxi) Co., Ltd.	Information Technology Total Service (Xiamen) Ltd.	Is engaged in services and so on information software, data processing and electronic information supply	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2013	December 31, 2012	
Tong-An Assets Management & Development Co., Ltd.	Grey Back International Property Inc.	Real estate management and development	54.83	54.83	Note 1
Teco (Dong Guang) Air Conditioning	Ecoelectric International Co., Ltd.	Responsible for sales in Shanghai, Zhejiang, Dongguan Dongcheng District conditioning products	50	50	Note 1
Tasia (Pte) Ltd.	TTMC Co., Ltd.	Engaged in a variety of investment business	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

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2012	January 1, 2012	
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
Tong-An Investment Co., Ltd.	Taiwan Pei Li Tone Co., Ltd.	Transport and distribution	68.03	68.03	Note 1
Teco Electric & Machinery Co., Ltd.	An-Sheng Travel Co., Ltd.	Travel Industry	76.80	76.80	Note 1
Teco Electric & Machinery Co., Ltd.	Titco International Corp.	Development and sales of software	-	100	Note 1 、 Note 2
Teco Electric & Machinery Co., Ltd.	Taian-Jaya Electric Sdn. Bhd.	Manufacturing and sales of home appliances	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-Techology (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	Note 1
An-Tai International Investment Co., Ltd.	Hubbell-Taian Co., Ltd.	Loses the power distribution appliance, the illumination appliance, the explosion-proof appliance import and export of and the sale and so on and the attached product	49.99	49.99	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2012	January 1, 2012	
An-Tai International Investment Co., Ltd.	Antech Automation Corp.	Sales of automated control product and project	100	100	Note 1
Hubbell-Taian Co., Ltd.	Hubbell-Anmex International(s) Pte. Ltd.	Distribution of electronic products	100	100	Note 1
Information Technology Total Services Co., Ltd.	Information Technology Total Service (BVI) Co., Ltd.	Holding company	100	100	Note 1
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Engaged in various business documents received Arrange the classification, print letters and other business equipment	100	100	Note 1
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Is engaged in services and so on information software, data processing and electronic information supply	100	100	Note 1
Information Technology Total Service (BVI) Co., Ltd.	Information Technology Total Service (Hang Zhu) Co., Ltd.	Is engaged in services and so on information software, data processing and electronic information supply	100	100	Note 1
Information Technology (Wuxi) Co., Ltd.	Information Technology Total Service (Xiamen) Ltd.	Is engaged in services and so on information software, data processing and electronic information supply	100	100	Note 1
Tong-An Assets Management & Development Co., Ltd.	Grey Back International Property Inc.	Real estate management and development	54.83	54.83	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			June 30, 2012	January 1, 2012	
Teco (Dong Guang) Air Conditioning	Ecoelectric International Co., Ltd.	Sales of product of Teco Dong Guang	50	50	Note 1
Tasia (Pte) Ltd.	TTMC Co., Ltd.	Engaged in a variety of investment business	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 was liquidated in April of 2012.

D.Adjustments for subsidiaries with different balance sheet dates: None.

E.Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(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)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.
- (b)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 as part of the fair value gain 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.
- (c)All other foreign exchange gains and losses based on the nature of those transactions 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 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 a foreign operation is partially disposed of or sold, 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.

- (c) Goodwill 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 the 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 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 paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off 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

A. In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

B. Cash equivalents refer to short-term highly liquid investments that meet both the following criteria:

- (a) Readily convertible to known amount of cash; and
- (b) Subject to an insignificant risk of changes in value.

(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 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.

(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 recognised 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'.

(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 recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

B. Bond investments 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, bond investments without active market are recognised and derecognised using trade date accounting.

(c) Bond investments without active market are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(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 an 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 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 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 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.

(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.

(11) Derecognition of financial assets

The Group 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 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) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress 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 recognised 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) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(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 recognised 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 recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise 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 that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised 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 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.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate, if it 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 still 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.

H. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Joint ventures — Jointly controlled entities

The Group accounts for its interest in joint ventures by proportionately consolidating its share of joint ventures' assets, liabilities, revenue/income and expenses/losses to the similar items in the consolidated financial statements, respectively. Unrealised 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 realisable value of current assets or an impairment loss, all such losses shall be recognised immediately.

(17) 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 Group 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. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. 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
Leasehold assets	30 years

(18) Leased assets/ 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 recognised 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. An operating lease is a lease other than a finance lease. 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.

(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

Intangible assets are stated at cost. Intangible assets are amortized on the straight-line basis over their estimated useful economic lives.

(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 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. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss.

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.

(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 draw-down 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(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 derecognised 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group 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 Group, 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.

(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 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.

(29) Provisions for other liabilities

Provisions (including product warranties, etc.) are recognised 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 recognised as interest expense. Provisions are not recognised 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 recognised 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. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. 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 obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows 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 such corporate bonds, the Group uses interest rates of

- government bonds (at the balance sheet date) instead.
- ii. Actuarial gains and losses arising on defined benefit plans are recognised in profit or loss using the corridor method.
- iii. Past-service costs are recognised immediately in profit or loss if vested immediately; if not, the past-service costs are amortised on a straight-line basis over the vesting period.
- iv. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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 recognises termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus 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. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(31) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(32) 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 charge 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 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 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. Tax preference given for expenditures incurred on acquisitions of equipment or technology, research and development, employees' training and equity investments is recorded using the income tax credits accounting.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. 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.

(33) Share capital

- A. 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.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(34) 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.

(35) 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 of value-added 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 should be recognised 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 recognised. The volume discounts are estimated based on the anticipated annual sales quantities.

B. Sales of services

The Group provides products repair services. Revenue from delivering 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 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 an 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 recognised 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.

(36) Government grants

Government grants are recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(37) 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. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

B. If the total of the fair values of the consideration of acquisition and any non-controlling interest in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired, the difference is recorded as goodwill; if less than the fair value of the Group's share of the identifiable net assets acquired (bargain purchase), the difference is recognised directly in profit or loss.

(38) 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 judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Judgements and estimates are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

(1) Critical judgements 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 judgement. In making this judgement, 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.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would suffer an additional loss of \$1,419,582 in its

2013 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 or being the recognition of the impairment loss on the impaired financial assets measured at cost in profit or loss.

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 Group decides it to be a 'consignor' or an 'agent' of a transaction based on whether the transaction exposes the Group to significant risks and rewards of ownership related to the sale of goods in terms of the type of trading and its economic substance. If the Group is determined as a consignor, the gross of proceeds received or receivable from a customer is recognised as revenue; however, if as an agent, the net trading amount is recognised as commission revenue.

When meeting the following characteristics of a 'consignor', the Group recognises revenue on a gross basis:

- (a) The Group has primary responsibilities for the goods or services it provides;
- (b) The Group takes inventory risk;
- (c) The Group is free to price the goods or services directly or indirectly;
- (d) The Group takes credit risk of customer.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Revenue recognition

In principle, sales revenues are recognised when the earning process is completed. The Group estimates discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognised. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

B. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

C. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, 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.

D. Impairment assessment of investments accounted for under the equity method

The Group assesses the impairment of an investment accounted for under the equity method as soon as there any indication that it might have been impaired and its carrying amount cannot be recoverable. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the

Group's share of expected future cash flows of the investee, and analyzes the reasonableness of related assumptions.

E. Realisability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of June 30, 2013, the Group recognised deferred income tax assets amounting to \$1,231,265.

F. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of June 30, 2013, the carrying amount of inventories was \$11,075,559.

G. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

H. Financial assets—fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

As of June 30, 2013, the carrying amount of unlisted stocks was \$3,378,325.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2013	December 31, 2012
Cash on hand and revolving funds	\$ 18,697	\$ 8,287
Checking accounts and demand deposits	10,562,791	10,828,244
Cash equivalents	3,842,188	2,342,244
Total	<u>\$ 14,423,676</u>	<u>\$ 13,178,775</u>

	June 30, 2012	January 1, 2012
Cash on hand and revolving funds	\$ 33,874	\$ 46,354
Checking accounts and demand deposits	9,220,650	9,710,298
Cash equivalents	1,625,540	1,846,118
Total	<u>\$ 10,880,064</u>	<u>\$ 11,602,770</u>

A.The Group associates 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. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B.Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

Items	June 30, 2013	December 31, 2012
Current items:		
Financial assets held for trading		
Listed and OTC stocks	\$ 115,196	\$ 51,538
Beneficiary certificates	124,601	90,859
Non-hedging derivatives	4,809	9,713
	<u>244,606</u>	<u>152,110</u>
Valuation adjustment of financial assets held for trading	2,188	772
Total	<u>\$ 246,794</u>	<u>\$ 152,882</u>

Items	June 30, 2012	January 1, 2012
Current items:		
Financial assets held for trading		
Listed and OTC stocks	\$ 138,521	\$ 130,135
Beneficiary certificates	45,156	82,968
Non-hedging derivatives	2,936	1,818
	<u>186,613</u>	<u>214,921</u>
Valuation adjustment of financial assets held for trading	(7,832)	(16,587)
Total	<u>\$ 178,781</u>	<u>\$ 198,334</u>

A.The Group recognized net gain of \$33,556, \$16,301, \$27,230 and \$26,664 on financial assets held for trading for the three-month periods ended June 30, 2013 and 2012 and the six-month periods ended June 30, 2013 and 2012, respectively.

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

June 30, 2013					
		Contract amount			
Nature	Contract period	(Notional amount)		Fair	Value
Forward exchange:					
SELL USD/BUY TWD	Jul. 3, 2013~Jul.29, 2013	USD	15,000,000	\$	136
	Aug. 30, 2013~ Sep. 30, 2013	JPY	300,000,000		2,892
BUY USD/SELL JPY					1,781
SELL EUR/BUY USD	Jul. 31, 2013~Oct. 31, 2013	EUR	8,500,000		
				\$	4,809
December 31, 2012					
		Contract amount			
Nature	Contract period	(Notional amount)		Fair	Value
Forward exchange:					
BUY USD/SELL JPY	Jan. 31, 2013~Mar. 29, 2013	JPY	750,000,000	\$	7,739
BUY USD/SELL TWD	Jan. 3, 2013~Feb. 2, 2013	USD	14,000,000		1,811
SELL AUD/BUY USD	Jan. 14, 2013	AUD	500,000		163
				\$	9,713
June 30, 2012					
		Contract amount			
Nature	Contract period	(Notional amount)		Fair	Value
Forward exchange:					
BUY USD/SELL JPY	Jul. 23, 2012~ Aug. 24, 2012	JPY	150,000,000	\$	250
BUY USD/SELL TWD	Jul. 13, 2012~ Jul. 31, 2012	USD	3,000,000		2,212
SELL AUD/BUY USD	Jul. 5, 2012	AUD	500,000		51
SELL EUR/BUY USD	Jul. 11, 2012~ Aug. 3, 2012	EUR	1,000,000		130
SELL USD/BUY TWD	Jul. 3, 2012~ Jul. 26, 2012	USD	5,000,000		292
BUY TWD/SELL USD	Jul. 6, 2012~ Jul. 30, 2012	USD	200,000		1
				\$	2,936
January 1, 2012					
		Contract amount			
Nature	Contract period	(Notional amount)		Fair	Value
Forward exchange:					
SELL USD/BUY TWD	Jan. 9, 2012~Feb. 9, 2012	USD	18,000,000	\$	950
SELL EUR/BUY USD	Jan. 3, 2012	EUR	500,000		771
SELL AUD/BUY USD	Jan. 4, 2012~Jan. 5, 2012	AUD	1,000,000		97
				\$	1,818

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, listing 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:

	June 30, 2013	December 31, 2012
	Book value/Fair value	Book value/Fair value
Listed stocks	\$ 1,934	\$ 2,202
	June 30, 2012	January 1, 2012
	Book value/Fair value	Book value/Fair value
Listed stocks	\$ 2,723	\$ 2,713

(b) The changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income were \$0 and (\$268), respectively, for the six-month period ended June 30, 2013, and were \$0 and \$10, respectively, for the six-month period ended June 30, 2012. And the accumulated total changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income before January 1, 2012 were \$11,102 and (\$1,127), 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 recognised in profit or loss is as follows:

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Listed stocks	(\$ 268)	\$ 10

E. Details of the Group's financial assets at fair value through profit or loss pledged to others as collateral are provided in Note 8.

(3) Available-for-sale financial assets

Items	June 30, 2013	December 31, 2012
Current items:		
Listed and OTC stocks	\$ 887,504	\$ 720,201
Beneficiary certificates	32,332	68,952
Unlisted stocks	-	29,952
Subtotal	919,836	819,105
Valuation adjustment of available-for-sale financial assets	(228,416)	(303,000)
Total	\$ 691,420	\$ 516,105
Non-current items:		
Listed and OTC stocks	\$ 3,360,940	\$ 4,194,335
Emerging stocks	6,206,851	6,179,699
Unlisted stocks	2,293,658	2,257,902
Subtotal	11,861,449	12,631,936
Valuation adjustment of available-for-sale financial assets	(1,191,166)	(1,601,022)
Total	\$ 10,670,283	\$ 11,030,914

Items	June 30, 2012	January 1, 2012
Current items:		
Listed and OTC stocks	\$ 616,331	\$ 437,615
Beneficiary certificates	44,475	81,655
Unlisted stocks	29,952	29,952
Subtotal	690,758	549,222
Valuation adjustment of available-for-sale financial assets	(344,520)	(348,348)
Total	<u>\$ 346,238</u>	<u>\$ 200,874</u>
Non-current items:		
Listed and OTC stocks	\$ 4,056,962	\$ 3,950,779
Emerging stocks	5,830,124	5,785,430
Unlisted stocks	2,504,427	2,257,902
Subtotal	12,391,513	11,994,111
Valuation adjustment of available-for-sale financial assets	(484,387)	(849,221)
Total	<u>\$ 11,907,126</u>	<u>\$ 11,144,890</u>

A. The Group recognised gain (loss) in other comprehensive income since the changes in fair value for the periods from April 1 to June 30, 2013 and 2012 and the six-month periods ended June 30, 2013 and 2012 were (\$553,065), (\$426,911), \$484,440 and \$368,662, respectively.

B. Details of the Group's available-for-sale financial assets pledged to others as collateral are provided in Note 8.

(4) Investments in bonds without active markets

Items	June 30, 2013	December 31, 2012
Current items:		
Fixed deposit	\$ 163,025	\$ 280,930
Items	June 30, 2012	January 1, 2012
Current items:		
Fixed deposit	\$ 11,906	\$ 9,906

A. The Group recognised interest income of \$149, \$46, \$946 and \$52 in profit or loss for amortised cost for the periods from April 1 to June 30, 2013 and 2012 and the six-month periods ended June 30, 2013 and 2012, respectively.

B. Investments in bonds without active markets that the Group held are time deposits of the bank with a good credit rating. The maximum exposure to credit risk at balance sheet date is the carrying amount of investments in bonds without active markets.

C. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, no investments in bonds without active markets held by the Group were pledged to others.

(5) Notes receivable

	June 30, 2013	December 31, 2012
Notes receivable	\$ 1,411,636	\$ 1,166,473
Less: allowance for bad debts	(2,788)	(3,344)
	<u>\$ 1,408,848</u>	<u>\$ 1,163,129</u>
	June 30, 2012	January 1, 2012
Notes receivable	\$ 1,246,132	\$ 1,270,227
Less: allowance for bad debts	(9,043)	(30,591)
	<u>\$ 1,237,089</u>	<u>\$ 1,239,636</u>

A.The credit quality information of the notes receivables 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

	June 30, 2013	December 31, 2012
Accounts receivable	\$ 9,620,309	\$ 7,764,403
Less: allowance for bad debts	(301,420)	(268,680)
	<u>\$ 9,318,889</u>	<u>\$ 7,495,723</u>
	June 30, 2012	January 1, 2012
Accounts receivable	\$ 7,833,856	\$ 7,202,853
Less: allowance for bad debts	(350,100)	(437,611)
	<u>\$ 7,483,756</u>	<u>\$ 6,765,242</u>

A.The ageing analysis of these installment accounts receivable is as follows:

	June 30, 2013	December 31, 2012
Up to 12 months	<u>\$ 9,318,889</u>	<u>\$ 7,495,723</u>
	June 30, 2012	January 1, 2012
Up to 12 months	<u>\$ 7,483,756</u>	<u>\$ 6,765,242</u>

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

	June 30, 2013	December 31, 2012
Up to 30 days	\$ 1,272,399	\$ 829,895
31 to 90 days	664,348	492,500
91 to 180 days	214,433	133,943
Over 181 days	100,615	87,659
	<u>\$ 2,251,795</u>	<u>\$ 1,543,997</u>
	June 30, 2012	January 1, 2012
Up to 30 days	\$ 848,182	\$ 706,119
31 to 90 days	316,380	582,007
91 to 180 days	92,671	176,475
Over 181 days	92,151	100,476
	<u>\$ 1,349,384</u>	<u>\$ 1,565,077</u>

C.Movements on the Group provision for impairment of accounts receivable are as follows:

a) As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the amounts

of the Group's accounts receivable that were impaired were \$304,208, \$272,024, \$359,143 and \$468,202, respectively.

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

2013			
	Individual provision	Group provision	Total
At January 1	\$ 22,927	\$ 249,097	\$ 272,024
Reversal of impairment	(1,777)	(14,300)	(16,077)
Combined effects	-	67,000	67,000
Translation adjustment of foreign exchange	(2,070)	(16,669)	(18,739)
At June 30	<u>\$ 19,080</u>	<u>\$ 285,128</u>	<u>\$ 304,208</u>

2012			
	Individual provision	Group provision	Total
At January 1	\$ 72,190	\$ 396,012	\$ 468,202
Reversal of impairment	(6,891)	(69,327)	(76,218)
Write-offs during the period	-	(11,565)	(11,565)
Translation adjustment of foreign exchange	(11,519)	(9,757)	(21,276)
At June 30	<u>\$ 53,780</u>	<u>\$ 305,363</u>	<u>\$ 359,143</u>

D.The Group holds lands, buildings time deposits, letter of guarantee and letter of quality guarantee collateral as security for accounts receivables.

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

	June 30, 2013	December 31, 2012
Group 1	\$ 3,428,434	\$ 1,995,765
Group 2	2,608,971	3,126,701
Group 3	997,102	747,730
Group 4	308,421	418,396
Group 5	1,133,014	826,263
	<u>\$ 8,475,942</u>	<u>\$ 7,114,855</u>

	June 30, 2012	January 1, 2012
Group 1	\$ 2,097,317	\$ 2,300,985
Group 2	2,950,677	2,207,454
Group 3	624,043	651,520
Group 4	199,042	304,646
Group 5	1,500,382	975,196
	<u>\$ 7,371,461</u>	<u>\$ 6,439,801</u>

Note:

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, which operate not so well and their management shall be improved.

F.The maximum exposure to credit risk at June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.

G.Details of the Group's accounts receivable pledged to others as collateral are provided in Note 8.

(7) Inventories

June 30, 2013			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,325,196	(\$ 546,407)	\$ 2,778,789
Work in process	1,702,845	(96,814)	1,606,031
Finished goods	5,590,844	(301,664)	5,289,180
Inventory in transit	951,569	-	951,569
Merchandise inventories	485,378	(35,388)	449,990
Total	<u>\$ 12,055,832</u>	<u>(\$ 980,273)</u>	<u>\$ 11,075,559</u>
December 31, 2012			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,091,666	(\$ 446,724)	\$ 2,644,942
Work in process	1,293,691	(86,492)	1,207,199
Finished goods	5,996,838	(299,142)	5,697,696
Inventory in transit	955,630	-	955,630
Merchandise inventories	299,260	(43,290)	255,970
Total	<u>\$ 11,637,085</u>	<u>(\$ 875,648)</u>	<u>\$ 10,761,437</u>
June 30, 2012			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,730,525	(\$ 248,060)	\$ 2,482,465
Work in process	1,671,253	(97,720)	1,573,533
Finished goods	5,945,134	(173,538)	5,771,596
Inventory in transit	255,388	-	255,388
Merchandise inventories	378,439	(16,350)	362,089
Total	<u>\$ 10,980,739</u>	<u>(\$ 535,668)</u>	<u>\$ 10,445,071</u>

January 1, 2012			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,307,887	(\$ 268,325)	\$ 3,039,562
Work in process	1,710,796	(53,427)	1,657,369
Finished goods	5,853,980	(191,176)	5,662,804
Inventory in transit	529,391	-	529,391
Merchandise inventories	202,890	(22,106)	180,784
Total	<u>\$ 11,604,944</u>	<u>(\$ 535,034)</u>	<u>\$ 11,069,910</u>

A. Except for cost of goods sold, the inventories recognized as operating costs amounted to \$109,756, \$9,121, \$129,637 and \$27,572 for the periods from April 1 to June 30, 2013 and 2012 and the six-month periods ended June 30, 2013 and 2012, respectively.

