

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of TECO Electric & Machinery Co., Ltd. as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related non-consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years ended December 31, 2013 and 2012. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We did not audit the financial statements of certain investee companies accounted for under the equity method. These investments amounted to \$4,073,049,000, \$3,918,389,000 and \$6,584,704,000, constituting 7%, 7% and 11% of the related total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, the related credit investments balance amounted to \$11,987,000, \$8,594,000 and \$4,955,000, all constituting 0% of the related total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and the comprehensive income amounted to \$203,036,000 and \$136,953,000, both constituting 5% of the comprehensive income for the years ended December 31, 2013 and 2012, respectively. The financial statements of these investee companies were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the non-consolidated financial statements and information disclosed in Note 13 relative to these investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the non-consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of TECO Electric & Machinery Co., Ltd. as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers".

PricewaterhouseCoopers Taiwan

PricewaterhouseCoopers, Taiwan

March 24, 2014

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

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

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012	
Assets		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 2,560,050	4	\$ 2,792,719	5	\$ 2,613,623	4
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		5,355	-	9,713	-	1,818	-
1150	Notes receivable, net	6(4)(5)	223,550	-	387,112	1	500,305	1
1160	Notes receivable - related	7						
	parties		431,628	1	429,773	1	420,677	1
1170	Accounts receivable, net	6(5)	1,926,211	3	1,663,231	3	1,579,632	3
1180	Accounts receivable - related	6(8) and 7						
	parties		2,033,521	3	2,018,634	3	2,882,635	5
1190	Receivables from customers on	6(7)						
	construction contracts		744,268	1	1,012,848	2	1,758,997	3
1200	Other receivables		28,376	-	86,241	-	51,986	-
1210	Other receivables - related	6(8) and 7						
	parties		849,167	2	790,932	1	796,716	1
130X	Inventories	6(6)	3,340,885	6	3,492,637	6	3,842,917	7
1410	Prepayments		36,476	-	35,336	-	44,848	-
1470	Other current assets	6(1) and 8	321,353	1	226,943	-	267,811	-
11XX	Current Assets		12,500,840	21	12,946,119	22	14,761,965	25
Non-current assets								
1523	Available-for-sale financial	6(3)						
	assets - noncurrent		5,204,652	9	5,953,543	10	5,345,765	9
1550	Investments accounted for	6(8)						
	under the equity method		35,563,399	60	32,333,023	56	32,608,954	55
1600	Property, plant and equipment	6(9) and 7	3,592,858	6	3,600,750	6	3,635,054	6
1760	Investment property - net	6(10)	1,920,727	3	1,957,648	3	2,016,873	3
1840	Deferred income tax assets	6(28)	729,762	1	893,558	2	1,017,723	2
1900	Other non-current assets	6(11)	269,148	-	223,422	1	183,621	-
15XX	Non-current assets		47,280,546	79	44,961,944	78	44,807,990	75
1XXX	Total assets		\$ 59,781,386	100	\$ 57,908,063	100	\$ 59,569,955	100