B. Details of the Group's Inventory pledged to others as collateral are provided in Note 8.

(8) Construction in progress

	June 30, 2013	December 31, 2012
Aggregate costs incurred plus recognized profits (less recognised losses)	\$ 13,403,454	\$ 11,769,563
Less: progress billings	(12,545,802)	(11,017,430)
Net balance sheet position for construction in progress	<u>\$ 857,652</u>	<u>\$ 752,133</u>
Presented as:		
Due from customers for contract work	\$ 1,065,039	\$ 1,065,843
Due to customers for contract work	(207,387)	(313,710)
	<u>\$ 857,652</u>	<u>\$ 752,133</u>
	June 30, 2012	January 1, 2012
Aggregate costs incurred plus recognized profits (less recognised losses)	\$ 12,205,743	\$ 12,689,942
Less: progress billings	(11,389,431)	(11,984,009)
Net balance sheet position for construction in progress	<u>\$ 816,312</u>	<u>\$ 705,933</u>
Presented as:		
Due from customers for contract work	\$ 1,087,692	\$ 1,807,984
Due to customers for contract work	(271,380)	(1,102,051)
	<u>\$ 816,312</u>	<u>\$ 705,933</u>

As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, cumulative gain (loss) recognized under the percentage of completion method for major contracts are summarized as follows:

June 30, 2013

Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognized
Construction A	Aug. 2013	\$ 2,237,039	\$ 2,146,199	98%	\$ 89,129
Construction B	Dec. 2016	1,241,394	1,280,283	91%	(38,889)
Construction C	July 2015	1,140,429	1,087,969	8%	4,238
Construction D	Oct. 2013	1,093,065	994,918	89%	87,514
Construction E	Dec. 2014	1,012,982	931,561	87%	70,712
Construction F	Dec. 2013	938,373	1,525,748	96%	(587,375)
Construction G	Dec. 2013	621,282	674,470	98%	(53,188)
Construction H	Dec. 2013	591,800	580,999	98%	10,567
Construction I	June 2014	561,590	569,471	30%	(7,881)

December 31, 2012

Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognized
Construction A	Aug. 2013	\$ 2,237,039	\$ 2,146,199	98%	\$ 88,614
Construction B	Dec. 2016	1,241,394	1,280,283	89%	(38,889)
Construction C	May 2013	1,007,885	911,998	73%	69,594
Construction D	May 2013	985,482	906,297	88%	69,290
Construction E	Dec. 2013	938,373	1,525,748	96%	(587,375)
Construction F	Dec. 2013	621,282	674,470	98%	(53,188)
Construction G	Dec. 2013	591,800	580,999	98%	10,553
Construction H	May 2013	561,590	569,471	7%	(7,881)

June 30, 2012

Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognized
Construction A	Dec. 2012	\$ 2,258,773	\$ 2,179,006	93%	\$ 74,058
Construction B	Dec. 2012	1,165,517	1,204,406	93%	(38,889)
Construction C	May 2013	968,571	891,086	12%	9,282
Construction D	May 2013	985,482	906,297	81%	64,336
Construction E	Dec. 2012	938,373	1,525,748	96%	(587,375)
Construction F	Dec. 2012	621,282	674,470	98%	(53,188)
Construction G	Dec. 2012	591,800	577,328	98%	14,195
Construction H	May 2013	556,190	506,133	4%	1,979
Construction I	Dec. 2012	1,312,199	1,243,511	99%	68,564

January 1, 2012

Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognized
Construction A	June 2012	\$ 2,258,773	\$ 2,179,006	91%	\$ 72,815
Construction B	Dec. 2012	1,165,517	1,204,406	89%	(38,889)
Construction C	May 2013	968,571	891,086	1%	847
Construction D	May 2013	1,004,215	923,463	55%	44,282
Construction E	Dec. 2012	938,373	1,525,748	96%	(587,375)
Construction F	Dec. 2012	621,282	674,470	98%	(53,188)
Construction G	Dec. 2012	612,805	598,334	98%	14,157
Construction H	May 2013	556,190	506,133	2%	1,109
Construction I	June 2012	1,312,199	1,243,511	99%	68,562
Construction J	June 2012	1,273,788	1,170,356	99%	102,244

(9) Non-current assets held for sale

Subsidiary- Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. signed a real estate sell contract on November 15, 2012. As of June 30, 2013 and December 31, 2012, the major types of assets that meet the criteria of classified as disposal groups held for sale are as follows:

	June 30, 2013	December 31, 2012
Property, plant and equipment		
Buildings and equipment	\$ 52,468	\$ 52,504
Machinery	993	969
Miscellaneous equipment	1,727	1,673
Other Assets		
Land use right	18,574	18,233
Other	1,540	294
	<u>\$ 75,302</u>	<u>\$ 73,673</u>

As of December 31, 2012 and January 1, 2012, the Group didn't have the assets of disposal group which meets the definition to be classified as held for sale.

(10) Investments accounted for under the equity method

	June 30, 2013	December 31, 2012
1. Tung Pei Industrial Co., Ltd.	\$ 1,798,606	\$ 1,825,537
2. Creative Sensor Inc.	370,768	379,439
3. Lien Chang Electronic Enterprise Co.,	489,881	474,682
4. Century Development Corporation	1,370,341	1,352,988
5. Others	702,267	735,403
	<u>4,731,863</u>	<u>4,768,049</u>
Less: credit balance of long-term investments (gross amount before offset of notes receivable-related parties, accounts receivable-related parties and other receivables-related parties)	(48,353)	(33,563)
	<u>\$ 4,683,510</u>	<u>\$ 4,734,486</u>

	June 30, 2012	January 1, 2012
1. Tung Pei Industrial Co., Ltd.	\$ 1,771,541	\$ 1,790,148
2. Tecom Co., Ltd.	75,951	107,209
3. Creative Sensor Inc.	397,024	376,531
4. Lien Chang Electronic Enterprise Co., Ltd.	474,526	513,989
5. Century Development Corporation	1,181,082	1,099,611
6. Vmax Telecom Co., Ltd.	-	69,009
7. Others	704,605	895,218
	<u>4,604,729</u>	<u>4,851,715</u>
Less: credit balance of long-term investments (gross amount before offset of other receivables-related parties)	(26,098)	(80,111)
	<u>\$ 4,578,631</u>	<u>\$ 4,771,604</u>

The share of profit/loss of associates and joint ventures accounted for under equity method for the three-month periods ended June 30, 2013 and 2012 and for the six-month periods ended June 30, 2013 and 2012 are as follows:

	For the three-month periods ended June 30,	
	2013	2012
1. Tung Pei Industrial Co., Ltd.	\$ 43,823	\$ 32,833
2. Tecom Co., Ltd.	-	(48,641)
3. Creative Sensor Inc.	4,228	6,394
4. Lien Chang Electronic Enterprise Co., Ltd.	2,466	(16,864)
5. Century Development Corporation	6,877	11,861
6. Others	326	(27,943)
	<u>\$ 57,720</u>	<u>(\$ 42,360)</u>
	For the six-month periods ended June 30,	
	2013	2013
1. Tung Pei Industrial Co., Ltd.	\$ 70,932	\$ 66,522
2. Tecom Co., Ltd.	-	(74,885)
3. Creative Sensor Inc.	5,173	8,897
4. Lien Chang Electronic Enterprise Co., Ltd.	779	(28,852)
5. Century Development Corporation	32,020	30,787
6. Others	(45,139)	(39,831)
	<u>\$ 63,765</u>	<u>(\$ 37,362)</u>

A.The Group's share of the operating results, aggregated assets and liabilities of its principal associates are as follows:

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
June 30, 2013					
1. Tung Pei Industrial Co., Ltd.	\$ 7,839,788	\$ 2,063,012	\$ 2,134,435	\$ 227,678	31.14%
2. Creative Sensor Inc.	4,631,911	1,481,402	2,030,768	36,677	11.84%
3. Lien Chang Electronic Enterprise Co., Ltd.	2,279,760	832,294	1,087,586	3,224	33.84%
4. Century Development Corporation	6,667,065	3,347,392	320,986	72,298	39.11%
5. Others	1,791,666	1,124,283	599,166	(96,358)	
	<u>\$ 23,210,190</u>	<u>\$ 8,848,383</u>	<u>\$ 6,172,941</u>	<u>\$ 243,519</u>	

	Assets	Liabilities	% interest held
December 31, 2012			
1. Tung Pei Industrial Co., Ltd.	\$ 7,822,445	\$ 1,960,091	31.14%
2. Creative Sensor Inc.	3,595,215	713,777	11.92%
3. Lien Chang Electronic Enterprise Co., Ltd.	2,502,766	1,101,130	33.84%
4. Century Development Corporation	6,646,007	3,416,476	39.11%
5. Others	1,906,809	1,141,327	
	<u>\$ 22,473,242</u>	<u>\$ 8,332,801</u>	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
June 30, 2012					
1. Tung Pei Industrial Co., Ltd.	\$ 7,964,173	\$ 2,275,217	\$ 2,260,350	\$ 213,622	31.14%
2. Tecom Co., Ltd.	3,884,306	3,604,147	3,269,783	(276,226)	27.11%
3. Creative Sensor Inc.	3,915,035	584,297	2,498,627	74,639	11.92%
4. Lien Chang Electronic Enterprise Co., Ltd.	1,969,667	567,405	1,038,061	(85,260)	33.84%
5. Century Development Corporation	6,851,083	3,536,918	311,860	91,275	33.73%
6. Others	1,927,214	1,070,539	674,110	(43,834)	
	<u>\$ 26,511,478</u>	<u>\$ 11,638,523</u>	<u>\$ 10,052,791</u>	<u>(\$ 25,784)</u>	

	Assets	Liabilities	% interest held
January 1, 2012			
1. Tung Pei Industrial Co., Ltd.	\$ 7,887,826	\$ 2,139,117	31.14%
2. Tecom Co., Ltd.	5,450,693	5,055,234	27.11%
3. Creative Sensor Inc.	4,079,018	1,174,407	11.87%
4. Lien Chang Electronic Enterprise Co., Ltd.	2,418,032	877,257	33.84%
5. Century Development Corporation	6,836,345	3,847,843	33.73%
6. Vmax Telecom Co., Ltd.	1,411,432	496,805	7.55%
7. Others	1,858,433	939,470	
	<u>\$ 29,941,779</u>	<u>\$ 14,530,133</u>	

B. The fair value of the Group's associates which have quoted market price was as follows:

	June 30, 2013	December 31, 2012
1. Creative Sensor Inc.	\$ 245,247	\$ 224,900
2. Lien Chang Electronic Enterprise Co., Ltd.	351,395	253,034
	<u>\$ 596,642</u>	<u>\$ 477,934</u>
	June 30, 2012	January 1, 2012
1. Tecom Co., Ltd.	\$ 185,385	\$ 201,505
2. Creative Sensor Inc.	249,889	212,625
3. Lien Chang Electronic Enterprise Co., Ltd.	265,798	267,676
	<u>\$ 701,072</u>	<u>\$ 681,806</u>

C. The financial statements of the Century Development Corporation under the equity method was not reviewed by independent accountants. The total assets amounted to \$1,370,341 and \$1,181,082 as of June 30, 2013 and 2012, respectively. The comprehensive income amounted to \$7,220, \$11,935, \$32,363 and \$30,861 for the three-month periods ended June 30, 2013 and 2012 and the six-month periods then ended, respectively.

D. As of June 30, 2013 and 2012, December 31 and January 1 the Company's common stocks owned by its subsidiaries, Tong-An Investment Co., Ltd. and others, both with a total cost of \$320,839 (22,366,000 shares), were treated as treasury stock.

E. Details of the Group's Investments accounted for under the equity method to others as collateral are provided in Note 8.

(11) Joint ventures

The Group holds a 50% interest in the joint venture Qingdao TECO Century Advanced High-tech Mechatronics Co., Ltd.. The following amounts represent the Group's 50% share of the assets, liabilities, sales and operating results of Qingdao TECO Corporation, which were consolidated to the Group's consolidated balance sheet and income statement:

	June 30, 2013	December 31, 2012
Assets:		
Non-current assets	\$ 213,683	\$ 213,043
Current assets	89,143	88,332
	<u>302,826</u>	<u>301,375</u>
Liabilities:		
Non-current liabilities	\$ -	\$ 6,987
Current liabilities	135,103	115,114
	<u>135,103</u>	<u>122,101</u>
Net assets	<u>\$ 167,723</u>	<u>\$ 179,274</u>

	June 30, 2012	January 1, 2012
Assets:		
Non-current assets	\$ 226,277	\$ 241,870
Current assets	92,538	89,358
	<u>318,815</u>	<u>331,228</u>
Liabilities:		
Non-current liabilities	\$ 14,090	\$ 24,363
Current liabilities	107,630	87,313
	<u>121,720</u>	<u>111,676</u>
Net assets	<u>\$ 197,095</u>	<u>\$ 219,552</u>
	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Revenue/income	\$ 39,727	\$ 37,620
Expenses/losses	(59,791)	(54,054)
Net loss after tax	<u>(\$ 20,064)</u>	<u>(\$ 16,434)</u>
Proportionate interest in joint venture's commitments	<u>50%</u>	<u>50%</u>

There are no contingent liabilities related to the Group's interest in this joint venture, and no contingent liabilities of the joint venture itself.

(12) Property, plant and equipment

	Land	Buildings	Machinery equipment	Transportation equipment	Leased assets	Leasehold improvements	Miscellaneous equipment	Leased assets	Total
At January 1, 2013									
Cost	\$ 5,610,862	\$ 7,635,879	\$ 11,086,509	\$ 667,325	\$ 879,321	\$ 429,438	\$ 6,360,184	\$ 788,805	\$ 33,458,323
Accumulated depreciation and impairment	(35,000)	(3,635,379)	(8,633,414)	(524,337)	(135,025)	(241,880)	(5,023,546)	(684,802)	(18,913,383)
	<u>\$ 5,575,862</u>	<u>\$ 4,000,500</u>	<u>\$ 2,453,095</u>	<u>\$ 142,988</u>	<u>\$ 744,296</u>	<u>\$ 187,558</u>	<u>\$ 1,336,638</u>	<u>\$ 104,003</u>	<u>\$ 14,544,940</u>
<u>Six-month period ended</u> <u>June 30, 2013</u>									
Opening net book amount	\$ 5,575,862	\$ 4,000,500	\$ 2,453,095	\$ 142,988	\$ 744,296	\$ 187,558	\$ 1,336,638	\$ 104,003	\$ 14,544,940
Additions	-	35,542	155,570	21,594	-	24,026	142,172	-	378,904
Acquired from business combinations	110,783	332,163	99,607	14,247	-	-	25,472	5,320	587,592
Disposals	-	-	(14,671)	(2,908)	-	(760)	(2,423)	-	(20,762)
Reclassifications	807	226,716	(47,909)	81,099	-	-	5,157	62,568	328,438
Depreciation charge	-	(92,239)	(251,241)	(23,887)	(14,453)	(22,857)	(178,783)	(9,949)	(593,409)
Net exchange differences	<u>20,308</u>	<u>51,826</u>	<u>134,837</u>	<u>1,052</u>	<u>34,232</u>	<u>28,943</u>	<u>39,536</u>	<u>866</u>	<u>311,600</u>
Closing net book amount	<u>\$ 5,707,760</u>	<u>\$ 4,554,508</u>	<u>\$ 2,529,288</u>	<u>\$ 234,185</u>	<u>\$ 764,075</u>	<u>\$ 216,910</u>	<u>\$ 1,367,769</u>	<u>\$ 162,808</u>	<u>\$ 15,537,303</u>
At June 30, 2013									
Cost	\$ 5,742,760	\$ 8,391,107	\$ 11,699,946	\$ 797,922	\$ 921,890	\$ 498,831	\$ 7,225,116	\$ 1,105,112	\$ 36,382,684
Accumulated depreciation and impairment	(35,000)	(3,836,599)	(9,170,658)	(563,737)	(157,815)	(281,921)	(5,857,347)	(942,304)	(20,845,381)
	<u>\$ 5,707,760</u>	<u>\$ 4,554,508</u>	<u>\$ 2,529,288</u>	<u>\$ 234,185</u>	<u>\$ 764,075</u>	<u>\$ 216,910</u>	<u>\$ 1,367,769</u>	<u>\$ 162,808</u>	<u>\$ 15,537,303</u>

	Land	Buildings	Machinery equipment	Transportation equipment	Leased assets	Leasehold improvements	Miscellaneous equipment	Leased assets	Total
At January 1, 2012									
Cost	\$ 5,639,791	\$ 7,628,958	\$ 10,551,357	\$ 645,179	\$ 885,440	\$ 400,497	\$ 5,960,078	\$ 715,193	\$ 32,426,493
Accumulated depreciation and impairment	(35,000)	(3,551,487)	(7,997,240)	(491,153)	(110,338)	(229,086)	(4,481,428)	(659,806)	(17,555,538)
	<u>\$ 5,604,791</u>	<u>\$ 4,077,471</u>	<u>\$ 2,554,117</u>	<u>\$ 154,026</u>	<u>\$ 775,102</u>	<u>\$ 171,411</u>	<u>\$ 1,478,650</u>	<u>\$ 55,387</u>	<u>\$ 14,870,955</u>
Six-month period ended June 30, 2012									
Opening net book amount	\$ 5,604,791	\$ 4,077,471	\$ 2,554,117	\$ 154,026	\$ 775,102	\$ 171,411	\$ 1,478,650	\$ 55,387	\$ 14,870,955
Additions	-	9,640	68,593	27,289	-	12,318	105,499	-	223,339
Acquired from business combinations	-	-	4,738	-	-	-	2,452	6,443	13,633
Disposals	-	-	(4,259)	-	-	-	(1,531)	-	(5,790)
Reclassifications	66,630	(33,593)	21,630	(537)	-	120	(62,997)	75,692	66,945
Depreciation charge	-	(106,938)	(185,856)	(23,638)	(12,465)	(14,229)	(202,837)	(32,048)	(578,011)
Net exchange differences	(894)	5,964	(44,900)	(664)	(14,495)	(30,567)	16,425	5,046	(64,085)
Closing net book amount	<u>\$ 5,670,527</u>	<u>\$ 3,952,544</u>	<u>\$ 2,414,063</u>	<u>\$ 156,476</u>	<u>\$ 748,142</u>	<u>\$ 139,053</u>	<u>\$ 1,335,661</u>	<u>\$ 110,520</u>	<u>\$ 14,526,986</u>
At June 30, 2012									
Cost	\$ 5,705,527	\$ 7,546,831	\$ 10,718,477	\$ 666,165	\$ 870,577	\$ 370,072	\$ 5,939,704	\$ 790,583	\$ 32,607,936
Accumulated depreciation and impairment	(35,000)	(3,594,287)	(8,304,414)	(509,689)	(122,435)	(231,019)	(4,604,043)	(680,063)	(18,080,950)
	<u>\$ 5,670,527</u>	<u>\$ 3,952,544</u>	<u>\$ 2,414,063</u>	<u>\$ 156,476</u>	<u>\$ 748,142</u>	<u>\$ 139,053</u>	<u>\$ 1,335,661</u>	<u>\$ 110,520</u>	<u>\$ 14,526,986</u>

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:

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Amount capitalised	\$ 482	\$ 201
Interest rate	1.14%	1.33%~1.58%

B.Information about the property, plant and equipment that were pledged to others as collaterals is provided in Notes 8.

C.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. The Company entered into an agreement with the said individual to secure the title and the first mortgage right.

(13) Investment property

	Land	Buildings	Total
At January 1, 2013			
Cost	\$ 1,223,838	\$ 1,992,072	\$ 3,215,910
Accumulated depreciation and impairment	-	(1,017,466)	(1,017,466)
	<u>\$ 1,223,838</u>	<u>\$ 974,606</u>	<u>\$ 2,198,444</u>
<u>Six-month period ended June 30, 2013</u>			
Opening net book amount	\$ 1,223,838	\$ 974,606	\$ 2,198,444
Reclassifications	(807)	(6,441)	(7,248)
Depreciation charge	-	(22,682)	(22,682)
Net exchange differences	5,875	1,199	7,074
Closing net book amount	<u>\$ 1,228,906</u>	<u>\$ 946,682</u>	<u>\$ 2,175,588</u>
At June 30, 2013			
Cost	\$ 1,228,906	\$ 1,745,865	\$ 2,974,771
Accumulated depreciation and impairment	-	(799,183)	(799,183)
	<u>\$ 1,228,906</u>	<u>\$ 946,682</u>	<u>\$ 2,175,588</u>

	Land	Buildings	Total
At January 1, 2012			
Cost	\$ 1,329,377	\$ 1,693,394	\$ 3,022,771
Accumulated depreciation and impairment	(31,348)	(773,223)	(804,571)
	<u>\$ 1,298,029</u>	<u>\$ 920,171</u>	<u>\$ 2,218,200</u>
Six-month period ended June 30, 2012			
Opening net book amount	\$ 1,298,029	\$ 920,171	\$ 2,218,200
Reclassifications	(66,630)	92,752	26,122
Depreciation charge	-	(30,362)	(30,362)
Net exchange differences	(2,420)	(5,868)	(8,288)
Closing net book amount	<u>\$ 1,228,979</u>	<u>\$ 976,693</u>	<u>\$ 2,205,672</u>
At June 30, 2012			
Cost	\$ 1,228,979	\$ 1,970,922	\$ 3,199,901
Accumulated depreciation and impairment	-	(994,229)	(994,229)
	<u>\$ 1,228,979</u>	<u>\$ 976,693</u>	<u>\$ 2,205,672</u>

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

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Rental revenue from the lease of the investment property	<u>\$ 66,569</u>	<u>\$ 63,946</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 22,682</u>	<u>\$ 30,362</u>
Direct operating expenses arising from the investment property that did not generate rental income in the period	<u>\$ -</u>	<u>\$ -</u>

B.The fair value of the investment property held by the Group as at June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 was \$2,800,601, \$2,950,804, \$2,937,612 and \$2,943,877, respectively.

(14) Other non-current assets

	June 30, 2013	December 31, 2012
Prepayment for equipment	\$ 207,854	\$ 503,569
Long-term prepaid rents	243,016	254,843
Refundable deposits	192,664	155,712
Deferred expenses	235,565	239,635
Other assets	119,275	140,642
	<u>\$ 998,374</u>	<u>\$ 1,294,401</u>

	June 30, 2012	January 1, 2012
Prepayment for equipment	\$ 549,542	\$ 522,735
Long-term prepaid rents	277,377	280,599
Refundable deposits	267,843	139,141
Deferred expenses	215,205	208,186
Other assets	4,501	116,086
	<u>\$ 1,314,468</u>	<u>\$ 1,266,747</u>

The Group signed a land use right contract for the use of land. The Group recognised rental expenses of \$3,657, \$3,443, \$7,313 and \$6,887 for the three-month and six-month periods ended June 30, 2013 and 2012, respectively.

(15) Short-term borrowings

Type of borrowings	June 30, 2013	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 667,858	1.55%~7%	Available-for-sale financial assets, notes receivable, demand deposits, time deposits, inventories, investments accounted for under the equity method, land, buildings, treasury stocks
Unsecured borrowings	2,338,700	0.83%~6%	None
	<u>\$ 3,006,558</u>		

Type of borrowings	December 31, 2012	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 748,567	1.47%~6.69%	Available-for-sale financial assets、notes receivable、time deposits、inventories、investments accounted for under the equity method、land
Unsecured borrowings	<u>2,167,028</u>	1.38%~7.216%	None
	<u>\$ 2,915,595</u>		
Type of borrowings	June 30, 2013	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 120,862	2.6%~8.53%	Available-for-sale financial assets、notes receivable、accounts receivable、denand deposits、inventories、investments accounted for under the equity method、land、buildings、construction in progress and prepayments for equipment、treasury stocks
Unsecured borrowings	<u>1,374,252</u>	0.85%~8.53%	None
	<u>\$ 1,495,114</u>		

Type of borrowings	January 1, 2012	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 452,763	1.4%~8.53%	Available-for-sale financial assets、notes receivable、accounts receivable、investments accounted for under the equity method、land、buildings、construction in progress and prepayments for equipment
Unsecured borrowings	1,201,167	0.91%~7.47%	None
	<u>\$ 1,653,930</u>		

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

Items	June 30, 2013	December 31, 2012
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ <u>500</u>	\$ <u>2,855</u>

Items	June 30, 2012	January 1, 2012
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ <u>2,629</u>	\$ <u>1,305</u>

A.The Group recognised net gain (net loss) of (\$429), (\$1,264), \$1,712 and (\$2,629) on financial liabilities held for trading for the three-month and six-month periods ended June 30, 2013 and 2012, respectively.

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

June 30, 2013				
Nature	Contract period	Contract Amount (Notional Principal)	Fair value	
Forward exchange				
SELL AUD /BUY USD	July 24, 2013 ~ July 29, 2013	AUD 2,000,000	(\$ <u>500</u>)	

December 31, 2012				
Nature	Contract period		Contract Amount (Notional Principal)	Fair value
Forward exchange				
SELL GBP /BUY USD	Jan. 31, 2013	GBP	500,000	(\$ 72)
SELL EUR /BUY USD	Jan. 31, 2012 ~ Mar. 28, 2013	EUR	4,500,000	(1,901)
SELL USD /BUY TWD	Jan. 3, 2012 ~ Mar. 22, 2013	USD	14,000,000	(239)
BUY JPY/SELL TWD	Jan. 22, 2013 ~ Mar. 18, 2013	JPY	39,100,000	(643)
				<u>(\$ 2,855)</u>

June 30, 2012				
Nature	Contract period		Contract Amount (Notional Principal)	Fair value
Forward exchange				
BUY USD/SELL JPY	July 31, 2012	JPY	100,000,000	(\$ 106)
BUY AUD/BUY USD	July 12, 2012 ~ July 31, 2012	AUD	1,500,000	(545)
SELL USD/BUY TWD	July 13, 2012 ~ July 31, 2012	USD	3,000,000	(1,978)
				<u>(\$ 2,629)</u>

January 1, 2012				
Nature	Contract period		Contract Amount (Notional Principal)	Fair value
Forward exchange				
SELL RMB /BUY USD	Jan. 12, 2012	USD	413,000	(\$ 644)
SELL USD /BUY TWD	Jan. 9, 2012 ~ Feb. 9, 2012	USD	19,000,000	(661)
				<u>(\$ 1,305)</u>

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

(17) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Current tax:		
Current tax on profits for the period	\$ 291,725	\$ 205,358
Adjustment in respect of prior years	3,753	(24,646)
Total deferred tax	<u>\$ 295,478</u>	<u>\$ 180,712</u>
Deferred tax:		
Origination and reversal of temporary differences	114,764	214,627
Total deferred tax	<u>114,764</u>	<u>214,627</u>
Income tax expense	<u>\$ 410,242</u>	<u>\$ 395,339</u>
	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Current tax:		
Current tax on profits for the period	\$ 555,161	\$ 459,046
Adjustment in respect of prior years	3,753	(24,646)
Total current tax	<u>558,914</u>	<u>434,400</u>
Deferred tax:		
Origination and reversal of temporary differences	211,145	215,969
Total deferred tax	<u>211,145</u>	<u>215,969</u>
Income tax expense	<u>\$ 770,059</u>	<u>\$ 650,369</u>

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

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Currency translation differences	<u>\$ 5,558</u>	<u>(\$ 32,529)</u>
	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Currency translation differences	<u>(\$ 29,321)</u>	<u>\$ 13,295</u>

B.Income tax expense and accounting profit adjustment

	For the six-month period ended June 30, 2013
Income tax at the statutory tax rate	\$ 832,393
No recognized project by law	(134,956)
Tax effect of investment tax credits estimated taxation difference	-
Tax refund receivable of prior year and over provision of deferred income tax assets	(126,101)
Current tax expense	571,336
Effect of income basic tax	124,109
Additional 10% surtax on undistributed retained earnings	74,614
Income tax expense	<u>\$ 770,059</u>
	For the six-month period ended June 30, 2012
Income tax at the statutory tax rate	\$ 642,102
No recognized project by law	(59,082)
Tax effect of investment tax credits estimated taxation difference	(1,085)
Tax refund receivable of prior year and over provision of deferred income tax assets	(96,563)
Current tax expense	485,372
Effect of income basic tax	79,409
Additional 10% surtax on undistributed retained earnings	85,588
Income tax expense	<u>\$ 650,369</u>

The tax expenses recognized in interim periods were calculated using estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The disclosure requirement of reconciliation between accounting income and taxable income is not applicable.

C.As at June 30, 2013, the Company's income tax returns through 2010 have been assessed and approved by the Tax Authority.

D.Unappropriated retained earnings:

	June 30, 2013	December 31, 2012
Earnings generated in and before 1997	\$ 684,024	\$ 684,024
Earnings generated in and after 1998	5,653,851	6,013,521
	<u>\$ 6,337,875</u>	<u>\$ 6,697,545</u>
	June 30, 2012	January 1, 2012
Earnings generated in and before 1997	\$ 684,024	\$ 684,024
Earnings generated in and after 1998	4,387,645	5,080,437
	<u>\$ 5,071,669</u>	<u>\$ 5,764,461</u>

E. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the balance of the imputation tax credit account was \$ 515,471, \$304,413, \$338,690 and \$ 286,371, respectively. The creditable tax rate was 6.49% for 2012 and is estimated to be 9.09% for the six-month period ended June 30, 2013.

(18) Earnings per share

	For the three-month period ended June 30, 2013		
	Amount	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
	after tax		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,040,258	\$ 1,836,715	\$ 0.56
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,040,258	1,836,715	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	2,645	
Employees' bonus	-	5,128	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,040,258	\$ 1,844,488	\$ 0.56

For the three-month period ended June 30, 2012			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 758,593</u>	<u>\$ 1,817,771</u>	<u>\$ 0.42</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	758,593	1,817,771	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	5,142	
Employees' bonus	-	5,382	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 758,593</u>	<u>\$ 1,828,295</u>	<u>\$ 0.41</u>

For the six-month period ended June 30, 2013			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,858,895</u>	<u>\$ 1,836,715</u>	<u>\$ 1.01</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,858,895	1,836,715	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	2,645	
Employees' bonus	-	5,128	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,858,895</u>	<u>\$ 1,844,488</u>	<u>\$ 1.01</u>

	For the six-month period ended June 30, 2012		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,319,333</u>	<u>\$ 1,817,771</u>	<u>\$ 0.73</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,319,333	1,817,771	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	5,142	
Employees' bonus	-	5,382	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,319,333</u>	<u>\$ 1,828,295</u>	<u>\$ 0.72</u>

(19) Bonds payable

	June 30, 2013	December 31, 2012
Issuance of convertible bonds	\$ 3,006,100	\$ 3,000,000
Discount on bonds payable	(40,459)	(97,347)
	<u>\$ 2,965,641</u>	<u>\$ 2,902,653</u>

A. Domestic unsecured convertible bonds - 3

(a) The terms of Domestic unsecured convertible bonds – 3 are as follows

- i. On July 12, 2012 to July 12, 2015, the Company issued 0% coupon, 3-year unsecured convertible bonds with the principal amount of \$3,000,000. The bonds are repayable in full at face value at maturity. The bonds were listed on the Taiwan Over-The-Counter Securities Exchange on July 12, 2012.
- ii. Under the terms of the convertible bonds, the bondholders have the right to ask for the conversion of the bonds into common stocks of the Company during the period from the date after one month of issuance of bonds to 10 days before the maturity date, except the stop transfer period. The rights and obligations of the new shares converted from convertible bonds are the same as the issued and outstanding common stock.
- iii. The conversion price of the bonds is \$22.5 (in dollars) per share and is subject to adjustments based on the pricing model in the terms of the bonds if the condition of the anti-dilution provisions occurs subsequently.
- iv. The Company may repurchase all of the outstanding bonds at face value at any time

after the following events, provided that the amount of the outstanding bonds is less than 10% of the initial issuance amount of bonds during the period from the day after three months after issuance of the bonds to 40 days before the maturity date of the bonds.

v. Under the terms of the convertible bonds, all bonds (redeemed, matured and converted) are retired and not to be re-issued.

(b) As of June 30, 2013, the book value of convertible bonds amounted to \$1,451,000 have been converted into common stocks to 49,093,000 shares. The common stocks were recognized in “Subscription for common stock received in advance” since the registration procedure has not been completed yet. The conversion price was adjusted to \$21.5 (in dollars) per share as approved by the Board of Directors on March 26, 2013.

B.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% the 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.

(20) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 2013</u>
Long-term bank borrowings				
Taiwan Cooperative Bank	Borrowing period is from May 6, 2013 to May 6, 2015; due for repayment.	1.231%~1.24%	None	\$ 900,000
Mega International Commercial Bank	Borrowing period is from Aug. 18, 2012 to Aug. 17, 2014; due for repayment.	1.33%	None	750,000
Far Eastern International Bank	Borrowing period is from Apr. 19, 2012 to Apr. 19, 2014; due for repayment.	1.35~1.40%	None	500,000
Bank of Taiwan	Borrowing period is from Sep. 18, 2012 to Sep. 18, 2014; due for repayment.	1.315%~1.32%	None	400,000
Hua Nan Bank	Borrowing period is from Oct. 5, 2012 to Oct. 5, 2014; due for repayment.	1.22%	None	900,000
Taiwan Cooperative Bank	Borrowing period is from November, 2013 to Jan. 8, 2022; due for repayment.	1.85%~3.39%	Yes	<u>139,449</u>
				3,589,449
Less: current portion (listed as other current liabilities)				(<u>60,491</u>)
				<u>3,528,958</u>
Commercial paper payable				
Mega Bills Finance Corporation	Borrowing period is from Mar. 9, 2011 to Mar. 8, 2015; due for repayment.	0.95%~0.98%	None	700,000
China Bills Finance Corporation	Borrowing period is from Jan. 7, 2011 to Feb. 28, 2015; due for repayment.	0.72%~0.78%	None	500,000
Grand Bills Finance Corporation	Borrowing period is from Nov. 22, 2011 to Nov. 23, 2015; due for repayment.	0.81%~0.82%	None	<u>350,000</u>
				1,550,000
Less: unamortized discount				(<u>839</u>)
				<u>1,549,161</u>
				<u>\$ 5,078,119</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral
Long-term bank borrowings			
Firstbank syndication	Borrowing period is from Dec. 15, 2010 to Dec. 14, 2015; due for repayment.	1.204%~1.435%	None
Hua Nan Bank	Borrowing period is from Oct. 18, 2011 to Oct. 17, 2013; due for repayment.	0.75%~1.21%	None
Taiwan Cooperative Bank	Borrowing period is from May 9, 2012 to May 9, 2014; due for repayment.	1.077%~1.237%	None
Mega International Commercial Bank	Borrowing period is from Aug. 18, 2012 to Aug. 17, 2014; due for repayment.	0.82%~1.32%	None
Chinatrust Commercial Bank and Entie Commercial Bank syndication	Borrowing period is from Dec. 28, 2011 to Dec. 28, 2014; due for repayment.	4.06%	None
Far Eastern International Bank	Borrowing period is from Apr. 19, 2011 to Apr. 19, 2014; due for repayment.	1.23%	None
Agricultural Bank of China	Borrowing period is from Jan. 14, 2011 to Jan. 13, 2014; due for repayment.	5.85%	None
Less: current portion (listed as other current liabilities)			
Commercial paper payable			
International Bills Financial Corporation	Borrowing period is from Mar. 19, 2012 to Mar. 19, 2014; due for repayment.	0.843%	None
Mega Bills Finance Corporation	Borrowing period is from Mar. 9, 2011 to Mar. 8, 2014; due for repayment.	0.622%~0.931%	None
China Bills Finance Corporation	Borrowing period is from Jan. 7, 2011 to Feb. 28, 2014; due for repayment.	0.3%~0.811%	None
Grand Bills Finance Corporation	Borrowing period is from Nov. 22, 2011 to Jan. 15, 2014; due for repayment.	0.55%~0.831%	None
Taiwan Finance Corporation	Borrowing period is from May 3, 2011 to May 2, 2014; due for repayment.	0.651%~0.881%	None
Less: unamortized discount			

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	June 30, 2012
Long-term bank borrowings				
Firstbank syndication	Borrowing period is from Dec. 15, 2010 to Dec. 14, 2015; due for repayment.	1.204%~1.384%	None	\$ 1,000,000
Taishin International Bank	Borrowing period is from Dec. 28, 2008 syndicated to Dec. 27, 2013; due for repayment.	1.114%~1.321%	None	3,000,000
Mega International Commercial Bank	Borrowing period is from Aug. 18, 2011 to Aug. 17, 2013; due for repayment.	0.82%~1.2%	None	800,000
Far Eastern International Bank	Borrowing period is from Apr. 10, 2012 to Apr. 9, 2014; due for repayment.	1.23%	None	500,000
Bank of Taiwan	Borrowing period is from July 18, 2011 to July 18, 2013; due for repayment.	1.2%~1.21%	None	200,000
Taishin International Bank	Borrowing period is from Oct. 20, 2011 to Oct. 19, 2014; due for repayment.	0.97%	None	1,000,000
Taiwan Cooperative Bank	Borrowing period is from May 11, 2012 to May 10, 2013; due for repayment.	1.2%~1.203%	None	900,000
Hua Nan Bank	Borrowing period is from Oct. 18, 2011 to Oct. 17, 2013; due for repayment.	0.75%~0.88%	None	800,000
Agricultural Bank of China	Borrowing period is from Jan. 14, 2011 to Jan. 13, 2014; due for repayment.	5.4%~5.85%	None	28,885
				8,228,885
Less: current portion (listed as other current liabilities)				(14,795)
				8,214,090
Commercial paper payable				
Grand Bills Finance Corporation	Borrowing period is from Nov. 22, 2011 to Jan. 21, 2014; due for repayment.	0.55%~0.821%	None	350,000
International Bills Financial Corporation	Borrowing period is from Mar. 19, 2012 to Jun. 19, 2013; due for repayment.	0.843%	None	500,000
Mega Bills Finance Corporation	Borrowing period is from Mar. 4, 2011 to Mar. 8, 2013; due for repayment	0.622%~0.931%	None	700,000
Taiwan Finance Corporation	Borrowing period is from May 3, 2011 to	0.651%~0.841%	None	200,000
China Bills Finance Corporation	Borrowing period is from Mar. 1, 2012 to Feb. 28, 2014; due for repayment.	0.3%~0.761%	None	500,000
				2,250,000
Less: unamortized discount				(866)
				2,249,134
				<u>\$ 10,463,224</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	January 1, 2012
Long-term bank borrowings				
Firstbank syndication	Borrowing period is from Dec. 15, 2010 to Dec. 14, 2015; due for repayment.	1.204%~1.384%	None	\$ 3,800,000
Taishin International Bank syndication	Borrowing period is from Dec. 28, 2008 to Dec. 27, 2013; due for repayment.	1.114%~1.321%	None	3,000,000
Taishin International Bank	Borrowing period is from Oct. 20, 2011 to Oct. 19, 2014; due for repayment.	0.97%	None	1,000,000
Hua Nan Bank	Borrowing period is from Oct. 18, 2011 to Oct. 17, 2013; due for repayment.	0.75%~0.88%	None	800,000
Far Eastern International Bank	Borrowing period is from Mar. 14, 2011 to Mar. 13, 2013; due for repayment.	1.20%	None	500,000
Taiwan Cooperative Bank	Borrowing period is from May 11, 2011 to May 10, 2013; due for repayment.	1.2%~1.203%	None	300,000
Bank of Taiwan	Borrowing period is from July 18, 2011 to July 18, 2013; due for repayment.	1.2%~1.21%	None	200,000
Agricultural Bank of China	Borrowing period is from Jan. 14, 2011 to Jan. 13, 2014; due for repayment.	7.22%	None	29,375
				9,629,375
Less: current portion (listed as other current liabilities)				(5,016)
				<u>9,624,359</u>
Commercial paper payable				
Mega Bills Finance Corporation	Borrowing period is from Mar. 9, 2011 to Mar. 8, 2013; due for repayment.	0.622%~0.931%	None	700,000
Ta Chong Bank	Borrowing period is from Jun. 20, 2011 to Jun. 19, 2013; due for repayment.	0.54%~0.843%	None	600,000
China Bills Finance Corporation	Borrowing period is from Jan. 7, 2011 to Jan. 6, 2013; due for repayment.	0.3%~0.761%	None	500,000
Grand Bills Finance Corporation	Borrowing period is from Nov. 22, 2011 to Nov. 21, 2013; due for repayment.	0.55%~0.821%	None	350,000
Taiwan Finance Corporation	Borrowing period is from May 3, 2011 to May 2, 2013; due for repayment.	0.651%~0.841%	None	200,000
				2,350,000
Less: unamortized discount				(1,329)
				<u>2,348,671</u>
				<u>\$ 11,973,030</u>

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 June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the Group has undrawn borrowing facilities of \$10,901,881, \$8,172,038, \$13,014,956 and \$11,505,632.

(21) Finance lease liabilities (listed as other current liabilities and other non-current liabilities)

The Group leases in plants under finance lease. Based on the terms of the lease contracts, the Group has the option to obtain free of charge by the ownership of leased plan when the leases expire. Future minimum lease payments and their present values as at June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 are as follows:

	June 30, 2013	December 31, 2012
Current	\$ 97,760	\$ 156,520
Non-current	534,021	445,577
	<u>\$ 631,781</u>	<u>\$ 602,097</u>
	June 30, 2012	January 1, 2012
Current	\$ 146,970	\$ 143,309
Non-current	520,700	527,626
	<u>\$ 667,670</u>	<u>\$ 670,935</u>

(22) 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.

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

	December 31, 2012	January 1, 2012
Present value of funded obligations	(\$ 2,107,261)	(\$ 1,907,335)
Fair value of plan assets	<u>444,350</u>	<u>513,710</u>
	(1,662,911)	(1,393,625)
Unrecognised actuarial losses	206,624	-
Unrecognised past service cost	(61,393)	(69,630)
Net liability in the balance sheet	<u>(\$ 1,517,680)</u>	<u>(\$ 1,463,255)</u>

(c)The Group recognised pension expenses of \$27,496, \$28,807, \$43,938 and \$56,611 in the profit or loss for the three-month periods ended June 30, 2013 and 2012 and for the six-month periods ended June 30, 2013 and 2012, respectively.

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's and

domestic subsidiaries' 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. The constitution of fair value of plan assets as of June 30, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's 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.

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

	2012	2011
Discount rate	1.5%~1.75%	1.5%~1.8%
Future salary increases	0%~5%	0%~5%
Expected return on plan assets	1.5%~3%	1.5%~2.25%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

(f)Historical information of experience adjustments was as follows:

	2012
Present value of defined benefit obligation	(\$ 2,107,261)
Fair value of plan assets	444,350
Deficit in the plan	(\$ 1,662,911)
Experience adjustments on plan liabilities	\$ 159,470
Experience adjustments on plan assets	(\$ 535)

(g) Expected contributions to the defined benefit pension plans of the Group within one year from June 30, 2013 are \$46,578.

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 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 20%~21.5% of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c)The pension costs under defined contribution pension plans of the Group for the three-month periods ended June 30, 2013 and 2012 and for the six-month periods ended June 30, 2013 and 2012 were \$79,170, \$58,441, \$162,896 and \$133,074, respectively.

(23) Share-based payment

A.As of June 30, 2013 and 2012, the Company's share-based payment arrangements were as follows:

(A) Treasury stock transferred to employees:

Type of arrangement	Grant date	Quantity granted (in thousands of shares)	Vesting conditions
Plan 1	Apr. 6, 2006	3,359	Vested immediately
Plan 2	Jan. 4, 2007	8,106	Vested immediately
Plan 3	Mar. 30, 2007	4,021	Vested immediately
Plan 4	Oct. 3, 2007	8,286	Vested immediately

(B) Employee stock options:

June 30, 2013					
Grant date	Grant quantity	Contract period	Vesting conditions	Actual turnover rate	Estimated future turnover rate
Dec. 26, 2007	50,000 units (Note)	6 years	2 years' service	2.60%	5.00%
June 30, 2012					
Grant date	Grant quantity	Contract period	Vesting conditions	Actual turnover rate	Estimated future turnover rate
Dec. 26, 2007	50,000 units (Note)	6 years	2 years' service	1.80%	5.00%

Note: Each unit of stock options can subscribe for 1,000 shares of common stock.
The above share-based payment arrangements are all settled by equity.

B.Details of the share-based payment arrangements are as follows:

	For the six-month period ended June 30, 2013		For the six-month period ended June 30, 2012	
	No. of shares (in thousands)	Weighted-average exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	9,942	\$ 12.10	21,329	\$ 12.70
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Options forfeited	(655)	-	(382)	-
Options exercised	(4,336)	-	(6,909)	-
Options outstanding at end of the period	<u>4,951</u>	<u>\$ 12.10</u>	<u>14,038</u>	<u>\$ 12.70</u>
Options exercisable at end of the period	<u>4,951</u>		<u>14,038</u>	
Options authorized but not granted at end of the year	<u>-</u>		<u>-</u>	
Options revoked	<u>-</u>		<u>-</u>	

C.The weighted-average stock price of stock options at exercise dates for the six-month periods ended June 30, 2013 and 2012 was \$25.40 and \$21.60, respectively.

D. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the range of exercise prices of stock options outstanding was \$12.1, \$12.1, \$12.7 and \$12.7 (in dollars), respectively.

(24) Share capital

A.As of June 30, 2013, the Company's paid-in capital was \$18,727,172, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
At January 1	\$ 18,471,209	\$ 18,375,519
Employee stock options exercised	43,360	56,810
Convertible bonds exercised	<u>212,603</u>	<u>-</u>
At June 30	<u>\$ 18,727,172</u>	<u>\$ 18,432,329</u>

B. For the six-month periods ended June 30, 2013, the Company issued the common stock of 25,596,000 shares, since employee stock options and convertible bonds had been exercised. As of June 30, 2013, employee stock options and convertible bonds that had been exercised but the registration procedure for 49,377,000 shares has not yet been completed.

C. 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 614 thousand units of GDRs outstanding, representing 6,138 thousand common shares as of June 30, 2013.

D. 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 bought in before 2000 for the purpose of general investment. After a regulation of the Company Act was amended in 2000 as that the shares of the holding company shall not be purchased nor be accepted as a security in pledge by its subsidiary, the two subsidiaries never bought the shares of the Company again. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, book value of the shares of the Company held by the two subsidiaries was all \$320,839.

Details are as follows :

June 30, 2013			
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 16.09	\$ 30.00
An-Tai International Investment Co., Ltd.	2,826	11.54	30.00
	<u>22,366</u>		
December 31, 2012			
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 16.09	\$ 22.25
An-Tai International Investment Co., Ltd.	2,826	11.54	22.25
	<u>22,366</u>		
June 30, 2012			
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 16.09	\$ 19.30
An-Tai International Investment Co., Ltd.	2,826	11.54	19.30
	<u>22,366</u>		
January 1, 2012			
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 16.09	\$ 17.85
An-Tai International Investment Co., Ltd.	2,826	11.54	17.85
	<u>22,366</u>		

(25) 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.