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TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2013		December 31, 2012		January 1, 2012	
	Notes		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(12)	\$ -	-	\$ -	-	\$ 39,060	-
2120	Financial liabilities at fair value through profit or loss - current	6(13)	1,163	-	2,212	-	661	-
2150	Notes payable		17,235	-	191,867	-	224,286	-
2160	Notes payable - related parties	7	127,626	-	29,683	-	39,734	-
2170	Accounts payable		3,475,462	6	3,681,442	6	3,940,635	7
2180	Accounts payable - related parties	7	1,494,651	3	1,114,013	2	1,307,107	2
2190	Payables to customers on construction contracts	6(7)	217,274	-	277,275	1	1,063,010	2
2200	Other payables	6(30)	2,397,308	4	2,179,773	4	2,025,036	4
2220	Other payables - related parties	7	247,851	-	212,821	1	110,378	-
2230	Current income tax liabilities	6(28)	193,387	-	156,002	-	156	-
2250	Provisions for liabilities - current		84,750	-	87,752	-	53,701	-
2300	Other current liabilities		259,053	1	188,022	-	217,438	-
21XX	Current Liabilities		8,515,760	14	8,120,862	14	9,021,202	15
Non-current liabilities								
2530	Corporate bonds payable	6(14)	1,475,700	3	2,902,653	5	-	-
2540	Long-term borrowings	6(15)	4,399,586	7	7,198,924	13	11,948,671	20
2570	Deferred income tax liabilities	6(28)	778,921	1	762,277	1	751,559	1
2600	Other non-current liabilities	6(16)	1,747,985	3	1,748,658	3	1,757,822	3
25XX	Non-current liabilities		8,402,192	14	12,612,512	22	14,458,052	24
2XXX	Total Liabilities		16,917,952	28	20,733,374	36	23,479,254	39
Equity								
Share capital								
		6(18)						
3110	Common stock		19,646,374	33	18,471,209	32	18,375,519	31
3140	Advance receipts for share capital		380,555	1	19,760	-	12,500	-
Capital surplus								
		6(19)						
3200	Capital surplus		7,493,180	12	5,881,995	9	5,746,161	9
Retained earnings								
		6(20)						
3310	Legal reserve		4,629,663	8	4,333,193	8	4,054,872	7
3320	Special reserve		3,737,786	6	3,737,786	7	3,737,786	6
3350	Unappropriated retained earnings		8,238,933	14	6,697,545	12	5,764,461	10
Other equity interest								
		6(21)						
3400	Other equity interest		(941,494)	(1)	(1,645,960)	(3)	(1,279,759)	(2)
3500	Treasury stocks	6(8)(18)	(321,563)	(1)	(320,839)	(1)	(320,839)	-
3XXX	Total equity		42,863,434	72	37,174,689	64	36,090,701	61
Commitments and Contingent Liabilities								
Subsequent Events								
		11						
Total liabilities and equity			\$ 59,781,386	100	\$ 57,908,063	100	\$ 59,569,955	100

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 24, 2014.

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Year ended December 31			
Items		Notes	2013		2012	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(22) and 7	\$ 25,604,449	100	\$ 25,461,139	100
5000	Operating costs	6(6)(16)(20)(26)(27) and 7	(20,344,940)	(80)	(20,170,940)	(79)
5900	Net operating margin		5,259,509	20	5,290,199	21
5910	Unrealized profit from sales	7	(520,178)	(2)	(443,013)	(2)
5920	Realized profit from sales		443,013	2	372,691	1
5950	Net operating margin		5,182,344	20	5,219,877	20
	Operating expenses	6(16)(20)(26)(27) and 7				
6100	Selling expenses		(2,017,435)	(8)	(2,055,056)	(8)
6200	General & administrative expenses		(619,161)	(2)	(550,965)	(2)
6300	Research and development expenses		(833,332)	(3)	(791,489)	(3)
6000	Total operating expenses		(3,469,928)	(13)	(3,397,510)	(13)
6900	Operating profit		1,712,416	7	1,822,367	7
	Non-operating income and expenses					
7010	Other income	6(2)(10)(13)(23) and 7	404,394	2	392,843	2
7020	Other gains and losses	6(3)(24)	(41,416)	-	(39,369)	-
7050	Finance costs	6(25)	(113,631)	(1)	(124,492)	(1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under the equity method	6(8)	2,182,780	8	1,377,013	5
7000	Total non-operating income and expenses		2,432,127	9	1,605,995	6
7900	Profit before income tax		4,144,543	16	3,428,362	13
7950	Income tax expense	6(28)	(384,671)	(2)	(348,560)	(1)
8200	Profit for the year		\$ 3,759,872	14	\$ 3,079,802	12
	Other comprehensive income					
8310	Currency translation differences of foreign operations	6(21)	\$ 57,538	-	(\$ 404,833)	(1)
8325	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(3)(21)	(351,936)	(1)	794,746	3
8360	Actuarial loss on defined benefit plan	6(16)	(1,837)	-	-	-
8380	Total share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under the equity method	6(21)	1,004,254	4	(794,740)	(3)
8399	Income tax relating to the components of other comprehensive income	6(28)	(3,472)	-	38,626	-
8300	Other comprehensive income for the year		\$ 704,547	3	(\$ 366,201)	(1)
8500	Total comprehensive income for the year		\$ 4,464,419	17	\$ 2,713,601	11
	Basic earnings per share	6(29)				
9750	Total basic earnings per share		\$ 2.01		\$ 1.69	
9850	Total diluted earnings per share		\$ 2.00		\$ 1.68	

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 24, 2014.

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Capital		Retained Earnings				Other equity interest		Total equity		
	Notes	Common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations		Unrealized gain or loss on available-for-sale financial assets	Treasury stocks
For the Year Ended December 31, 2012											
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
Appropriations of 2011 net income (Note)	6(20)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	278,321	-	(278,321)	-	-	-	-
Cash dividends		-	-	-	-	-	(1,661,072)	-	-	-	(1,661,072)
Exercise of employee stock options	6(17)(18)	95,690	7,260	25,734	-	-	-	-	-	-	128,684
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	-	-	-	-	-	-	-	-	-
Insurance of stock options embedded in convertible bonds	6(14)	-	-	-	-	-	(207,325)	-	-	-	(207,325)
Profit for the year		-	-	110,100	-	-	-	-	-	-	110,100
Other comprehensive income for the year	6(21)	-	-	-	-	-	3,079,802	-	-	-	3,079,802
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for under the equity method	6(21)	-	-	-	-	-	-	(366,207)	794,746	-	428,539
Balance at December 31, 2012		\$ 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
For the Year Ended December 31, 2013											
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
Appropriations of 2012 net income (Note)	6(20)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	296,470	-	(296,470)	-	-	-	-
Cash dividends		-	-	-	-	-	(1,922,095)	-	-	-	(1,922,095)
Exercise of employee stock options	6(17)(18)	83,810	28,960	21,374	-	-	-	-	-	-	134,144
Common stock converted from corporate bonds	6(14)(18)	1,091,355	331,835	1,576,810	-	-	-	-	-	-	3,000,000
Effect of changes in the net equity of associates and joint ventures accounted for under the equity method		-	-	-	-	-	-	-	-	-	-
Differences between the price for acquisition or disposal of subsidiaries and carrying amount	6(8)	-	-	140	-	-	-	-	-	-	140
Net income for the year		-	-	12,861	-	-	-	-	-	-	12,861
Other comprehensive income for the year	6(21)	-	-	-	-	-	3,759,872	-	-	-	3,759,872
Shares of other comprehensive income of subsidiaries, associates and joint ventures account for under the equity method	6(21)	-	-	-	-	-	(1,837)	54,066	(351,936)	-	(299,707)
Treasury stock acquired through acquisition of subsidiaries	6(8)(18)	-	-	-	-	-	1,918	-	1,002,336	-	1,004,254
Balance at December 31, 2013		\$ 19,646,374	\$ 380,555	\$ 7,493,180	\$ 4,629,663	\$ 3,737,786	\$ 8,238,933	(\$ 312,141)	(\$ 629,353)	(\$ 321,563)	\$ 42,863,434

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 \$240,141 and \$202,327, respectively, have been deducted from the non-consolidated statement of comprehensive income.

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 24, 2014.

TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		\$ 4,144,543	\$ 3,428,362
Adjustments to reconcile profit before income tax to net cash 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	6(2)(24)	(36,033)	(27,050)
Net (gain) loss on financial liabilities at fair value through profit or loss	6(13)(24)	(1,049)	2,212
Reversal of allowance for doubtful accounts	6(5)	(8,565)	(86,686)
Provision for decline in value of inventories	6(6)	74,106	31,728
Interest revenue	6(23) and 7	(45,974)	(12,672)
Interest expense	6(25)	98,299	107,375
Dividend income	6(23)	(70,866)	(70,730)
Impairment loss	6(24)	-	92,000
Gain on disposal of investments	6(24)	(172,241)	(272,991)
Share of profit of subsidiaries, associates and joint ventures accounted for under the equity method	6(8)	(2,182,780)	(1,377,013)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(9)(10)(24)(26)	421,255	409,860
Foreign exchanges loss of corporate bonds payable	6(14)	18,600	-
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	6(2)	40,391	19,155
Notes receivables	6(4)	163,981	127,193
Notes receivables-related parties	7	(1,855)	(9,096)
Accounts receivable	6(5)	(185,841)	(41,553)
Accounts receivable- related parties	7	(18,016)	(864,543)
Receivables from customers on construction contract	6(7)	268,580	746,149
Other receivables		57,723	(34,113)
Other receivables - related parties	7	(102,476)	(50,025)
Inventories	6(6)	77,646	318,552
Prepayments		(1,140)	(9,512)
Other current asset		(105,259)	(40,983)
Other non-current assets		(2,573)	-
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss-current	6(13)	-	(661)
Notes payable		(174,632)	(32,419)
Notes payable-related parties	7	97,943	(10,051)
Accounts payable		(205,980)	(259,193)
Accounts payable-related parties	7	380,638	(193,094)
Payables to customers on construction contract	6(7)	(60,001)	(785,735)
Other payables	6(30)	182,631	120,844
Other payables- related parties	7	35,030	102,443
Provisions for liabilities		(3,002)	(34,051)
Other current liabilities		71,031	(29,416)
Other non-current liabilities		(673)	(9,164)
Cash provided by generated from operations		2,753,441	3,336,456
Interest received		46,116	12,530
Dividend received		505,191	458,136
Payment of interest		(41,737)	(90,959)
Payment of income tax		(160,251)	(22,430)
Net cash provided by operating activities		3,102,760	3,693,733