(26) 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)After deducting items (a) to (d), appropriating 1%~5% of remaining earnings as directors' and supervisors' compensation.
- (F)After deducting items (a) to (d), appropriating 1%~10% of remaining earnings as employees' bonuses.
- (G)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.
- (H)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 plants expansion and investment plans, the appropriation of earnings are based on the distributable earnings and appropriate principally 80% to shareholders as bonus. The proportion of above shareholders bonus shall account for 50%, but at least 5% in each year.

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 appropriation of 2012 and 2011 earnings had been resolved by the shareholders during their meeting on June 21, 2013 and June 15, 2012,respectively, were as follows:

	2012		2011	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 296,470		\$ 278,321	
Cash dividends	1,922,095	\$ 1	1,661,072	\$ 0.9

The employees' bonuses are \$240,141 and \$225,440 and directors' and supervisors' remuneration are \$106,729 and \$100,196 for the years ended December 31, 2012 and 2011, respectively. The amounts of bonus to employees and remunerations to directors and supervisors were all consistent with the amounts charged against earnings in 2012 and 2011. The amounts of bonus to employees and remunerations to directors and supervisors as approved during the stockholders' meeting on July 24, 2013 and July 15, 2012, as mentioned above, were different from the amounts charged against earnings in 2012 and 2011. The differences of \$55,445 and \$6,150, respectively, were due to the increase of outstanding common shares which exercised stock options by employees and exercised convertible bonds by bondholders between the date of shareholders' resolution to the ex-right date. According to the resolution of shareholders' meeting the chairman was authorized to approve the increase amount of distributed earnings.

F. The estimated employees' bonus was \$84,415, \$60,552, \$150,868 and \$103,864, and the estimated directors' and supervisors' remuneration was \$2,683, \$26,912, \$32,234 and \$46,162, and three-month for the periods ended June 30, 2013 and 2012, and for the six-month periods ended June 30, 2013 and 2012, respectively. The amount was accrued based on net income for the period and the consideration of the factors of legal reserve and so on as of current period and certain ratio within the range that stipulated by the Company's Articles of Incorporation. Employees' bonus and directors' and supervisors' remuneration of 2012 as resolved by the stockholders were in agreement with those amounts recognized in the 2012 financial statements.

(27) Other equity items

	Available-for- sale investment	Currency translation	Total
At January 1, 2013	(\$ 1,279,753)	(\$ 366,207)	(\$ 1,645,960)
Unrealized gains and losses of financial assets number of differences:			
–Group	(75,669)	-	(75,669)
–Associates	154,665	-	154,665
Currency translation differences:			
–Group	-	256,713	256,713
–Associates	-	(1,282)	(1,282)
At June 30, 2013	<u>(\$ 1,200,757)</u>	<u>(\$ 110,776)</u>	<u>(\$ 1,311,533)</u>

	Available-for- sale investment	Currency translation	Total
At January 1, 2012	(\$ 1,279,759)	\$ -	(\$ 1,279,759)
Unrealized gains and losses of financial assets number of differences:			
–Group	337,729	-	337,729
–Associates	-	-	-
Currency translation differences:			
–Group	- (136,420)	(136,420)	(136,420)
–Associates	- (3,223)	(3,223)	(3,223)
At June 30, 2012	<u>(\$ 942,030)</u>	<u>(\$ 139,643)</u>	<u>(\$ 1,081,673)</u>

(28) Operating revenue

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Sales revenue	\$ 12,674,768	\$ 10,790,936
Service revenue	1,451,577	626,148
Construction contract revenue	832,747	733,813
Securities and Exchange revenue	63,944	42,879
Total	<u>\$ 15,023,036</u>	<u>\$ 12,193,776</u>
	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Sales revenue	\$ 23,507,718	\$ 21,027,872
Service revenue	2,952,484	1,242,748
Construction contract revenue	1,715,709	1,412,568
Securities and Exchange revenue	112,491	76,202
Total	<u>\$ 28,288,402</u>	<u>\$ 23,759,390</u>

(29) Other income

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Rental revenue	\$ 27,825	\$ 41,031
Dividend income	86,216	78,328
Interest income:		
Interest income from bank deposits	23,346	17,333
Other interest income	210	231
Other non-operating income	50,093	35,215
Total	<u>\$ 187,690</u>	<u>\$ 172,138</u>
	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Rental revenue	\$ 66,677	\$ 83,662
Dividend income	92,463	80,817
Interest income:		
Interest income from bank deposits	40,053	34,529
Other interest income	419	425
Other non-operating income	85,470	69,316
Total	<u>\$ 285,082</u>	<u>\$ 268,749</u>

(30) Other gains and losses

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Net losses on financial liabilities at fair value through profit or loss	(\$ 429)	(\$ 1,264)
Net gains on financial assets at fair value through profit or loss	33,556	16,301
Net currency exchange gains (losses)	(17,230)	19,954
Losses on disposal of property, plant and equipment	(2,662)	(3,068)
Gains on disposal of investments	217,660	46,522
Non-operating expenses	(103,054)	(83,201)
Total	<u>\$ 127,841</u>	<u>(\$ 4,756)</u>

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Net gains (losses) on financial liabilities at fair value through profit or loss	\$ 1,712	(\$ 2,629)
Net gains on financial assets at fair value through profit or loss	27,230	26,664
Net currency exchange losses	(3,911)	(33,563)
Losses on disposal of property, plant and equipment	(6,879)	(7,736)
Gains on disposal of investments	310,590	31,348
Non-operating expenses	(167,143)	(121,110)
Total	<u>\$ 161,599</u>	<u>(\$ 107,026)</u>

(31) Finance costs

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Interest expense:		
Bank borrowings	\$ 58,655	\$ 53,522
Less: capitalisation of qualifying assets	(239)	(69)
	58,416	53,453
Finance expenses	4,908	3,933
Finance costs	<u>\$ 63,324</u>	<u>\$ 57,386</u>
	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Interest expense:		
Bank borrowings	\$ 117,694	\$ 99,245
Less: capitalisation of qualifying assets	(482)	(201)
	117,212	99,044
Finance expenses	8,563	7,731
Finance costs	<u>\$ 125,775</u>	<u>\$ 106,775</u>

(32) Expenses by nature

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Employee benefit expense		
Salaries	\$ 1,988,704	\$ 1,601,887
Labor and health insurances	158,679	159,390
Pension	106,666	87,248
Others	60,051	47,611
Property, plant and equipment depreciation	330,320	329,326
Intangible amortization expense	45,834	24,689
	<u>\$ 2,690,254</u>	<u>\$ 2,250,151</u>
	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Employee benefit expense		
Salaries	\$ 3,854,256	\$ 3,139,922
Labor and health insurances	347,208	291,453
Pension	206,834	189,685
Others	136,675	107,616
Property, plant and equipment depreciation	616,091	608,373
Intangible amortization expense	73,171	38,067
	<u>\$ 5,234,235</u>	<u>\$ 4,375,116</u>

(33) Business combinations

A. During the period of January to April, 2012, the Group acquired 17.99% of the share capital of Kuen Ling Machinery Refrigerating Co., Ltd. (Kuen Ling) for \$249,606. Plus the original 2.17% of share capital held by the Group in previous year, the Group's stock ownership in Kuen Ling was 20.16%. The extraordinary shareholders' meeting was convened by Kuen Ling to elect directors on April 9, 2013. The group owns over half of the board seats of Kuen Ling and has the control power of the company. Therefore, Kuen Ling was included in the consolidated financial statements effective on that day.

B. The following table summarises the consideration paid for Kuen Ling 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 Kuen Ling:

	<u>April 8, 2013</u>
Purchase consideration	
Cash paid	\$ 249,606
Fair value of interest in Kuen Ling on the acquisition date that had been owned prior to the acquisition	46,397
Fair value of the non-controlling interest	<u>1,030,917</u>
	<u>1,326,920</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	361,795
Notes and accounts receivable	483,090
Inventories	352,743
Other current assets	59,623
Financial assets measured at cost	24,703
Property, plant and equipment	587,592
Other non-current assets	95,546
Bank borrowings	(238,305)
Notes and accounts payable	(205,246)
Other current liabilities	(370,680)
Other non-current liabilities	(76,218)
Total identifiable net assets	<u>1,074,643</u>
Goodwill	<u>\$ 252,277</u>

C.The fair value of the acquired identifiable intangible assets of \$2,432 is provisional pending receipt of the final valuations for those assets.

D.The Group recognised a gain of \$30,786 as a result of measuring at fair value its 2.17% equity interest in Kuen Ling held before the business combination.

E.The operating revenue included in the consolidated statement of comprehensive income since April 8, 2013 contributed by Kuen Ling was \$530,004. Kuen Ling also contributed profit before income tax of \$43,909 over the same period. Had Kuen Ling been consolidated from January 1, 2013, the consolidated statement of comprehensive income would show operating revenue of \$28,666,575 and profit before income tax of \$2,807,343

7. RELATED-PARTY TRANSACTIONS

(1) Significant related party transactions

A.Sales of goods and services:

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Sales of goods:		
Associates	\$ 652,301	\$ 185,352
	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Sales of goods:		
Associates	\$ 1,305,176	\$ 316,192

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 three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Purchases of goods:		
Associates	\$ 141,494	\$ 36,256
An entity controlled by key management personnel	2,484	-
Total	\$ 143,978	\$ 36,256
	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Purchases of goods:		
Associates	\$ 280,835	\$ 67,763
An entity controlled by key management personnel	4,688	-
Total	\$ 285,523	\$ 67,763

Goods and services are bought from associates and an entity controlled by key management personnel on normal commercial terms and conditions.

The purchase terms, including pricing and payments, were negotiated in consideration of the general market price and other factors.

C. Period-end balances arising from sales of goods/services:

	June 30, 2013	December 31, 2012
Receivables from related parties:		
Associates	\$ 712,976	\$ 783,758
	June 30, 2012	January 1, 2012
Receivables from related parties:		
Associates	\$ 314,417	\$ 429,569

The receivables from related parties arise mainly from sale transactions. The receivables are due 30 to 90 days after the date of sales. The receivables are unsecured in nature and bear no

interest. There are no provisions held against receivables from related parties.

D.Period-end balances arising from purchases of goods/services:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Payables to related parties:		
Associates	\$ 188,582	\$ 197,987
Entity controlled by key management personnel	<u>880</u>	<u>-</u>
Total	<u>\$ 189,462</u>	<u>\$ 197,987</u>
	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Payables to related parties:		
Associates	\$ 67,341	\$ 195,562
Entity controlled by key management personnel	<u>919</u>	<u>20</u>
Total	<u>\$ 68,260</u>	<u>\$ 195,582</u>

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

E.Loans to related parties:

(a)Receivables from related parties

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Associates	<u>\$ 33,500</u>	<u>\$ 33,500</u>
	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Associates	<u>\$ 34,000</u>	<u>\$ 34,000</u>

(b)Interest income

	<u>For the six-month period ended June 30, 2013</u>	<u>For the six-month period ended June 30, 2012</u>
Associates	<u>\$ 419</u>	<u>\$ 425</u>

The loans to associates are repayable monthly over 2 years and carry interest at 2.5% per annum for the three-month periods ended June 30, 2013 and 2012 and for the six-month periods ended June 30, 2013 and 2012, respectively.

F.Other receivables:

	June 30, 2013	December 31, 2012
Associates	\$ 275,532	\$ 347,650
	June 30, 2012	January 1, 2012
Associates	\$ 245,880	\$ 316,827

The above represents other receivables for rental.

G.Endorsements and guarantees provided to related parties:

	June 30, 2013	December 31, 2012
Associates	\$ 99,900	\$ 101,350
	June 30, 2012	January 1, 2012
Associates	\$ 117,172	\$ 133,533

(2) Key management compensation

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Salaries and other short-term employee benefits	\$ 90,664	\$ 78,113
Post-employment benefits	14	505
Other long-term benefits	-	83
Total	\$ 90,678	\$ 78,701
	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Salaries and other short-term employee benefits	\$ 203,920	\$ 182,846
Post-employment benefits	1,036	1,617
Other long-term benefits	6	83
Total	\$ 204,962	\$ 184,546

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	June 30, 2013	December 31, 2012	
Available-for-sale financial assets	\$ 15,628	\$ 16,308	Commercial papers payable and short-term loans
-current			
Innolux Corporation			
Notes receivable	50,768	37,351	Short-term loans
Accounts receivable	893,473	972,841	Short-term loans
Inventory	460,046	402,003	Short-term loans
Other financial assets-current			
Demand deposits	70,063	64,600	Merchandise loans, Provisional seizure Guarantee of compensation, Short-term loans, exercise guarantee for construction, warranty margin, Engineering bond , and tariff guarantee
Time deposits	70,017	43,106	Short-term loans, engineering guarantees, customs security deposit, warranty margin and exercise guarantee for construction
Certificate of deposits	11,421	12,268	Exercise guarantee for construction
Available-for-sale financial assets-non-current			
Teco Image System Co., Ltd.	11,604	13,200	Commercial papers payable and short-term loans
Far Eastone Telecommunications Co., Ltd.	241,500	222,300	Commercial papers payable and short-term loans
Innolux Corporation	32,520	33,934	Long-term loans
Evergreen Air Cargo Service Corporation	203,993	203,456	Long-term loans

Pledged asset	Book value		Purpose
	June 30, 2013	December 31, 2012	
Long-term equity investments accounted for under the equity method			
Creative Sensor	90,682	126,168	Short-term loans
Century Development	97,786	97,089	Short-term loans
Property, plant, and equipment			
Land	135,507	40,025	Long-term loans, short-term loans
Buliding	400,283	112,929	Long-term loans, short-term loans
Other non-current asset			
Refundable deposits	13,328	47,462	Exercise guarantee for construction and customs security deposit and warranty margin
Restricted assets	52,928	100,934	False compensation seizure guarantee and sinking fund
Treasury stock	496,832	368,483	Short-term loans and Quality assurance for product sales
Long-term prepaid rents	18,675	-	short-term loans, Long-term loans and Endorsements and guarantees to others
	<u>\$ 3,367,054</u>	<u>\$ 2,914,457</u>	

Pledged asset	Book value		Purpose
	June 30, 2012	January 1, 2012	
Available-for-sale financial assets	\$ 25,527	\$ 25,320	Commercial papers payable and short-term loans
-current			
Innolux Corporation			
Evergreen Air Cargo Services Corp.	29,952	-	provisional seizure and contract security deposit
Notes receivable	-	81,610	Short-term loans
Accounts receivable	902,312	897,219	Short-term loans
Inventory	356,619	733,980	Short-term loans
Other financial assets-current			
Demand deposits	58,277	47,929	Merchandise loans, Provisional seizure Guarantee of compensation, Short-term loans, exercise guarantee for construction, warranty margin, Engineering bond , and tariff guarantee
Time deposits	43,862	147,817	Short-term loans, engineering guarantees, customs security deposit, warranty margin and exercise guarantee for construction
Certificate of deposits	127,830	11,910	Exercise guarantee for construction
Available-for-sale financial assets-non-current			
Teco Image System Co., Ltd.	16,320	21,865	Commercial papers payable and short-term loans
Far Eastone Telecommunications Co., Ltd.	750,520	660,040	Commercial papers payable and short-term loans

Pledged asset	Book value		Purpose
	June 30, 2012	January 1, 2012	
Long-term equity investments accounted for under the equity method			
Creative Sensor	130,009	126,703	Short-term loans
Century Development	92,862	90,561	Short-term loans
Property, plant, and equipment			
Land	40,731	102,151	Long-term loans, short-term loans
Buliding	2,660	182,838	Long-term loans, short-term loans
Other non-current asset			
Construction in progress and prepayments for equipment	133,240	135,515	Short-term loans
Refundable deposits	-	33,948	Exercise guarantee for construction and customs security deposit and warranty margin
Treasury stock	319,628	295,615	Short-term loans
	<u>\$ 3,030,349</u>	<u>\$ 3,595,021</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT OMMITMENTS

(1) Contingencies

A.The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

(2) Commitments

A.Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	June 30, 2013	December 31, 2012
Property, plant and equipment	<u>\$ 371,649</u>	<u>\$ 287,020</u>
	June 30, 2012	January 1, 2012
Property, plant and equipment	<u>\$ 624,640</u>	<u>\$ 193,806</u>

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:

	June 30, 2013	December 31, 2012
Not later than one year	\$ 315,423	\$ 321,308
Later than one year but not later than five years	695,715	749,986
Total	<u>\$ 1,011,138</u>	<u>\$ 1,071,294</u>
	June 30, 2012	January 1, 2012
Not later than one year	\$ 269,771	\$ 263,177
Later than one year but not later than five years	1,108,432	1,132,039
Total	<u>\$ 1,378,203</u>	<u>\$ 1,395,216</u>

C. On September 30, 2011, the Company's subsidiary—Tecom Co., Ltd. (Tecom) applied to 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. And the application was approved by the court. In addition, Tecom filed a lawsuit on December 19, 2011 to ask for a compensation of US\$7,238,270 from PointRed for this case. As of August 14, 2013, these two cases were still in trail in the court.

D. Tecom International had filed a lawsuit against Vee Telecom Multimedia Co., Ltd. ("Vee Telecom") at the Taiwan Taoyuan District Court on July 26, 2012 for the fact that Vee Telecom failed to fulfill a purchase contract and a supplement contract by paying the last payment of \$16,352 to Tecom International for the sale of VMAX Telecom Inc.. As of August 14, 2013, the above case is still on trial in the court.

E. In August, 2012, Rullingnet Corporation Limited ("Rullingnet") filed a lawsuit against Tecom with the court to ask for termination of all the purchase contracts of certain products signed with Tecom and a compensation of \$50,492, for the products it commissioned Tecom to design and manufacture were defective and Tecom did not fulfill fixing obligations. As of August 14, 2013, this case was still in trail in the Court.

F. On September 12, 2012, the Company's indirect subsidiary—Baycom Opto-Electronics Technology Company Limited got a notice from Taiwan HsinChu District Court (the "Court"), informing it has been brought into as a defendant of a lawsuit filed by Upc Cablecom GmbH ("Cablecom") relating to a compensation request for fiber optic cables sold by Baycom to The Swedish supplies Windsor Co., Ltd. on September 29, 2000 were defective. As of August 14, 2013, this case was still in trail in the Court.

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 to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. Main objective of the Group ensure to maintain credit ratings and good financial structure.

(2) Financial instruments

A. Fair value information of financial instruments

	June 30, 2013	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	\$ 14,423,676	\$ 14,423,676
Financial assets at fair value through profit or loss		
Held for trading	241,985	241,985
Non-hedging derivatives	4,809	4,809
Subtotal	246,794	246,794
Available-for-sale financial assets		
Equity securities investments	11,361,703	11,361,703
Investments in bonds without active markets	163,025	163,025
Notes receivable	1,446,402	1,446,402
Accounts receivable	9,994,311	9,994,311
Other receivables	472,441	472,441
Total	\$ 38,108,352	\$ 38,108,352

	December 31, 2012	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	\$ 13,178,775	\$ 13,178,775
Financial assets at fair value through profit or loss		
Held for trading	143,169	143,169
Non-hedging derivatives	9,713	9,713
Subtotal	152,882	152,882
Available-for-sale financial assets		
Equity securities investments	11,547,019	11,547,019
Investments in bonds without active markets	280,930	280,930
Notes receivable	1,170,257	1,170,257
Accounts receivable	8,272,353	8,272,353
Other receivables	625,444	625,444
Total	\$ 35,227,660	\$ 35,227,660

	June 30, 2012	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	\$ 10,880,064	\$ 10,880,064
Financial assets at fair value through profit or loss		
Held for trading	175,845	175,845
Non-hedging derivatives	2,936	2,936
Subtotal	178,781	178,781
Available-for-sale financial assets		
Equity securities investments	12,253,364	12,253,364
Investments in bonds without active markets	11,906	11,906
Notes receivable	1,237,552	1,237,552
Accounts receivable	7,797,710	7,797,710
Other receivables	478,697	478,697
Total	\$ 32,838,074	\$ 32,838,074

January 1, 2012		
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	\$ 11,602,770	\$ 11,602,770
Financial assets at fair value through profit or loss		
Held for trading	197,177	197,177
Non-hedging derivatives	1,157	1,157
Subtotal	198,334	198,334
Available-for-sale financial assets		
Equity securities investments	11,345,764	11,345,764
Investments in bonds without active markets	9,906	9,906
Notes receivable	1,254,110	1,254,110
Accounts receivable	7,180,337	7,180,337
Other receivables	566,405	566,405
Total	\$ 32,157,626	\$ 32,157,626

June 30, 2013		
	Book value	Fair value
Financial liabilities:		
Short-term borrowings	\$ 3,006,558	\$ 3,006,558
Financial liabilities at fair value through profit or loss		
Non-hedging derivatives	500	500
Notes payable	190,255	190,255
Accounts payable	8,856,899	8,856,899
Other payables	5,704,072	5,704,072
Bonds payable	2,965,641	2,965,641
Long-term borrowings (including current portion)	5,138,616	5,138,616
Total	\$ 25,862,541	\$ 25,862,541

	December 31, 2012	
	Book value	Fair value
Financial liabilities:		
Short-term borrowings	\$ 2,915,595	\$ 2,915,595
Financial liabilities at fair value through profit or loss		
Non-hedging derivatives	2,855	2,855
Notes payable	229,299	229,299
Accounts payable	7,533,449	7,533,449
Other payables	4,182,011	4,182,011
Bonds payable	2,902,653	2,902,653
Long-term borrowings (including current portion)	7,922,682	7,922,682
Total	<u>\$ 25,688,544</u>	<u>\$ 25,688,544</u>

	June 30, 2012	
	Book value	Fair value
Financial liabilities:		
Short-term borrowings	\$ 1,495,114	\$ 1,495,114
Financial liabilities at fair value through profit or loss		
Non-hedging derivatives	2,629	2,629
Notes payable	417,517	417,517
Accounts payable	6,786,111	6,786,111
Other payables	5,337,989	5,337,989
Long-term borrowings (including current portion)	10,478,019	10,478,019
Total	<u>\$ 24,517,379</u>	<u>\$ 24,517,379</u>

	January 1, 2012	
	Book value	Fair value
Financial liabilities:		
Short-term borrowings	\$ 1,653,930	\$ 1,653,930
Financial liabilities at fair value through profit or loss		
Non-hedging derivatives	1,305	1,305
Notes payable	256,530	256,530
Accounts payable	7,565,602	7,565,602
Other payables	3,614,382	3,614,382
Long-term borrowings (including current portion)	11,978,046	11,978,046
Total	<u>\$ 25,069,795</u>	<u>\$ 25,069,795</u>

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 minimise 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(16)).
- (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 co-operation 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

- 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, recognised assets and liabilities and net investments in foreign operations.
- 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 recognised 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 recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- The Group uses forward exchange contracts / forward exchange traded derivatives transactions that hedge of a recognized foreign asset or liability due to exchange rate fluctuations in the fair value risk and cash flow risk.
- 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&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:

June 30, 2013

			June 30, 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)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	128,318	30.0000	\$ 3,849,540	1%	\$ 38,495
USD:RMB	45,158	6.1375	1,354,732	1%	13,547
JPY:NTD	2,277,303	0.3036	691,389	1%	6,914
USD:CAD	11,881	1.0471	356,440	1%	3,564
EUR:NTD	11,158	39.1500	436,846	1%	4,368
USD:SGD	11,824	1.2626	354,726	1%	3,547
USD:HKD	7,668	7.7650	230,042	1%	2,300
USD:P PESO	5,454	42.1496	163,609	1%	1,636
USD:MYR	4,198	3.1580	125,951	1%	1,260
AUD:NTD	5,924	27.7750	164,539	1%	1,645
USD:AUD	1,922	1.0801	57,660	1%	577
USD:JPY	257	98.8142	7,716	1%	77
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	82,994	30.0000	\$ 2,489,820	1%	\$ 24,898
USD:RMB	28,119	6.1375	843,566	1%	8,436
JPY:NTD	569,255	0.3036	172,826	1%	1,728
USD:P PESO	2,818	42.1496	84,535	1%	845
USD:SGD	8,832	1.2626	264,949	1%	2,649
USD:CAD	6,234	1.0471	187,012	1%	1,870
USD:VND	3,458	21,428.5714	103,752	1%	1,038
USD:AUD	1,713	1.0801	51,390	1%	514
USD:MYR	2,205	3.1580	66,135	1%	661

December 31, 2012

				Sensitivity Analysis		
	Foreign currency amount				Effect on profit or	Effect on other
	(In thousands)	Exchange rate	Book value (NTD)	Extent of variation	loss	comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	81,536	29.0400	\$ 2,367,814	1%	\$ 23,678	\$ -
USD:RMB	46,389	6.2341	1,347,144	1%	13,471	-
JPY:NTD	1,658,087	0.3364	557,780	1%	5,578	-
USD:CAD	14,019	0.9942	407,119	1%	4,071	-
EUR:NTD	7,937	38.4900	305,495	1%	3,055	-
USD:SGD	8,820	1.2222	256,131	1%	2,561	-
USD:HKD	927	7.7531	26,913	1%	269	-
USD:P PESO	4,734	41.0222	137,475	1%	1,375	-
USD:MYR	3,906	3.0603	113,440	1%	1,134	-
AUD:NTD	4,022	30.1650	121,324	1%	1,213	-
USD:AUD	1,153	0.9627	33,483	1%	335	-
USD:JPY	979	86.3258	28,444	1%	284	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	71,840	29.0400	\$ 2,086,244	1%	\$ 20,862	\$ -
USD:RMB	34,449	6.2341	1,000,394	1%	10,004	-
JPY:NTD	443,266	0.3364	149,115	1%	1,491	-
USD:P PESO	2,145	41.0222	62,286	1%	623	-
USD:SGD	6,127	1.2222	177,930	1%	1,779	-
USD:CAD	4,339	0.9942	126,001	1%	1,260	-
USD:VND	67,086	20,742.86	1,948,181	1%	19,482	-
USD:AUD	3,419	0.9627	99,288	1%	993	-
USD:MYR	1,847	3.0603	53,637	1%	536	-

June 30, 2012									
Foreign currency amount (In thousands)			Sensitivity Analysis						
			Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or	Effect on other		
loss	comprehensive								
income									
(Foreign currency: functional currency)									
<u>Financial assets</u>									
<u>Monetary items</u>									
USD:NTD	21,524	29.8800	\$	643,137	1%	\$	6,431	\$	-
USD:RMB	17,994	6.3618		537,661	1%		5,377		-
JPY:NTD	265,583	0.3750		99,700	1%		997		-
USD:CAD	7,228	1.0257		215,973	1%		2,160		-
EUR:NTD	45,779	37.5600		1,719,459	1%		17,195		-
USD:SGD	7,274	1.2704		217,347	1%		2,173		-
USD:HKD	658	7.7740		19,661	1%		197		-
AUD:NTD	3	30.3800		91	1%		1		-
USD:AUD	215	0.9837		6,424	1%		64		-
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:NTD	13,434	29.8800	\$	401,408	1%	\$	4,014	\$	-
USD:RMB	15,688	6.3618		468,757	1%		4,688		-
JPY:NTD	628,411	0.3750		235,654	1%		2,357		-
USD:SGD	7,989	1.2704		238,721	1%		2,387		-
USD:VND	2,552	21,342.86		76,257	1%		763		-
USD:AUD	2,230	0.9837		66,632	1%		666		-

January 1, 2012

	Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Extent of variation	Effect on profit or	Effect on other
					Loss	comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	84,974	30.2755	\$ 2,572,645	1%	\$ 25,726	\$ -
USD:RMB	42,650	6.3378	1,291,246	1%	12,912	-
JPY:NTD	1,059,269	0.3906	413,750	1%	4,138	-
USD:CAD	9,725	1.0204	294,442	1%	2,944	-
EUR:NTD	7,005	39.1800	274,439	1%	2,744	-
USD:SGD	6,230	1.2988	188,618	1%	1,886	-
USD:HKD	642	7.7641	19,429	1%	194	-
USD:P PESO	8,348	43.8204	252,750	1%	2,528	-
USD:MYR	4,993	3.1718	151,151	1%	1,512	-
AUD:NTD	8,522	30.7350	261,924	1%	2,619	-
USD:AUD	2,875	0.9850	87,042	1%	870	-
USD:JPY	626	77.5102	18,943	1%	189	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	56,526	30.2755	\$ 1,711,365	1%	\$ 17,114	\$ -
USD:RMB	22,384	6.3378	677,697	1%	6,777	-
JPY:NTD	511,452	0.3906	199,773	1%	1,998	-
USD:SGD	9,574	1.2988	289,870	1%	2,899	-
USD:CAD	5,819	1.0204	176,168	1%	1,762	-
USD:VND	2,599	21,625.36	78,699	1%	787	-
USD:P PESO	3,166	43.8204	95,845	1%	958	-
USD:AUD	5,644	0.9850	170,875	1%	1,709	-
USD:MYR	2,243	3.1718	67,895	1%	679	-

Price risk

- 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.

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 six-month periods ended June 30, 2013 and 2012 would have increased/decreased by \$12,099 and \$8,792, 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/decreased by \$568,085 and \$612,668 as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- The Group's interest rate risk arises from long-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 six-month periods ended June 30, 2013 and 2012, the Group's borrowings at variable rate were denominated in the NTD, USD and RMB.
- 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.
- At June 30, 2013 and 2012, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2013 and 2012 would have been \$3,125 and \$3,895 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 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 and committed transactions. 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 are provided in Note 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:

June 30, 2013	Up to 1 year	Between 1 year and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Carrying amount
Short-term borrowings	\$ 3,006,558	\$ -	\$ -	\$ -	\$ -	\$ 3,006,558
Notes payable	190,255	-	-	-	-	190,255
Accounts payable	8,856,899	-	-	-	-	8,856,899
Other payables	5,704,072	-	-	-	-	5,704,072
Bonds payable	-	-	2,965,641	-	-	2,965,641
Long-term borrowings (including current portion)	60,491	5,017,628	-	-	-	5,138,616

Non-derivative financial liabilities:

December 31, 2012	Up to 1 year	Between 1 year and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Carrying amount
Short-term borrowings	\$ 2,915,595	\$ -	\$ -	\$ -	\$ -	\$ 2,915,595
Notes payable	229,299	-	-	-	-	229,299
Accounts payable	7,533,449	-	-	-	-	7,533,449
Other payables	4,182,011	-	-	-	-	4,182,011
Bonds payable	-	-	2,902,653	-	-	2,902,653
Long-term borrowings (including current portion)	800,000	4,972,682	2,150,000	-	-	7,922,682

Non-derivative financial liabilities:

June 30, 2012	Up to 1 year	Between 1 year and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Carrying amount
Short-term borrowings	\$ 1,495,114	\$ -	\$ -	\$ -	\$ -	\$ 1,495,114
Notes payable	417,517	-	-	-	-	417,517
Accounts payable	6,786,111	-	-	-	-	6,786,111
Other payables	5,337,989	-	-	-	-	5,337,989
Long-term borrowings (including current portion)	14,795	6,863,224	2,600,000	1,000,000	-	10,478,019

Non-derivative financial liabilities:

January 1, 2012	Up to 1 year	Between 1 year and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Carrying amount
Short-term borrowings	\$ 1,653,930	\$ -	\$ -	\$ -	\$ -	\$ 1,653,930
Notes payable	256,530	-	-	-	-	256,530
Accounts payable	7,565,602	-	-	-	-	7,565,602
Other payables	3,614,382	-	-	-	-	3,614,382
Long-term borrowings (including current portion)	-	7,148,671	1,029,375	3,800,000	-	11,978,046

iii. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the derivative financial liabilities which are executed by the Group are both 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 estimation

A. The table below analyses financial instruments measured at fair value, by valuation method.

The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at fair value at June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012.

June 30, 2013	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$ 241,985	\$ -	\$ -	\$ 241,985
Forward exchange contracts	-	4,809	-	4,809
Available-for-sale financial assets				
Equity securities	<u>7,983,378</u>	<u>-</u>	<u>3,378,325</u>	<u>11,361,703</u>
Total	<u>\$ 8,225,363</u>	<u>\$ 4,809</u>	<u>\$ 3,378,325</u>	<u>\$ 11,608,497</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>

December 31, 2012	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$ 143,169	\$ -	\$ -	\$ 143,169
Forward exchange contracts	-	9,713	-	9,713
Available-for-sale financial assets				
Equity securities	<u>7,454,336</u>	<u>1,994,468</u>	<u>2,098,215</u>	<u>11,547,019</u>
Total	<u>\$ 7,597,505</u>	<u>\$ 2,004,181</u>	<u>\$ 2,098,215</u>	<u>\$ 11,699,901</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 2,855</u>	<u>\$ -</u>	<u>\$ 2,855</u>
June 30, 2012	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$ 175,845	\$ -	\$ -	\$ 175,845
Forward exchange contracts	-	2,936	-	2,936
Available-for-sale financial assets				
Equity securities	<u>7,979,374</u>	<u>2,363,309</u>	<u>1,910,681</u>	<u>12,253,364</u>
Total	<u>\$ 8,155,219</u>	<u>\$ 2,366,245</u>	<u>\$ 1,910,681</u>	<u>\$ 12,432,145</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 2,629</u>	<u>\$ -</u>	<u>\$ 2,629</u>

January 1, 2012	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$ 197,177	\$ -	\$ -	\$ 197,177
Forward exchange contracts	-	1,157	-	1,157
Available-for-sale financial assets				
Equity securities	<u>7,292,167</u>	<u>3,004,288</u>	<u>1,049,309</u>	<u>11,345,764</u>
Total	<u>\$ 7,489,344</u>	<u>\$ 3,005,445</u>	<u>\$ 1,049,309</u>	<u>\$ 11,544,098</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,305</u>	<u>\$ -</u>	<u>\$ 1,305</u>

B.The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.

C.The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

D.If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E.Specific valuation techniques used to value financial instruments include:

- (a)Quoted market prices or dealer quotes for similar instruments.
- (b)The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- (c)Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

F.The following table presents the changes in level 3 instruments for the six-month periods ended June 30, 2013 and 2012, December 31, 2012 and January 1, 2012.

	Equity securities	
	For the six-month period ended June 30,2013	For the six-month period ended June 30,2012
Beginning balance	\$ 2,098,215	\$ 1,049,309
Gains and losses recognised in other comprehensive income	(496,413)	861,372
Transfers into level 3	<u>1,776,523</u>	<u>-</u>
Ending balance	<u>\$ 3,378,325</u>	<u>\$ 1,910,681</u>

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others:

Number (Note 1)	Creditor	Borrower	General ledger account	Maximum outstanding balance during the six-month period ended June 30, 2013	Balance at June 30, 2013 (Note 3)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)
0	The Company	U.V.G.	Other receivables	\$ 117,180	\$ 117,180	\$ 44,241	1.0594~ 1.1834	Short-term financing	\$ -	For operating Capital purposes	\$ -	-	\$ -	\$ 1,167,639	\$ 3,892,130

Note 1: Number "0" represents the Company, and the subsidiaries are numbered starting from "1".

Note 2: In accordance with the Company's policy, the ceiling on total loans shall not exceed 10% of the Company's net assets, and the limit on loans granted to a single party shall not exceed 3% of the Company's net assets.

Note 3: The amount passed by the board of directors.

B. Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount during the six-month period ended June 30, 2013	Outstanding endorsement/ guarantee amount at June 30, 2013	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	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	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
		Company name	Relationship with the endorser/ guarantor (Note 2)										
0	The Company	GD Teco	1	\$ 7,784,260	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	0.26	\$ 23,352,780	Y	N	N
		Teco International	1	7,784,260	100,000	100,000	100,000	-	0.26	23,352,780	Y	N	N
		Straits Construction	3	7,784,260	617,974	542,598	542,598	-	1.39	23,352,780	N	N	Y
		Others	1、2、3	7,784,260	226,095	224,704	224,704	-	0.58	23,352,780	Y	N	N
						<u>\$ 967,302</u>							

Note 1: Number 0 represents the Company, and the subsidiaries are numbered starting from "1".

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

Number 1 represents the Company directly owns over 50% shares of the subsidiary.

Number 2 represents the Company directly or indirectly through its subsidiaries owns over 50% shares of the subsidiary.

Number 3 represents the Company has business relationship with the party.

Note 3: In accordance with the Company's policy, the total guarantee amount of the Company shall not exceed 60% of the Company's net assets, and the guarantee to a single party shall not exceed 20% of the Company's net assets.

C. Holding of marketable securities at the end of the period:

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2013				Footnote
				Number of shares	Book value	Ownership (%)	Market value	
The Company	Stock 1	None	Available-for-sale financial assets - non-current	40,479	\$ 586,950	0.31	\$ 586,950	None
	Stock 2	"	"	2,373	25,864	0.03	25,864	None
	Stock 3	"	"	-	26	0.00	26	None
	Stock 4	"	"	1,595	65,256	0.01	65,256	None
	Stock 5	"	"	26,200	391,693	0.29	391,693	None
	Stock 6	The director is the same as the Company	"	11,527	229,972	1.96	229,972	None
	Stock 7	"	"	475,151	2,399,515	7.3	2,399,515	None
	Stock 8	"	"	32,047	514,357	3.53	514,357	None
	Stock 9	None	"	51,924	307,389	2.17	307,389	None
	Stock 10	The director is the same as the Company	"	24,943	341,969	0.76	341,969	None
	Stock 11	"	"	70,907	308,552	10.99	308,552	None
	Stock 12	"	"	-	61,928	-	61,928	None
	Stock 13, etc.	"	"	52,755	561,948	-	561,948	None
	Stock 14	An investee company accounted for under the equity method	Long-term equity investments accounted for under the equity method	39,145	1,798,606	31.14	1,798,606	None
	Stock 15	"	"	400,602	176,773	63.52	1,105,662	None
	Stock 16	"	"	5,291	161,459	92.63	161,459	None
	Stock 17	"	"	50,562	819,145	100	819,145	None
	Stock 18	"	"	2	6,578,416	100	6,578,416	None
	Stock 19	"	"	7,200	2,369,659	90	2,369,659	None
	Stock 20	"	"	369,686	5,507,222	99.6	5,507,222	None
	Stock 21	"	"	15,387	249,562	64.08	249,562	None
	Stock 22	"	"	225,782	7,174,405	100	7,174,405	None

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2013				<u>Footnote</u>
				Number of shares	Book value	Ownership (%)	Market value	
	Stock 23	"	"	17,131	137,973	76.7	137,973	None
	Stock 24	"	"	6,884	1,093,267	100	1,093,267	None
	Stock 25	"	"	102,224	4,744,690	100	4,744,690	None
	Stock 26	"	"	7,800	145,286	64.95	145,286	None
	Stock 27	"	"	37,542	489,881	33.84	351,395	None
	Stock 28	"	"	15,000	381,960	100	381,960	None
	Stock 29	"	"	50,875	789,801	21.39	789,801	None
	Stock 30	"	"	13,773	145,211	100	145,211	None
	Stock 31	"	"	12,123	130,766	71.3	130,766	None
	Stock 32	"	"	20,000	164,553	100	164,553	None
	Stock 33	"	"	24,560	298,706	28.56	298,706	None
	Stock 34	"	"	15,218	283,182	20.16	309,699	None
	Stock 35, etc.	"	"	-	633,533	-	582,369	None

D. Acquisition or sale of the same security with the accumulated cost exceeding \$100 million or 20% of the Company's paid-in capital during the year ended June 30, 2013

Investor	Marketable securities	General ledger account	Relationship with the investor	Balance as at January 1, 2013		Addition		Disposal				Balance as at June 30, 2013	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
The Company	Stock 34	Note 1	Open market /None	1,739	\$ 33,658	13,480	\$ 249,524 (Note 2)	-	\$ -	\$ -	\$ -	15,219	\$ 283,182

Note 1: Investments accounted for under the equity method.

Note 2: Consists of the cost of \$249,606 and recognized the net changes in investments under the equity method due to the changes in the market value and investment income. (\$82)

E. Acquisition of real estate reaching NT\$100 million or 20% of paid-in capital or more:

F. Disposal of real estate reaching NT\$100 million or 20% of paid-in capital or more:

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more:

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Tesen	An investee accounted for under the equity method	Purchases	\$1,152,166	11%	30days	Note	Note	(\$ 45,420)	(1%)	
	Taian(Subic)	"	"	117,040	1%	75days	"	"	(72,996)	(1%)	
	Wuxi Teco	An indirect investee accounted for under the equity method	"	714,862	7%	"	"	"	(584,550)	(11%)	
	Teco Malaysia	"	"	283,091	3%	"	"	"	(96,971)	(2%)	
	Shzhou Teco	"	"	197,777	2%	"	"	"	(94,233)	(2%)	
	Tai-An Wuxi	"	"	124,716	1%	"	"	"	(41,190)	(1%)	
	Teco Singapore	An investee accounted for under the equity method	Sales	(679,817)	(5%)	90days	"	"	225,573	4%	
	Tong Dai	"	"	(461,472)	(4%)	"	"	"	268,963	5%	
	Tong Tai Jung	"	"	(338,152)	(3%)	"	"	"	207,577	4%	
	Taian Shen	"	"	(122,647)	(1%)	"	"	"	34,165	1%	
	Yaskawa	"	"	(119,871)	(1%)	"	"	"	46,733	1%	
	TecoWestingho use	An indirect investee accounted for under the equity method	"	(2,164,378)	(17%)	"	"	"	726,628	14%	
	Teco Australia	"	"	(457,096)	(4%)	"	"	"	155,334	3%	
	TecoWestingho use Canada	"	"	(607,939)	(5%)	"	"	"	189,136	4%	
	Teco Netherlands	"	"	(381,163)	(3%)	"	"	"	277,322	5%	
	Sankyo	"	"	(103,484)	(1%)	"	"	"	85,734	2%	

Note : Comparable with other types of transactions, trading conditions are handled in accordance with the agreement of the conditions.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2013		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
						Amount	Action taken		
The Company	Tong Tai Jung	An investee accounted for under the equity method	Notes receivable and Accounts receivable and other receivables	\$ 207,590	3.42	\$ -	-	\$ 66,451	
	Tong Dai	"	Notes receivable and Accounts receivable	268,963	2.94	-	-	84,472	
	Teco Singapore	"	Accounts receivable	225,573	7.28	-	-	112,387	
	Teco Westinghouse Canada	An indirect investee accounted for under the equity method	"	189,136	6.14	-	-	93,629	
	Teco Westinghouse	"	"	726,628	6.53	-	-	386,125	
	Teco Australia	"	Accounts receivable and other receivables	156,191	4.81	-	-	85,396	
	Sankyo	"	"	244,427	7.81	151,609	In the process of collection	13,157	
	Teco Netherlands	"	"	361,613	2.20	84,051	"	18,291	
Total amount was \$56,620									

I. Derivative financial instruments undertaken during the year ended June 30, 2013: Please refer to Notes 6(2) and 6(16).

J. Significant inter-company transactions during the three-month period ended June 30, 2013:

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)
0	The Company	Tong Tai Jung	1	Notes receivables and Accounts receivable and Other receivables	\$ 207,590	Note 4	-
0	"	Teco Singapore	"	Accounts receivable	225,573	"	-
0	"	TecoWestinghouse Canada	"	"	189,136	"	-
0	"	TecoWestinghouse	"	"	726,628	"	1%
0	"	Tong Dai	"	Notes receivables and Accounts receivable	268,963	"	-
0	"	Teco Australia	"	Accounts receivable and Other receivables	156,191	"	-
0	"	Teco Netherlands	"	"	361,613	"	-
0	"	Sankyo	"	"	244,427	"	-
1	Wuxi Teco	The Company	2	Accounts receivable	584,550	"	1%
2	U.V.G.	Teco Netherlands	3	Other receivables	274,050	"	-
0	The Company	Teco Singapore	1	Sales	679,817	"	2%
0	"	Tong Dai	"	"	461,472	"	2%
0	"	Tong Tai Jung	"	"	338,152	"	1%
0	"	TecoWestinghouse	"	"	2,164,378	"	8%
0	"	Teco Australia	"	"	457,096	"	2%
0	"	TecoWestinghouse Canada	"	"	607,939	"	2%
0	"	Teco Netherlands	"	"	381,163	"	1%
0	"	Sankyo	"	"	103,484	"	-
3	Tesen	The Company	2	"	1,152,166	"	4%
4	Teco Malaysia	"	"	"	283,091	"	1%
1	Wuxi Teco	"	"	"	714,862	"	3%
5	Shzhou Teco	"	"	"	197,777	"	1%
6	Tai-An Wuxi	"	"	"	124,716	"	-
7	Taian-Subic	"	"	"	117,040	"	-

Note 1: The numbers filled for intercompany transactions are as follows:

(a) The parent company is numbered "0".

(b) The subsidiaries are numbered starting from "1".

Note 2: Relationship with the transaction company:

- (a) The parent company to the subsidiary
- (b) The subsidiary to the parent company.
- (c) The subsidiary to the subsidiary.

Note 3: Regarding the ratio of transaction amount to consolidated total operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet accounts and based on accumulated amount to consolidated total operating revenues for income statement accounts.

Note 4: The terms, including prices and collection, were negotiated in consideration of cost, market, competitors, etc.

(2) Information on investees

A. Information of investee companies:

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2013			Net profit (loss) of the investee for the six-month period ended June 30, 2013	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2013	Footnote
				Balance as at June 30, 2013	Balance as at January 1, 2013	Number of shares	Ownership (%)	Book value			
The Company	Tung Pei	Taiwan	Manufacturing of bearings	\$ 12,293	\$ 12,293	39,145,044	31.14	\$ 1,798,606	\$ 227,679	\$ 70,932	None
	Tecom	Taiwan	Manufacturing of key telephone system and non-key service unit telephone system	631,410	631,410	400,602,050	63.52	176,773	6,694	4,466	None
	Teco International	Taiwan	Invested various investments	100,013	100,013	50,562,000	100	819,145	(3,956)	(3,956)	None
	Teco Holding 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	6,578,416	500,896	501,927	None
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore	112,985	112,985	7,200,000	90	2,369,659	122,419	110,177	None
	Tong-An	Taiwan	Various investments	2,490,000	2,490,000	369,686,118	99.6	5,507,222	149,313	148,715	None
	Teco Electro	Taiwan	Manufacturing of Stepping Motors	128,496	128,496	15,386,949	62.57	249,562	17,303	10,389	None
	UVG and its subsidiaries	Cayman Islands	Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings	7,306,526	7,306,526	225,782,346	100	7,174,405	(30,645)	(31,013)	None
	Information Technology Total Services	Taiwan	E-business service, mailing and data management	121,232	121,232	12,123,248	60.62	130,766	15,106	9,157	None
	Tesen	Taiwan	Manufacturing and sales of home appliances	200,000	200,000	20,000,000	100	164,553	9,661	5,903	None

A-1. Information of investee companies (continued):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2013			Net profit (loss) of the investee for the six-month period ended June 30, 2013	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2013	Footnote
				Balance as at March 31, 2013	Balance as at January 1, 2013	Number of shares	Ownership (%)	Book value			
The Company	Lien Chang	Taiwan	Manufacturing of Color Flybacks Transformers, Mono Flyback Transformers and Mono Deflection yokes	\$ 117,744	\$ 117,744	37,542,159	33.84	\$ 489,884	\$ 2,303	\$ 779	None
	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	22,444	22,444	5,290,800	92.63	161,459	25,204	23,345	None
	Teco Vietnam	Vietnam	Manufacturing and sales of motors	264,111	264,111	13,772,799	100	145,211	1,476	1,476	None
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,799,996	64.95	145,286	31,421	20,441	None
	Tong-An Assets	Taiwan	Real estate business	2,111,889	2,111,889	102,224,193	100	4,744,690	31,849	31,849	None
	Taian Subic	Philippines	Manufacturing and sales of switches	165,819	165,819	17,131,155	76.7	137,973	1,888	1,149	None
	Micropac and its subsidiaries	British Virgin	International trading	214,527	214,527	6,883,591	100	1,093,267	67,753	65,150	None
	Century Development	Taiwan	Development and management of industrial park	673,801	673,801	50,874,780	21.39	789,801	58,951	20,801	None
	An-Tai International	Taiwan	Investment holdings	150,000	150,000	15,000,000	100	381,960	15,266	15,266	None
	Pelican	Taiwan	Logistics and distribution services	260,595	260,595	24,559,700	28.56	298,706	113,378	32,379	None
Tung Pei	KUEN LING MACHINERY REFRIGERATING CO., LTD	Taiwan	Manufacturing, installation, repair, domestic and export sales and leasing of condenser, water cooling, water-cooledchiller and freezer	296,003	198,010	15,218,642	20.16	283,182	42,062	6,554	None
	Tung Pei (SAMOA) Industrial Co., Ltd.	Samoa	Investment holdings	646,343	646,343	23,031,065	100	1,298,248	24,973	24,973	None

A-2. Information of investee companies (continued):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2013			Net profit (loss) of the investee for the six-month period ended June 30, 2013	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2013	Footnote
				Balance as at June 30, 2013	Balance as at January 1, 2013	Number of shares	Ownership (%)	Book value			
Tecom	Tecom International Investment Co., Ltd.	Taiwan	Investment holdings	\$ 100,000	\$ 100,000	12,000,000	100	\$180,300	26,391	26,391	None
Tong-An	Baycom Opto-electronics Technology Co.Ltd	Taiwan	Manufacturing and sales of optical telecom products	359,659	359,659	12,483,600	28.64	147,567	12,530	3,588	None
	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electric components	87,464	87,464	7,913,310	6.23	182,098	32,155	2,635	None
	Century Development	Taiwan	Development and management of industrial park	371,107	371,107	27,717,476	11.66	384,665	58,951	11,220	None
	Pelican	Taiwan	Logistics and distribution services	118,718	118,718	9,170	10.66	113,261	113,378	11,625	None
Lien Chang	Gen Mao International Corp.	Taiwan	Investment holdings	150,000	150,000	17,520,000	100	134,108	1,878	1,878	None
	Gen Mao (Singapore)	Singapore	Investment holdings	434,633	507,495	21,301,078	81.4	309,152	10,569	21,675	None
Century Development	Centurytech Construction and Management Corp.	Taiwan	Construction and sales of related raw materials	98,170	98,170	10,000,000	100	150,251	(4,494)	(3,852)	None
Teco Electro	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100	227,889	5,737	6,106	None
Teco Singapore	Century Development	Taiwan	Development and management of industrial park	179,222	179,222	14,412,118	6.06	195,875	58,951	3,572	None
Teco International	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electric components	59,700	62,641	4,545,447	3.58	103,936	32,155	1,547	None
Kuen Ling Machinery Refrigerating CO., LTD	Ching Chi International Limited	British Virgin Islands	Investment in other area	201,467	201,467	6,200,000	83	388,131	8,193	6,800	None
	K.A. Corp.	Somoa	Commodity sales and trading business	102,352	102,352	3,201,000	100	41,837	5,282	5,282	None
	COZY AIR-CONDITIONING CO., LTD	Taiwan	General manufacturing	30,000	30,000	3,000,000	100	33,290	966	966	None

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2013			Net profit (loss) of the investee for the six-month period ended June 30, 2013	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2013	Footnote
				Balance as at June 30, 2013	Balance as at January 1, 2013	Number of shares	Ownership (%)	Book value			
	I Chi Industrial Co., Ltd	Taiwan	General manufacturing	7,073	7,073	-	70	8,001	980	686	None
	Ka Ling Industrial Corp.	Brunei Darussalam	Investment in other area	11,554	11,554	367,500	35	7,128	3,286	1,150	None
	Star Royal Co.,Ltd	Taiwan	General manufacturing	47,000	47,000	2,350,000	23.5	-	-	-	None

B. Loan granted during the year ended June 30, 2013:

Number (Note 1)	Creditor	Borrower	General ledger account	Maximum balance amount	Balance at June. 30, 2013 (Note 10)	Actual amount drawn	Interest rate	Nature	Amount of transactions with	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to single party	Ceiling on total loans granted
												Item	Value		
1	Tong-An Investment	Le-Li Co., Ltd.	Other receivables	\$ 33,500	\$ 33,500	\$ 33,500	2.5	Short-term financing	\$ -	Additional operating capital	\$ -	Commercial Paper	\$5,000	\$ 50,000	\$ 200,000
2	U.V.G.	Teco Netherlands	"	280,280	274,050	274,050	1.54	Short-term financing	-	Additional operating capital	-	-	-	430,772	717,953
2	U.V.G.	Teco Century	"	65,736	55,071	55,071	7	Short-term financing	-	Additional operating capital	-	-	-	430,772	717,953
3	Teco Singapore	Teco Vietnam	"	17,212	5,622	5,622	2.35	Short-term financing	-	Additional operating capital	-	-	-	157,977	263,295
4	Tai-An Wuxi	Fujian Teco	"	46,784	46,784	46,784	5.6	Short-term financing	-	Additional operating capital	-	-	-	55,137	110,274
5	Wuxi Teco	Jiangxi Teco	"	46,784	46,784	46,784	5.03	Short-term financing	-	Additional operating capital	-	-	-	49,245	164,150
6	Teco Westinghouse	TWMM	"	77,820	65,519	29,531	2.55	Short-term financing	-	Additional operating capital	-	-	-	462,447	924,894
7	Teco Australia	MOS Burger Australia Pty Ltd.	"	15,538	-	-	3.5~6.75	Short-term financing	-	Additional operating capital	-	-	-	50,044	166,814
8	Kuen Ling	Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd	"	35,940	35,940	35,940	5	Short-term financing	14,583	Additional operating capital	-	None	-	415,953	831,906
9	Kuen Ling	Ching Chi International Limited	"	29,950	29,950	-	4	Short-term financing	-	Additional operating capital	-	None	-	415,953	831,906
10	Kuen Ling	K.A. Corp.	"	29,950	29,950	11,980	4	Short-term financing	289	Additional operating capital	-	None	-	415,953	831,906
11	Kuen Ling (Shanghai)	Kuen Yuan (Suzhou)	"	24,399	24,399	-	6.56	Short-term financing	30,948	Additional operating capital	-	None	-	55,003	55,003

Note 1: Number “0” represents the Company, and the subsidiaries are numbered starting from “1”.

Note 2: In accordance with U.V.G.’s policy, the total guarantee amount shall not exceed 10% of U.V.G.’s net assets, and the guarantee to a single party shall not exceed 6% of U.V.G.’s net assets

Note 3: In accordance with Teco Singapore’s policy, the total guarantee amount shall not exceed 10% of Teco Singapore’s net assets, and the guarantee to a single party shall not exceed 6% of Teco Singapore’s net assets.

Note 4: In accordance with Tai-An Wuxi’s policy, the total guarantee amount shall not exceed 10% of Tai-An Wuxi’s net assets, and the guarantee to a single party shall not exceed 5% of Tai-An Wuxi’s net assets

Note 5: In accordance with Wuxi Teco’s policy, the total guarantee amount shall not exceed 10% of Wuxi Teco’s net assets, and the guarantee to a single party shall not exceed 3% of Wuxi Teco’s net assets.

Note 6: In accordance with Teco Westinghouse’s policy, the total guarantee amount shall not exceed 20% of Teco Westinghouse’s net assets, and the guarantee to a single party shall not exceed 10% of Teco Westinghouse’s net assets.

Note 7: In accordance with Teco Australia’s policy, the total guarantee amount shall not exceed 10% of Teco Australia’s net assets, and the guarantee to a single party shall not exceed 3% of Teco Australia’s net assets.

Note 8: In accordance with the KUEN LING’s policy, the total guarantee amount shall not exceed 80% of the KUEN LING’s net assets and the guarantee to a single party or group shall not exceed 40% of the KUEN LING’s net assets, where an inter-company or inter-firm financing facility is necessary provided that the amount of such financing facility.

Note 9: According to the policy of the KUEN LING’s subsidiaries, the guarantee to a single party or group and the total guarantee amount shall not exceed 20% of the KUEN LING’s net assets.

Note 10: The credit line approved by the Board of Directors.

C. Endorsements and guarantees provided during the year ended June 30, 2013:

Guarantor		Parties being guaranteed		Limit of guarantee for such party	Maximum outstanding guarantee amount in 2013	Outstanding guarantee amount at Jun. 30, 2013	Actual amount	Guarantee amount with collateral placed	Ratio of accumulated guarantee amount to net value	Ceiling of the outstanding guarantee to the respective party	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
Number (Note 1)	Name	Name	Relationship with the endorser/ guarantor										
1	Tong-An Assets	Greyback International	Note 2	\$ 474,469	\$ 22,361	\$ 18,300	\$ 18,300	\$ -	0.38	\$ 948,938	Y	N	N
2	Teco Westinghouse	TWMM	Note 2	462,447	59,831	40,871	40,871	-	0.44	924,894	Y	N	N
3	Teco Australia	Ejoy Australia	Note 2	333,627	1,378	1,231	1,231	-	0.07	1,000,881	Y	N	N
3	Teco Australia	MOS Burger Australia Pty Ltd	Note 2	333,627	1,789	1,596	1,596	-	0.10	1,000,881	Y	N	N
4	Tecom	Tecom International	Note 2	45,457	50,000	50,000	-	-	16.50	90,913	Y	N	N
4	Tecom	A-Tel Inc.	Note 2	45,457	-	-	-	Note 7	-	90,913	N	N	N
5	Kuen Ling	KuenYuan (Suzhou)	Note 2	311,965	90,150	90,150	21,027	-	9	415,953	Y	N	Y
5	Kuen Ling	Kuen Ling (Vietnam)	Note 2	311,965	60,100	60,100	21,041	-	6	415,953	Y	N	N
5	Kuen Ling	I Chi Industrial Co., LTD.	Note 2	311,965	9,000	9,000	8,000	-	0.9	415,953	Y	N	N

Note 1: Number “0” represents the Company, and the subsidiaries are numbered starting from “1”.

Note 2: An investee accounted for under the equity method.

Note 3: In accordance with Tong-An Assets’ policy, the total guarantee amount shall not exceed 20% of Tong-An Assets’ net assets, and the guarantee to a single party shall not exceed 10% of Tong-An Assets’ net assets.

Note 4: In accordance with TecoWestinghouse’s policy, the total guarantee amount shall not exceed 20% of the TecoWestinghouse’s net assets, and the guarantee to a single party shall not exceed 10% of the TecoWestinghouse’s net assets.

Note 5: In accordance with Teco Australia’s policy, the total guarantee amount shall not exceed 60% of the Teco Australia’s net assets, and the guarantee to a single party shall not exceed 20% of the Teco Australia’s net assets.

Note 6: In accordance with Tecom’s policy, the total guarantee amount shall not exceed 30% of the Tecom’s net assets, and the guarantee to a single party shall not exceed 15% of the Tecom’s net assets.

Note 7: Tecom investment A-Tel Inc’s common stock 339,659 shares accounted for under the equity method. The guaranty use for the company as a financing and endorsement.

Note 8: In accordance with KUEN LING’s policy, the total guarantee amount shall not exceed 40% of the KUEN LING’s net assets, and the guarantee to a single party shall not exceed 30% of KUEN LING’s net assets.

D. Marketable securities held by the Company at June 30, 2013:

Name of investor	Type of marketable securities	Name of marketable securities	Relationship with the security issuers	General ledger account	June 30, 2013				
					Number of shares (in thousands)	Book value	Percentage	Market value	Remark
(1)Teco International	Common Stock	Stock 36	Related party in substance	Note 1	6,377	\$ 61,666	5.67	\$ 61,666	
		Stock 37, etc.	None	"	21,407	297,023	-	297,023	
		Stock 38	"	Note 3	3,634	190,152	-	190,152	
		Stock 39	An investee accounted for under the equity method	Note 4	4,545	103,936	3.58	74,091	
		Stock 40	"	"	5,998	42,054	-	42,054	
		Stock 41	None	Note 2	468	17,740	-	17,740	
(2) Tong-An	Common Stock	Stock 42	Subsidiary of the Company	Note 1	19,540	470,915	1.06	470,915	
		Stock 36	Related party in substance	"	9,197	105,759	8.17	105,759	
		Stock 3	None	"	10,094	807,227	0.35	807,227	
		Stock 43	"	"	2,000	218,225	0.06	218,225	
		Stock 44, etc.	Related party in substance	"	4,961	166,474	-	166,474	
		Stock 5	None	Note 3	11,301	404,170	-	404,170	
		Stock 45, etc.	"	Note 2	1,657	80,901	-	80,901	
		Stock 46	"	Note 1	16,324	1,377,746	12.77	1,377,746	
		Stock 10	"	"	10,821	148,789	0.33	148,789	
		Stock 47	"	"	1,820	107,562	13	107,562	
		Stock 48, etc.	"	"	28,174	207,659	-	207,659	
	Beneficiary Certificates	Fund 1, etc.	"	Note 3	7,137	71,832	-	71,832	
		Fund 2	"	Note 1	2,453	61,380	-	61,380	
	Common Stock	Stock 49	An investee accounted for under the equity method	Note 4	7,913	182,098	6.23	128,987	
		Stock 29	"	"	27,717	384,665	11.66	384,665	
		Stock 33	"	"	9,170	113,261	10.66	113,261	
		Stock 50	"	"	45,878	216,228	-	216,228	

Name of investor	Type of marketable securities	Name of marketable securities	Relationship with the security issuers	General ledger account	June 30, 2013				
					Number of shares (in thousands)	Book value	Percentage	Market value	Remark
(3) UVG	Common Stock	Stock 51, etc.	None	Note 1	118	10,967	-	10,967	
		Stock 52	An investee accounted for under the equity method	Note 4	30,000	1,667,978	99.99	1,667,978	
		Stock 53	"	"	25,323	384,854	99.50	384,854	
		Stock 54	"	"	71,350	439,195	94.69	439,195	
		Stock 55	"	"	10,078	110,864	100	110,864	
		Stock 56	"	"	132,313	3,345,864	100	3,345,864	
		Stock 57	"	"	800	263,295	10	263,295	
		Stock 58	"	"	44,898	719,056	100	719,056	
		Others	"	"	21,020	173,619	-	173,619	
(4) Micropac (BVI)	Common Stock	Stock 59	"	"	9,575	1,102,608	100	1,102,608	

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.

Note 4: Investments accounted for under equity method.

D-1. Marketable securities held by the Company at June 30, 2013 (continued):

Name of investor	Type of marketable securities	Name of marketable securities	Relationship with the security issuers	General ledger account	June 30, 2013				
					Number of shares (in thousands)	Book value	Percentage	Market value	Remark
(5) An-Tai International	Common Stock	Stock 60, etc.	An investee accounted for under the equity method	Note 4	3,059	\$ 59,244	-	\$ 59,244	
		Stock 42	Subsidiary of the Company	Note 1	2,826	84,772	0.15	84,772	
		Stock 36	Related party in substance	"	1,469	14,207	1.31	14,207	
		Stock 44	"	"	3,066	217,663	12.64	217,663	
		Stock 61, etc.	None	"	545	10,991	-	10,991	
		Stock 62, etc.	"	Note 2	246	13,394	-	13,394	
		Stock 63	"	Note 3	698	28,844	-	28,844	
(6) Teco Holding	Common Stock	Stock 64	An investee accounted for under the equity method	Note 4	27	4,624,470	100	4,624,470	
		Stock 65	"	"	1,104	1,943,358	100	1,943,358	
(7) Tong-An Assets	Common Stock	Stock 66	"	"	263	16,933	54.83	16,933	
		Stock 67	None	Note 1	1	304,010	10	304,010	
(8) Jack Property	Beneficiary Certificates	Stock 68	"	Note 2	1,723	19,661	-	19,661	
	Common Stock	Stock 69	An investee accounted for under the equity method	Note 4	480	2,650	19.20	2,650	
	Common Stock	Stock 70	"	"	-	714	60	714	
(9) Teco Electro	Common Stock	Stock 71	"	"	2,510	227,889	100	227,889	
		Stock 36	Related party in substance	Note 1	200	1,936	0.20	1,936	
(10) ITTS	Common Stock	Stock 72, etc.	An investee accounted for under the equity method	Note 4	5,341	91,374	-	91,374	
		Stock 73	None	Note 1	31	47	1.43	47	
(11) Teco Singapore	Common Stock	Stock 74, etc.	An investee accounted for under the equity method	Note 4	1,333	13,517	1.77	13,517	
		Stock 29	"	"	14,412	195,875	6.06	195,875	
		Stock 46	None	Note 1	1,228	102,275	0.96	102,275	
(12) Taian Malaysia	Common Stock	Stock 75	An investee accounted for under the equity method	Note 4	5	-	48	-	
(13) Taiwan Pelican Express	Common Stock	Stock 76	"	"	900	17,788	100	17,788	
		Stock 46	None	Note 1	1,496	192,896	1.17	192,896	
(14) Teco Australia	Common Stock	Stock 46	"	"	620	43,784	0.49	43,784	
		Stock 77	An investee accounted for under the equity method	Note 4	1,500	17,221	30	17,221	

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.

Note 4: Investments accounted for under the equity method.

D-2. Marketable securities held by the Company at June 30, 2013 (continued):

Name of investor	Type of marketable securities	Name of marketable securities	Relationship with the security issuers	General ledger account	June 30, 2013				
					Number of shares (in thousands)	Book value	Percentage	Market value	Remark
(15)Teco Nanotech	Common Stock Beneficiary Certificates	Stock 36	Related party in substance	Note 1	81	\$ 779	0.07	\$ 779	
		Stock 78	None	Note 2	67	11,603	-	11,603	
(16) Sankyo	Common Stock	Stock 79	"	"	-	5,646	0.54	5,646	
(17) Tecom International	Common Stock	Stock 15	An investee accounted for under the equity method	Note 4	12,000	180,300	100	180,300	
		Stock 80	"	"	12,484	147,567	28.64	147,567	
		Stock 81, etc.	"	"	6,335	7,410	-	7,320	
		Stock 82	"	Note 5	15,050	6,713	100	6,713	
		Stock 5	None	Note 1	2,175	32,520	0.03	32,520	
(18) KUEN LING REFRIGERATING	Common Stock	Stock 7	Same director	"	40,555	203,993	0.62	203,993	
		Stock 83	An indirect investee accounted for under the equity method	Note 4	6,200	388,131	83	388,970	
		Stock 84	"	"	3,201	41,837	100	41,837	
	Capital contribution Common Stock	Stock 85	"	"	3,000	33,290	100	33,290	
		Stock 86	"	"	-	8,001	70	8,001	
		Stock 87	"	"	368	7,128	35	7,128	
		Stock 88	"	"	2,350	0	23.5	0	
		Stock 89	None	Note 1	1,000	17,483	9	17,483	
	Capital contribution	Stock 90	None	"	-	5,720	18	5,720	

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.

Note 4: Investments accounted for under the equity method.

Note 5: Long-term equity investment held for sale.

E. Acquisition or disposal of the same security with the accumulated cost exceeding \$100,000 or 20% of the Company's capital during the year ended June 30, 2013: None.

Investor	Marketable securities	General ledger account	Counterparty and relationship with the investor	Balance as at January 1,2013		Addition		Disposal				Balance as at June 30,2013	
				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 Investment	Far EasTone Telecommunications Co.. Ltd.	Note 1	Public market/None	11,303	\$ 837,549	1,261	\$ 103,724 (Note2)	2,470	\$ 181,516	\$ 134,046	\$ 47,470	10,094	\$ 807,227
Tong-An Investment	Taiwan Mobile Co., Ltd.	Note 1	Public market/None	2,961	316,827	315	7,878 (Note3)	1,276	135,645	106,480	29,165	2,000	218,225

Note 1: Available-for-sale financial assets-current.

Note 2: Investment cost is \$86,574 and recognize the changes in the market value of \$17,150.

Note 3: Investment cost is \$31,392 and recognized the changes in the market value of (\$23,514).

F. Acquisition of real estate properties exceeding \$100,000 or 20% of the Company's capital during the year ended June 30, 2013: None.

G. Disposal of real estate properties exceeding \$100,000 or 20% of the Company's capital during the year ended June 30, 2013: None.

H. Purchases from or sales to related parties exceeding \$100,000 or 20% of the Company's capital during the year ended June 30, 2013: except the transaction with the Company (Please refer to the Company's informations).

Purchases' or sales' company	Name of related party	Relationship with the Company	Transactioning situation				Different situation		Notes /Accounts payable (receivables)	
			Situation	Amount	Ratio of purchases' (sales')	Credit days	Per price	Credit period	Balance	Ratio of Notes /Accounts payable (receivables)
Tecom	Asia Pacific Telecom	Related party in substance	Sales	(\$ 870,661)	(26%)	60	Note	Note	\$ 196,792	20%

Note : The prices are general sales and purchases price.

I. Receivable from related parties exceeding \$100,000 or 20% of the Company's capital at June 30, 2013:

Name of creditor	Name of related party	Relationship with the Company	Balance of receivable from related parties		Turnover rate	Overdue receivable		Subsequent collections	Allowance for doubtful accounts
						Amount	Action adopted		
Wuxi Teco	Teco	Subsidiary of the Company	Accounts receivable	\$ 584,550	2.37	\$ -	-	\$ 142,263	\$ -
Tecom	Asia Pacific Telecom	Related party in substance	"	196,792	5.62	-	-	61,999	-
U.V.G.	Teco Netherlands	An investee accounted for under the equity method	Other receivables	274,050	-	-	-	-	-

J. Derivative financial instruments undertaken during the year ended June 30, 2013: Please refer to Note 6(2) and 6(12).

(3) Information on investments in Mainland China

A. Basic information (Note 5):

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, 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the six-month period ended June 30, 2013		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2013	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2013	Book value of investments in Mainland China as of June 30, 2013	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2013	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
Teco (Dong Guan)	Manufacturing and sales of air-conditioning mechanical	\$ 268,799	Note 1	\$ 188,139	\$ -	\$ -	\$ 188,139	100	(\$ 2,365)	\$ 115,794	\$ -	Note 4
Suzhou Teco	Manufacturing and sales of motors	143,255	Note 1	143,255	-	-	143,255	100	11,363	232,619	-	Note 3
Kuen Ling (Shanghai)	Manufacturing of air conditioners	181,713	Note 1	155,593	-	-	155,593	100	11,545	275,016	38,460	Note 4
Wuxi Teco	Manufacturing and sales of motors	977,616	Note 1	768,259	-	-	768,259	82.35	117,370	1,641,499	-	Note 3
Taian (Wuxi)	Manufacturing and sales of optical fiber	495,213	Note 2	205,551	-	-	205,551	100	67,750	1,102,736	-	Note 4
Tai-An (Shanghai)	International import and export trading	6,324	Note 2	6,324	-	-	6,324	100	-	-	-	None
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 1	456,293	-	-	456,293	100	(8,251)	9,836	-	Note 4
Hang Zhou Xizi-luk	Manufacturing and sales of parking equipment	129,840	Note 1	19,117	-	-	19,117	15	-	17,895	-	None
Jiangxi Teco	Manufacturing and sales of motors	290,172	Note 1	192,256	-	-	192,256	91.67	(8,385)	439,124	-	Note 3

A-1. Basic information (Note 5) (continued)::

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, 2013	Amount remitted from Taiwan to Mainland China/Amount		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2013	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2013	Book value of investments in Mainland China as of June 30, 2013	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2013	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
QingDao Teco	Manufacturing and sales of dyes	\$ 1,764,453	Note 1	\$ 1,505,255	\$ -	\$ -	\$ 1,505,255	85.31	(\$ 98,380)	\$ 767,766	\$ -	Note 3
Xiamen Teco	Sales of motors and home appliances	20,590	Note 1	20,590	-	-	20,590	100	62	24,442	-	Note 4
Kuen Yuan (Suzhou)	Manufacturing and sales of air-conditioning	172,322	Note 1	70,661	-	-	70,661	100	(1,689)	196,887	-	Note 4
Sichuan Teco	Manufacturing and sales of air-conditioning	582,600	Note 1	121,980	-	-	121,980	25	(25,057)	5,418	-	Note 4
Xiamen An-Tai	Distribution of LCD	678,681	Note 1	467,577	-	-	467,577	100	(20,735)	453,785	-	Note 3
Teco Han Zou	Development and consulting of device products	9,837	Note 1	9,837	-	-	9,837	100	(2,234)	10,941	-	Note 4
Nanchang Dong- Huan	Business management consulting	3,222	Note 1	3,222	-	-	3,222	100	(599)	(6,964)	-	Note 4
Teco Century	Manufacturing and sales of compressor	680,938	Note 1	340,469	-	-	340,469	50	(20,451)	167,723	-	Note 4
Fujian Teco	Manufacturing and sales of electric components	391,843	Note 1	391,843	-	-	391,843	100	(21,215)	197,520	-	Note 4
Ecoelectric International	Distribution of air conditions	24,004	Note 2	-	-	-	-	50	(1,604)	8,478	-	Note 4
Teco (Tianjin) Innovation	Central China area Operation center	15,990	Note 2	15,990	-	-	15,990	100	576	14,326	-	Note 4
Teco (Jang Xi)	Manufacturing and sales of air-conditioning mechanical equipment	79,813	Note 2	79,913	-	-	79,813	100	7,227	112,529	-	Note 4

A-2.Basic information (Note 5) (continued)::

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, 2013	Amount remitted from Taiwan to Mainland China/Amount		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2013	Ownership held by he Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2013	Book value of investments in Mainland China as of June 30, 2013	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2013	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
Teco Sichuan Trading	Sale of home appliances	\$ 26,522	Note 1	\$ -	\$ -	\$ -	\$ -	100	(\$ 1,837)	\$ 16,549	\$ -	Note 4
Jiangxi Teco- Lead	Manufacturing and sales of wind generator	141,079	Note 1	62,865	-	-	62,865	45	(9,758)	36,822	-	Note 4
Qingdao Teco	Science Park development and business perations consulting services	59,444	Note 2	59,444	-	-	59,444	100	(8,485)	2,702	-	Note 4
Shanghai Teco	Sale of home appliances	23,829	Note 1	23,829	-	-	23,829	100	(6,102)	9,614	-	Note 4

A-2.Basic information (Note 5):

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2013 (Note 5)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 5)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 6)
Teco (Dong Guan)	\$ 188,139	\$ 287,275	\$ 25,157,419
Suzhou Teco	143,255	143,255	25,157,419
Kuen Ling (Shanghai)	39,525	43,127	25,157,419
Wuxi Teco	768,259	793,904	25,157,419
Taian (Wuxi)	205,551	495,213	25,157,419
Tai-An (Shanghai)	6,324	6,951	25,157,419
Nanchang Teco	456,293	478,430	25,157,419
Hang Zhou Xizi-luk	19,117	20,190	25,157,419
Jiangxi Teco	192,256	325,832	25,157,419
QingDao Teco	1,505,255	1,643,047	25,157,419
Xiamen Teco	20,590	20,590	25,157,419
Sichuan Teco	121,980	121,980	25,157,419
Xiamen An-Tai	467,577	678,681	25,157,419
Teco Han Zou	9,837	9,837	25,157,419
Nanchang Dong-Huan	3,222	3,222	25,157,419
Teco Century	340,469	340,469	25,157,419
Fujian Teco	391,843	391,843	25,157,419
Teco (Tianjin) innovation	15,990	15,990	25,157,419
Teco (Jang Xi)	79,813	79,813	25,157,419
Jiangxi Teco-Lead	62,865	62,865	25,157,419
Shanghai Teco	23,829	23,829	25,157,419

Note 1: Invest in the new company in Mainland China through a holding company registered in a country other than Taiwan and Mainland China.

Note 2: Invest in the current company in Mainland China through a holding company registered in a country other than Taiwan and Mainland China.

Note 3: The amount recognized was based on the reviewed financial statements.

Note 4: The amount recognized was based on the unreviewed financial statements.

Note 5: The accounts of the Company are maintained in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the spot exchange rates prevailing at the transaction dates.

Note 6: The amount disclosed was based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

B. Significant transactions with the investee company in Mainland China (Note):

Accounts receivable and accounts payable arising due to significant transactions with the investee company are listed below. For the detailed information, please see Note 5.

Name of investee in Mainland China	Sales(Purchases)		Property transaction		Accounts receivable(payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at June 30,2013	%	Balance at June 30,2013	Purpose	Maximum balance during the six-month period ended June 30,2013	Balance at June 30,2013	Interest rate	Interest during the six-month period ended June 30,2013	
Suzhou Teco	\$ 3,140	-	\$ -	-	\$ 927	-	\$ -	-	\$ -	\$ -	-	\$ -	
Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd	1,113	-	-	-	746	-	-	-	-	-	-	-	
Wuxi Teco	45,031	-	-	-	29,207	-	-	-	-	-	-	-	
Taian (Wuxi)	-	-	-	-	36,046	-	-	-	-	-	-	-	
Jiangxi Teco	-	-	-	-	36,113	-	-	-	-	-	-	-	
QingDao Teco	227	-	-	-	-	-	-	-	-	-	-	-	
Xiamen Teco	143	-	-	-	85	-	-	-	-	-	-	-	
SUZHOU KUENYUAN	122	-	-	-	122	-	-	-	-	-	-	-	
Xiamen An-Tai	418	-	-	-	29,831	-	-	-	-	-	-	-	
Suzhou Teco	(197,777)	2.38	-	-	(94,233)	-	-	-	-	-	-	-	
KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD	(1,558)	-	-	-	-	-	-	-	-	-	-	-	
Wuxi Teco	(714,862)	8.59	-	-	(584,550)	-	-	-	-	-	-	-	
Taian (Wuxi)	(124,716)	1.5	-	-	(41,190)	-	-	-	-	-	-	-	
Jiangxi Teco	(32,777)	-	-	-	(34,262)	-	-	-	-	-	-	-	
QingDao Teco	(34,527)	-	-	-	(9,137)	-	-	-	-	-	-	-	
SUZHOU KUENYUAN REFRIGERATING EQUIPMENT CO., LTD	(43,230)	-	-	-	(19,404)	-	-	-	-	-	-	-	
Xiamen An-Tai	(80,281)	-	-	-	(29,144)	-	-	-	-	-	-	-	
Teco Hang Zhou	(927)	-	-	-	-	-	-	-	-	-	-	-	
Fujian Teco	(21,839)	-	-	-	(6,313)	-	-	-	-	-	-	-	
Teco (Jang Xi)	(11,753)	-	-	-	(4,059)	-	-	-	-	-	-	-	

Note: The terms, including prices and collection, are negotiated in consideration of cost, market, competitors, etc.

14. SEGMENT FINANCIAL INFORMATION

(1) General information

The Company operates and makes decisions on the basis of products and service line, which the Company uses to identify reportable segments.

The Company'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 Company 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 expenses.

(3) Financial information by industry

The segment information of the reportable segments provided to the chief operating decision-maker for the six-month periods ended June 30, 2013 and 2012 is as follows:

	For the six-month period ended June 30, 2013				
	Motor division	Home electric appliance division	Others	Elimination	Total
<u>Operating revenues</u>					
Operating revenues from external customers	\$ 17,886,409	\$ 3,246,638	\$ 7,155,355	\$ -	\$ 28,288,402
Operating revenues from internal segments	8,206,735	1,733,519	351,258	(10,291,512)	-
Total operating revenues	<u>\$ 26,093,144</u>	<u>\$ 4,980,157</u>	<u>\$ 7,506,613</u>	<u>(\$ 10,291,512)</u>	<u>\$ 28,288,402</u>
Segment profits	<u>\$ 2,409,346</u>	<u>(\$ 29,822)</u>	<u>\$ 33,036</u>	<u>\$ -</u>	<u>\$ 2,412,560</u>
Segment profits including:					
Depreciation and amortization	<u>\$ 419,339</u>	<u>\$ 70,679</u>	<u>\$ 199,344</u>	<u>\$ -</u>	<u>\$ 689,362</u>
Not including in segment profit, but regularly provided to the chief operating decision-maker					
<u>Segment assets</u>					
Identifiable assets	<u>\$ 30,296,144</u>	<u>\$ 5,743,070</u>	<u>\$ 11,158,820</u>	<u>(\$ 6,618,879)</u>	<u>\$ 40,579,155</u>
Capital expenditures	<u>\$ 271,373</u>	<u>\$ 56,896</u>	<u>\$ 50,635</u>	<u>\$ -</u>	<u>\$ 378,904</u>
<u>Segment liabilities</u>	<u>\$ 15,922,898</u>	<u>\$ 3,373,438</u>	<u>\$ 8,405,473</u>	<u>(\$ 6,720,728)</u>	<u>\$ 20,981,081</u>

For the six-month period ended June 30, 2012

	Motor division	Home electric appliance division	Others	Elimination	Total
<u>Operating revenues</u>					
Operating revenues from external customers	\$ 16,912,985	\$ 4,134,172	\$ 2,712,233	\$ -	\$ 23,759,390
Operating revenues from internal segments	7,411,190	2,163,255	301,453	(9,875,898)	-
Total operating revenues	<u>\$ 24,324,175</u>	<u>\$ 6,297,427</u>	<u>\$ 3,013,686</u>	<u>(\$ 9,875,898)</u>	<u>\$ 23,759,390</u>
Segment profits	<u>\$ 2,372,891</u>	<u>\$ 315,104</u>	<u>(\$ 669,921)</u>	<u>\$ -</u>	<u>\$ 2,018,074</u>
Segment profits including:					
Depreciation and amortization	<u>\$ 396,002</u>	<u>\$ 75,969</u>	<u>\$ 174,469</u>	<u>\$ -</u>	<u>\$ 646,440</u>
Not including in segment profit, but regularly provided to the chief operating decision-maker					
<u>Segment assets</u>					
Identifiable assets	<u>\$ 28,250,115</u>	<u>\$ 6,417,440</u>	<u>\$ 11,584,043</u>	<u>(\$ 6,150,143)</u>	<u>\$ 40,101,455</u>
Capital expenditures	<u>\$ 155,906</u>	<u>\$ 23,401</u>	<u>\$ 44,032</u>	<u>\$ -</u>	<u>\$ 223,339</u>
<u>Segment liabilities</u>	<u>\$ 14,717,077</u>	<u>\$ 3,582,157</u>	<u>\$ 6,287,641</u>	<u>(\$ 6,243,741)</u>	<u>\$ 18,343,134</u>

(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 income statement. Provides the main transport business policy-maker the total property amount, the property picks the consistent weight way with this corporate finance report.

A reconciliation of adjusted EBITDA to profit before tax and reportable segments is provided as follows:

	For the six-month period ended June 30, 2012	
	2013	2012
Adjusted operating income of reportable segments	\$ 2,379,524	\$ 2,687,995
Adjusted operating loss of other operating segments	33,036	(669,921)
Total segments	2,412,560	2,018,074
Interest income	40,472	34,954
Unrealized loss on financial instruments	28,942	24,035
Financial cost	(125,775)	(106,775)
Associates and joint ventures profit and loss for under the equity method	63,765	(35,976)
Others	377,267	101,348
Income before income tax	\$ 2,797,231	\$ 2,035,660

The amounts provided to the chief operating decision-maker with respect to total liabilities are measured in a manner consistent with that in the balance sheet.

15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first interim consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Group

A. Business combinations

The Group has elected not to apply the requirements in IFRS 3, 'Business Combinations', retrospectively to business combinations that occurred prior to the date of transition to IFRSs ("the transition date"). This exemption also applies to the Group's previous acquisitions of investments in associates and joint ventures.

B. Share-based payment transactions

The Group has elected not to apply the requirements in IFRS 2, 'Share-based Payment', retrospectively to equity instruments that were vested arising from share-based payment transactions prior to the transition date.

C. Deemed cost

For property, plant and equipment that were revalued under R.O.C. GAAP before the transition date, the Group has elected to use the revalued amount under R.O.C. GAAP at the date of the revaluation as the 'deemed cost' of these assets under IFRSs.

D. Employee benefits

The Group has elected to recognise all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

E. Cumulative translation differences

The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

F. Designation of previously recognised financial instruments

The Group has elected to designate investments amounting to \$8,069,920, which were originally measured at cost, as 'available-for-sale financial assets'⁵ at the transition date. The fair value of investments was \$7,613,597 at the transition date.

G. Borrowing costs

The Group has elected to apply the transitional provisions in paragraphs 27 and 28 of IAS 23, 'Borrowing Costs', amended in 2007 and apply IAS 23 from the transition date.

(2) Except to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

A. Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, 'Financial Instruments: Recognition and Measurement' shall be applied prospectively to transactions occurring on or after January 1, 2004.

C. Non-controlling interest

Requirements of IAS 27 (amended in 2008) that shall be applied prospectively are as follows:

- (a) Requirements concerning total comprehensive income (loss) attributed to owners of the parent and non-controlling interest, even which results in a loss to non-controlling interest;
 - (b) Requirements that change in interest ownership of the parent in a subsidiary while control is retained is accounted for as an equity transaction with the parent; and
 - (c) Requirements concerning the parent's loss of control over a subsidiary.
- (3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application
- IFRS 1 requires that entity should make reconciliation for equity, comprehensive income and cash flows for the comparative periods. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity on January 1, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current assets</u>				
Cash and cash equivalents	\$ 11,612,676	(\$ 9,906)	\$ 11,602,770	(a)
Financial assets at fair value through profit or loss - current	198,334	-	198,334	
Available-for-sale financial assets - current	170,922	29,952	200,874	(b)
Financial assets measured at cost - current	29,952	(29,952)	-	(b)
Investments in bonds without active markets - current	-	9,906	9,906	(a)
Notes receivable (Including Related Parties)	1,254,110	-	1,254,110	
Accounts receivable (Including Related Parties)	7,180,337	-	7,180,337	
Construction contracts receivable	1,807,984	-	1,807,984	
Other receivables (Including Related Parties)	566,405	-	566,405	
Inventories	11,069,910		11,069,910	
Prepayments	324,858	-	324,858	
Deferred income tax assets- current	463,899	(463,899)	-	(c)
Other current assets	605,343	-	605,343	
Total current assets	35,284,730	(463,899)	34,820,831	
<u>Non-current assets</u>				
Available-for-sale financial assets - noncurrent	3,561,245	7,583,645	11,144,890	(b)
Financial assets measured at cost - noncurrent	8,039,968	(8,039,968)	-	(b)
Investments accounted for under equity method	4,959,919	(108,204)	4,851,715	(d)(q)
Property, plant and equipment	15,233,837	(362,882)	14,870,955	(e)(s)
Investment property	-	2,218,200	2,218,200	(e)
Intangible assets	131,382	(40,753)	90,629	(d)
Deferred income tax assets	-	1,272,297	1,272,297	(c)(f)(g)(h)
Other non-current assets	3,122,065	(1,855,318)	1,266,747	(e)(n)(s)
Total non-current assets	35,048,416	667,017	35,715,433	
Total assets	\$ 70,333,146	\$ 203,118	\$ 70,536,264	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current liabilities</u>				
Short-term borrowings	\$ 1,653,930	\$ -	\$ 1,653,930	
Financial liabilities at fair value through profit or loss - current	1,305	-	1,305	
Notes payable (Including Related Parties)	256,530	-	256,530	
Accounts payable (Including Related Parties)	7,565,602	-	7,565,602	
Construction contracts payable	1,102,051	-	1,102,051	
Other payables	3,635,192	(20,810)	3,614,382	(f)(m)
Current income tax liabilities	314,194	-	314,194	
Provisions for liabilities - current	-	88,644	88,644	(m)
Other current liabilities	1,801,438	(68,826)	1,732,612	(m)
Total current liabilities	16,330,242	(992)	16,329,250	
<u>Non-current liabilities</u>				
Long-term borrowings	11,973,030	-	11,973,030	
Provisions for liabilities - noncurrent	-	140,856	140,856	(m)
Reserve for Land Revaluation Increment Tax	1,080,247	(1,080,247)	-	(l)
Deferred income tax liabilities	31,136	1,728,918	1,760,054	(l)(p)
Other non-current liabilities	2,177,739	432,649	2,610,388	(d)(g)
Total non-current liabilities	15,262,152	1,222,176	16,484,328	
Total Liabilities	31,592,394	1,221,184	32,813,578	

Equity attributable to owners of the parent

Share capital			
Common share	18,375,519	-	18,375,519
Advance Receipts for Common Stock	12,500	-	12,500
Capital surplus	5,764,454 (	18,293)	5,746,161 (p)
Retained earnings			
Legal reserve	4,054,872	-	4,054,872
Special reserve	-	3,737,786	3,737,786 (r)
Unappropriated retained earnings	6,357,696 (	593,235)	5,764,461 (f)(g)(h)(i) (j)(k)(o) (p)(q)(r)
Other equity	2,862,637 (	4,142,396) (	1,279,759) (b)(d)(k)(q)
Treasury share	(346,912)	26,073 (	320,839) (o)
<u>Non-controlling interest</u>	<u>1,659,986</u>	<u>(28,001)</u>	<u>1,631,985</u>
Total equity	<u>38,740,752</u>	<u>(1,018,066)</u>	<u>37,722,686</u>
Total liabilities and equity	<u>\$ 70,333,146</u>	<u>\$ 203,118</u>	<u>\$ 70,536,264</u>

B. Reconciliation for equity on December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current assets</u>				
Cash and cash equivalents	\$ 13,459,705	(\$ 280,930)	\$ 13,178,775	(a)
Financial assets at fair value through profit or loss - current	152,882	-	152,882	
Available-for-sale financial assets - current	486,153	29,952	516,105	(b)
Financial assets measured at cost - current	29,952	(29,952)	-	(b)
Investments in bonds without active markets - current	-	280,930	280,930	(a)
Notes receivable (Including Related Parties)	1,170,257	-	1,170,257	
Accounts receivable (Including Related Parties)	8,272,353	-	8,272,353	
Construction contracts receivable	1,065,843	-	1,065,843	
Other receivables (Including Related Parties)	625,444	-	625,444	
Inventories	10,761,437		10,761,437	
Prepayments	326,313	-	326,313	
Non-current assets held for sale	73,673	-	73,673	
Deferred income tax assets- current	482,428	(482,428)	-	(c)
Other current assets	603,719	-	603,719	
Total current assets	<u>37,510,159</u>	<u>(482,428)</u>	<u>37,027,731</u>	

Non-current assets

Available-for-sale financial assets - noncurrent	3,561,168	7,469,746	11,030,914	(b)
Financial assets measured at cost - noncurrent	8,437,601	(8,437,601)	-	(b)
Investments accounted for under equity method	4,783,696	(15,647)	4,768,049	(d)(q)
Property, plant and equipment	14,859,315	(314,375)	14,544,940	(e)(s)
Investment property	-	2,198,444	2,198,444	(e)
Intangible assets	77,008	(2,921)	74,087	(d)
Deferred income tax assets	-	1,267,498	1,267,498	(c)(f)(g)(h)(i)
Other non-current assets	<u>3,178,470</u>	<u>(1,884,069)</u>	<u>1,294,401</u>	(e)(n)(s)
Total non-current assets	<u>34,897,258</u>	<u>281,075</u>	<u>35,178,333</u>	
Total assets	<u>\$ 72,407,417</u>	<u>(\$ 201,353)</u>	<u>\$ 72,206,064</u>	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current liabilities</u>				
Short-term borrowings	\$ 2,915,595	\$ -	\$ 2,915,595	
Financial liabilities at fair value through profit or loss - current	2,855	-	2,855	
Notes payable(Including Related Parties)	229,299	-	229,299	
Accounts payable (Including Related Parties)	7,533,449	-	7,533,449	
Construction contracts payable	313,710	-	313,710	
Other payables	4,140,624	41,387	4,182,011	(f)(m)
Current income tax liabilities	372,322	-	372,322	
Provisions for liabilities - current	-	75,833	75,833	(m)
Other current liabilities	2,123,811	(66,846)	2,056,965	(m)
Total current liabilities	<u>17,631,665</u>	<u>50,374</u>	<u>17,682,039</u>	
<u>Non-current liabilities</u>				
Bonds payable	2,902,653	-	2,902,653	
Long-term borrowings	7,905,912	-	7,905,912	
Provisions for liabilities - noncurrent	-	105,794	105,794	(m)
Reserve for Land Revaluation Increment Tax	1,080,247	(1,080,247)	-	(l)
Deferred income tax liabilities	11,305	1,709,448	1,720,753	(l)(p)
Other non-current liabilities	<u>2,413,864</u>	<u>189,359</u>	<u>2,603,223</u>	(d)(g)(h)(m)
Total non-current liabilities	<u>14,313,981</u>	<u>924,354</u>	<u>15,238,335</u>	
Total Liabilities	<u>31,945,646</u>	<u>974,728</u>	<u>32,920,374</u>	

Equity attributable to owners of the parent

Share capital			
Common share	18,471,209	-	18,471,209
Advance Receipts for Common Stock	19,760	-	19,760
Capital surplus	5,919,258 (	37,263)	5,881,995 (p)
Retained earnings			
Legal reserve	4,333,193	-	4,333,193
Special reserve	-	3,737,786	3,737,786 (r)
Unappropriated retained earnings	7,201,110 (	503,565)	6,697,545 (f)(g)(i)(k) (o)(q)(r)(t)
Other equity	2,622,497 (	4,268,457) (	1,645,960) (b)(d)(j)(q)
Treasury share	(346,912)	26,073 (	320,839) (o)
<u>Non-controlling interest</u>	<u>2,241,656 (</u>	<u>130,655)</u>	<u>2,111,001</u> (b)(d)(f)(g) (h)(q)
Total equity	<u>40,461,771 (</u>	<u>1,176,081)</u>	<u>39,285,690</u>
Total liabilities and equity	<u>\$ 72,407,417</u>	<u>(\$ 201,353)</u>	<u>\$ 72,206,064</u>

C. Reconciliation for comprehensive income for the year ended December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	\$ 48,730,193	\$ -	\$ 48,730,193	
Operating costs	(37,308,571)	28,339	(37,280,232)	(f)(h)
Gross profit	11,421,622	28,339	11,449,961	
Operating expenses				
Selling expenses	(3,565,551)	22,696	(3,542,855)	(f)(g)(h)
General & administrative expenses	(2,798,090)	13,077	(2,785,013)	(f)(g)(h)
Research and development expense	(1,303,636)	10,601	(1,293,035)	(f)(g)(h)
Operating profit	3,754,345	74,713	3,829,058	
Non-operating revenue and expenses				
Other income	831,385	-	831,385	
Other gains and losses	(157,483)	15,745	(141,738)	(p)
Finance costs	(209,757)	-	(209,757)	
Share of (loss)/profit of associates and joint ventures accounted for under equity method	74,569	25,225	99,794	(q)
Profit before income tax	4,293,059	115,683	4,408,742	
Income tax expense	(1,081,714)	(582)	(1,082,296)	(f)(g)(h)(i)
Profit for the period	3,211,345	115,101	3,326,446	
Other comprehensive income				
Currency translation differences	-	(526,599)	(526,599)	
Unrealized gain (loss) on valuation of available-for-sale financial assets	-	5,470	5,470	
Income tax relating to the components of other comprehensive income	-	38,626	38,626	
Other comprehensive income for the period, net of tax	-	(482,503)	(482,503)	

Total comprehensive income for the period	\$ 3,211,345	(\$ 367,402)	\$ 2,843,943
Profit attributable to:			
Owners of the parent	\$ 2,964,701	\$ 115,101	\$ 3,079,802
Non-controlling interest	246,644	-	246,644
Total comprehensive income	<u>\$ 3,211,345</u>	<u>\$ 115,101</u>	<u>\$ 3,326,446</u>
attributable to:			
Owners of the parent	\$ -	\$ 2,713,601	\$ 2,713,601
Non-controlling interest	-	130,342	130,342
	<u>\$ -</u>	<u>\$ 2,843,943</u>	<u>\$ 2,843,943</u>

D. Reconciliation for equity on June 30, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current assets</u>				
Cash and cash equivalents	\$ 10,891,970	(\$ 11,906)	\$ 10,880,064	(a)
Financial assets at fair value through profit or loss- current	\$ 178,781	\$ -	\$ 178,781	
Available-for-sale financial assets - current	316,286	29,952	346,238	(b)
Financial assets measured at cost - current	29,952	(29,952)	-	(b)
Investments in bonds without active markets - current	-	11,906	11,906	(a)
Notes receivable (Including Related Parties)	1,237,552	-	1,237,552	
Accounts receivable (Including Related Parties)	7,797,710	-	7,797,710	
Construction contracts receivable	1,087,692	-	1,087,692	
Other receivables (Including Related Parties)	478,697	-	478,697	
Inventories	10,445,071	-	10,445,071	
Prepayments	404,593	-	404,593	
Deferred income tax assets - current	313,410	(313,410)	-	(c)
Other current assets	696,609	-	696,609	
Total current assets	<u>\$ 33,878,323</u>	<u>(\$ 313,410)</u>	<u>\$ 33,564,913</u>	
<u>Non-current assets</u>				
Available-for-sale financial assets - noncurrent	3,796,347	8,110,779	11,907,126	(b)
Financial assets measured at cost - noncurrent	8,334,550	(8,334,550)	-	(b)
Investments accounted for under equity method	4,713,252	(108,523)	4,604,729	(d)(q)(u)
Property, plant and equipment	14,864,232	(337,246)	14,526,986	(e)(s)
Investment property	-	2,205,672	2,205,672	(e)
Intangible assets	121,610	(39,583)	82,027	(d)
Deferred income tax assets	-	1,192,919	1,192,919	(c)(f)(g) (h)(i)
Other non-current assets	3,182,894	(1,868,426)	1,314,468	(e)(n)(s)
Total non-current assets	<u>35,012,885</u>	<u>821,042</u>	<u>35,833,927</u>	
Total assets	<u>\$ 68,891,208</u>	<u>\$ 507,632</u>	<u>\$ 69,398,840</u>	

		Effect of transition from R.O.C. GAAP		
	<u>R.O.C. GAAP</u>	<u>to IFRSs</u>	<u>IFRSs</u>	<u>Remark</u>
<u>Current liabilities</u>				
Short-term borrowings	\$ 1,495,114	\$ -	\$ 1,495,114	(f)(m)
Financial liabilities at fair value through profit or loss - current	2,629	-	2,629	
Notes payable(Including Related Parties)	417,517	-	417,517	
Accounts payable(Including Related Parties)	6,786,111	-	6,786,111	
Construction contracts payable	271,380	-	271,380	
Other payables	5,342,243	(4,254)	5,337,989	
Current income tax liabilities	275,870	-	275,870	
Provisions for liabilities - current	-	42,986	42,986	(m)
Other current liabilities	<u>2,227,896</u>	<u>(33,270)</u>	<u>2,194,626</u>	(m)
Total current liabilities	<u>16,818,760</u>	<u>5,462</u>	<u>16,824,222</u>	
<u>Non-current liabilities</u>				
Long-term borrowings	10,463,224	-	10,463,224	
Provisions for liabilities - noncurrent	-	83,328	83,328	(m)
Reserve for Land Revaluation Increment Tax	1,080,247	(1,080,247)	-	(l)
Deferred income tax liabilities	77,383	1,805,967	1,883,350	(l)(p)
Other non-current liabilities	<u>2,232,533</u>	<u>492,819</u>	<u>2,725,352</u>	(d)(g)(h)(m)
Total non-current liabilities	<u>13,853,387</u>	<u>1,301,867</u>	<u>15,155,254</u>	
Total Liabilities	<u>30,672,147</u>	<u>1,307,329</u>	<u>31,979,476</u>	
<u>Equity attributable to owners of the parent</u>				
Share capital				
Common share	18,432,329	-	18,432,329	
Advance Receipts for Common Stock	24,030	-	24,030	
Capital surplus	5,815,943	(51,330)	5,764,613	(p)
Retained earnings				
Legal reserve	4,333,193	-	4,333,193	
Special reserve	-	3,737,786	3,737,786	(r)
Unappropriated retained earnings	5,599,371	(527,702)	5,071,669	(f)(g)(i)(j)(k) (o)(p)(q)(r)(v)
Other equity	2,878,665	(3,960,338)	(1,081,673)	(b)(d)(j)(k)(q)
Treasury share	(346,912)	26,073	(320,839)	(o)
<u>Non-controlling interest</u>	<u>1,482,442</u>	<u>(24,186)</u>	<u>1,458,256</u>	(b)(d)(f)(g)(h) (q)
Total equity	<u>38,219,061</u>	<u>(799,697)</u>	<u>37,419,364</u>	
Total liabilities and equity	<u>\$ 68,891,208</u>	<u>\$ 507,632</u>	<u>\$ 69,398,840</u>	

E. Reconciliation for comprehensive income for the six-month period ended June 30, 2012:

		Effect of transition from R.O.C. GAAP		
	R.O.C. GAAP	to IFRSs	IFRSs	Remark
Operating revenue	\$ 23,756,760	\$ -	\$ 23,756,760	
Operating costs	(17,999,525)	13,060	(17,986,465)	(f)(h)
Gross profit	<u>5,757,235</u>	<u>13,060</u>	<u>5,770,295</u>	
Operating expenses				
Selling expenses	(1,773,009)	-	(1,773,009)	(f)(g)(h)
General & administrative expenses	(1,361,229)	25,915	(1,335,314)	(f)(g)(h)
Research and development expense	(643,898)	-	(643,898)	(f)(g)(h)
Operating profit	<u>1,979,099</u>	<u>38,975</u>	<u>2,018,074</u>	
Non-operating revenue and expenses				
Other income	268,749	-	268,749	
Other gains and losses	(134,447)	27,421	(107,026)	(p)
Finance costs	(106,775)	-	(106,775)	
Share of (loss)/profit of associates and joint ventures accounted for under equity method	(35,976)	(1,386)	(37,362)	(q)(u)
Profit before income tax	1,970,650	65,010	2,035,660	
Income tax expense	(650,892)	523	(650,369)	(f)(g)(h)(i)
Profit for the period	<u>1,319,758</u>	<u>65,533</u>	<u>1,385,291</u>	
Other comprehensive income				
Currency translation differences	-	(154,643)	(154,643)	
Unrealized gain (loss) on valuation of available-for- sale financial assets	-	334,752	334,752	
Income tax relating to the components of other comprehensive income	-	13,295	13,295	
Other comprehensive income for the period, net of tax	<u>-</u>	<u>193,404</u>	<u>193,404</u>	
Total comprehensive income for the period	<u>\$ 1,319,758</u>	<u>\$ 258,937</u>	<u>\$ 1,578,695</u>	
Profit attributable to:				
Owners of the parent	\$ 1,253,800	\$ 65,533	\$ 1,319,333	
Non-controlling interest	<u>65,958</u>	<u>-</u>	<u>65,958</u>	
	<u>\$ 1,319,758</u>	<u>\$ 65,533</u>	<u>\$ 1,385,291</u>	
Total comprehensive income attributable to:				
Owners of the parent	\$ 1,253,800	\$ 263,619	\$ 1,517,419	
Non-controlling interest	<u>65,958</u>	<u>(4,682)</u>	<u>61,276</u>	
	<u>\$ 1,319,758</u>	<u>\$ 258,937</u>	<u>\$ 1,578,695</u>	

F.Reconciliation for comprehensive income for the period from April 1 to June 30, 2012:

	Effect of transition from R.O.C.		
	R.O.C. GAAP	IFRSs	IFRSs
Operating revenue	\$ 12,191,146	\$ -	\$ 12,191,146
Operating costs	(9,123,494)	6,817	(9,116,677)
Gross profit	<u>3,067,652</u>	<u>6,817</u>	<u>3,074,469</u>
Operating expenses			
Selling expenses	(902,662)	(5,068)	(907,730)
General & administrative expenses	(719,503)	25,017	(694,486)
Research and development expense	(351,245)	(2,237)	(353,482)
Operating profit	<u>1,094,242</u>	<u>24,529</u>	<u>1,118,771</u>
Non-operating revenue and expenses			
Other income	172,138	-	172,138
Other gains and losses	(47,360)	42,604	(4,756)
Finance costs	(57,386)	-	(57,386)
Share of (loss)/profit of associates and joint ventures accounted for under equity method	(43,025)	665	(42,360)
Profit before income tax	1,118,609	67,798	1,186,407
Income tax expense	(393,524)	(1,815)	(395,339)
Profit for the period	<u>725,085</u>	<u>65,983</u>	<u>791,068</u>
Other comprehensive income			
Currency translation differences	-	51,606	51,606
Unrealized gain (loss) on valuation of available-for- sale financial assets	-	(434,990)	(434,990)
Income tax relating to the components of other comprehensive income	<u>-</u>	<u>(32,529)</u>	<u>(32,529)</u>
Other comprehensive income for the period, net of tax	<u>-</u>	<u>(415,913)</u>	<u>(415,913)</u>
Total comprehensive income for the period	<u>\$ 725,085</u>	<u>(\$ 349,930)</u>	<u>\$ 375,155</u>
Profit attributable to:			
Owners of the parent	\$ 692,610	\$ 65,983	\$ 758,593
Non-controlling interest	<u>32,475</u>	<u>-</u>	<u>32,475</u>
	<u>\$ 725,085</u>	<u>\$ 65,983</u>	<u>\$ 791,068</u>
Total comprehensive income attributable to:			
Owners of the parent	\$ 692,610	(\$ 346,129)	\$ 346,481
Non-controlling interest	<u>32,475</u>	<u>(3,801)</u>	<u>28,674</u>
	<u>\$ 725,085</u>	<u>(\$ 349,930)</u>	<u>\$ 375,155</u>

Reasons for reconciliation are outlined below:

- (a) The company's time deposits that are due after three months should not be classified as cash and cash equivalents under IAS.
- (b) In accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", dated July 7, 2011, unlisted stocks and emerging stocks held by the Company are measured at cost and recognized in 'Financial assets carried at cost'. However, in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", investments in equity instruments without an active market but with reliable fair value measurement. (i.e. the variability of the estimation interval of reasonable fair values of such equity instruments is insignificant, or the probability for these estimates can be made reliably) should be measured at fair value.
- (c) In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, "Presentation of Financial Statements", an entity should not classify a deferred tax asset or liability as current.
- (d) In accordance with current accounting standards in R.O.C., the excess of the accumulated benefit obligation over the fair value of the pension plan (fund) assets at the balance sheet date is the minimum amount of pension liability that is required to be recognized on the balance sheet ("minimum pension liability"). However, IAS 19, "Employee Benefits", has no regulation regarding the minimum pension liability.
- (e) In accordance with current accounting standards in R.O.C., the Company's property that is leased to others and whose future use is not yet determined is presented in the 'Other assets' account. In accordance with IAS 40, "Investment Property", property that meets the definition of investment property is classified and accounted for as 'Investment property'.
- (f) The current accounting standards in R.O.C. do not specify the rules on the recognition for the cost of accumulated unused compensated absences. The Company recognizes such cost as expense upon actual payment. However, IAS 19, "Employee Benefits", requires that cost of accumulated unused compensated absences should be accrued as expense at the end of the reporting period.
- (g) In accordance with the Company's accounting policies, unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive pension benefits.

However, as the Company is the first-time adopter of IFRSs, the transitional provisions in IAS 19, “Employee Benefits”, are not applicable to the Company. Accordingly, the Company has no unrecognized transitional liability. The Company has elected to recognize all cumulative actuarial gains and losses for all employee benefit plans in ‘Retained earnings’ at the opening IFRS balance sheet date.

- (h) The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, “Employee Benefits”, requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead.
- (i) Regarding tax rates that shall apply to the deferred tax assets or liabilities associated with unrealized gains or losses arising from transactions between parent company and subsidiaries by buyer tax rate or seller tax rate, the current accounting standards in R.O.C. do not specify the rules for this issue; while, the Company adopts seller tax rate for computation. However, under IAS 12, “Income Taxes”, temporary differences in the consolidated financial statements are determined by comparing the carrying amounts of assets and liabilities in those statements and applicable taxation basis. The Company’s taxation basis is determined by reference to the Group entities’ income tax returns. Accordingly, buyer tax rate shall apply to the deferred tax assets or liabilities in the consolidated financial statements.
- (j) The current accounting standards in R.O.C. specify that property, plant and equipment are stated at the acquisition cost and could be revaluated pursuant to relevant decrees. However, in accordance with IAS 16, “Property, Plant and Equipment”, asset revaluation is not applied to those assets that are measured subsequently using the cost model. The Company selects the values of property, plant and equipment that are revaluated in accordance with ROC GAAP before the date of transition to IFRSs as their costs recognized at the revaluation date. Therefore, the Company reclassifies unrealized revaluation increments amounting to the ‘Retained earnings’ account.
- (k) The Company selects to recognize the amount of cumulative translation differences arising from foreign operations as zero at the date of transition to IFRSs, and to treat translation differences subsequent to the date of transition to IFRSs in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”.
- (l) The current accounting standards in R.O.C. regulate that reserve for land revaluation

increment tax should be presented under “reserves - reserve for land revaluation increment tax”. However, in accordance with IAS 12, “Income Taxes”, land revaluation increment tax is in the scope of income taxes, therefore, it should be presented under “deferred income tax liabilities”.

- (m) The current accounting standards in R.O.C. specify that provision for warranty cost is presented under different liability accounts according to its nature. However, IFRSs requires that provision for warranty cost should be presented separately in the financial statements.
- (n) In accordance with current accounting standards in R.O.C., royalties paid on the acquisition of the land-use rights is presented under the ‘Other assets’ account. In accordance with IAS 17, “Leases”, such royalties meet the definition of long-term operating leases, so they are presented under the ‘Long-term rental prepayments’ account.
- (o) Upon the first-time adoption of ROC SFAS No. 30, “Accounting for Treasury Stocks”, shares of the Company held by a subsidiary before December 31, 2001 should be recognized as treasury stock at book value of a subsidiary’s investment in the Company, then at the lower of cost or market value. However, in accordance with IAS 32, “Financial Instruments: Presentation”, those shares should be recognized directly as a deduction to equity based on the original consideration paid or received.
- (p) In accordance with current accounting standards in R.O.C., if an investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, but the investor company does not lose its significant influence over the investee company, the investment percentage, and therefore the equity in net assets for the investment that an investor company has invested, will be changed. Such difference shall be used to adjust the ‘Additional paid-in capital’ and the ‘Long-term equity investments’ accounts. However, in accordance with IAS 28, “Investments in Associates”, increase in investment percentage is accounted for as an acquisition of investment; while, decrease in investment percentage is accounted for as a disposal of investment and any related disposal gain or loss is recognized.
- (q) Due to the transition differences for the investments accounted for under the equity method as explained in Items 2, 6, 7, 8 above.
- (r) In accordance with the Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, the Company sets aside special reserve of as it selects to reclassify the transition differences mentioned in Items 10 and 11 above to the ‘Retained earnings’ account.

- (s) Prepayment on acquisition of property, plant and equipment is presented in 'Property, plant and equipment' in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers". However, such prepayment should be presented in 'Other non-current assets' based on its nature under IFRSs.
 - (t) Where an associate issues new shares and the Group does not purchase or acquire proportionately, which results in change in the Group's ownership percentage of the associate, and the Group acquires control over the associate. In accordance with current accounting standards in R.O.C., the change shall be adjusted to capital surplus and investments accounted for under the equity method. In accordance with IAS, the change shall be adopted the purchase method of accounting.
 - (u) In accordance with accounting standards in R.O.C. No.23, while the Company prepares the financial statement, the shares with voting rights of investee company that does not exceed of 50% (has no control over investee company) could be exclusively accounted for under equity method. However, the mode should be adjusted since there is not such regulation in IAS.
 - (v) Conversion of the Company in accordance with the above differences, hence consolidated net income adjusted relative adjustment to retained earnings.
- G. Major adjustments for the consolidated statement of cash flows for the six-month period ended June 30, 2012:
- (a) Under R.O.C. GAAP, payment of interest and receipt of interest and dividend are both included in cash flows from operating activities. However, under IFRSs, payment of interest is classified as cash flows from financing activities and receipt of interest and dividend are classified as cash flows from investing activities, respectively.
 - (b) Under R.O.C. GAAP, payment of dividend is included in cash flows from financing activities. However, under IFRSs, the Company elected the payment of dividend to classify as cash flows from operating activities.
 - (c) The transition of R.O.C. GAAP to IFRSs has no effect on the Group's cash flows reported.
 - (d) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group's cash flows reported.
- H. The accounting policies and selection of exemptions applied in these interim consolidated financial statements may be different from those applied in the first year-end IFRSs consolidated financial statements due to the issuance of related regulations by regulatory authorities, changes in economic environment, or changes in the evaluation of the impact of application of accounting policies and exemptions by the Group.