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TECO ELECTRIC & MACHINERY CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2013	2012
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in other receivables-related parties	7	\$ 44,241	(\$ 44,241)
Dcrease (increase) in pledged demand and fixed deposits	8	10,849	(115)
Proceeds from disposal of available-for-sale financial assets - non-current		569,196	164,277
Increase in available-for-sale financial assets -non-current		-	(150,000)
Proceeds from disposal of investments accounted for under the equity method		5,479	363,460
Increase in investments accounted for under the equity method		(393,751)	(183,168)
Proceeds from disposal of property, plant and equipment		26,638	2,975
Acquisition of property, plant and equipment	6(9)(10)(30)	(377,396)	(305,561)
Increase in deferred expenses	6(11)	(61,088)	(42,472)
(Increase) decrease in refundable deposits	6(11)	(29,408)	6,403
Net cash used in investing activities		(205,240)	(188,442)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans	6(12)	-	(39,060)
Proceeds from issuance of bonds payable	6(14)	1,457,100	2,995,000
Decrease in long-term loans	6(15)	(2,799,338)	(4,749,747)
Exercise of employee stock options	6(17)(18)	134,144	128,684
Cash dividend paid	6(20)	(1,922,095)	(1,661,072)
Net cash used in financing activities		(3,130,189)	(3,326,195)
(Decrease) increase in cash and cash equivalents		(232,669)	179,096
Cash and cash equivalents at beginning of year		2,792,719	2,613,623
Cash and cash equivalents at end of year		\$ 2,560,050	\$ 2,792,719

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 24, 2014.

TECO ELECTRIC & MACHINERY CO., LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 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 on June 12, 1956 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. The Company primarily engages in the manufacture, installation, wholesale, retail of various types of electrical and mechanical equipment, general mechanical equipment, air-conditioning units, electronic equipment, telecommunication equipment, office equipment, and home appliances. In 2003, Taian Electric & Machinery Co., Ltd. was merged with the Company. In 2011, An Yang Electric Co., Ltd. and Taitec Technology Co., Ltd. were merged with the Company. As of December 31, 2013, the Company had approximately 2,903 employees.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE NON-CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These non-consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

IFRS 9, 'Financial Instruments': Classification and measurement of financial instruments

A. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). 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 Company.

C. The Company 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 Company, 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 Company recognised gain (or loss) on equity instruments amounting to \$351,936, in other comprehensive income for the year ended December 31, 2013.

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

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	IASB 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 preparers 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 1, 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.)	November 19, 2013 (Not mandatory)
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	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
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

New Standards, Interpretations

and Amendments	Main Amendments	Date
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
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 expense, is recognised in other comprehensive income.	January 1, 2013

New Standards, Interpretations
and Amendments

	Main Amendments	IASB Effective Date
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, 2014
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
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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 IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 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
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

New Standards, Interpretations
and Amendments

	Main Amendments	IASB Effective Date
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
IFRS 9 "Financial assets: hedge accounting" and amendments to IFRS 9, IFRS 7 and IAS 39	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in 'other comprehensive income'.	November 19, 2013 (Not mandatory)
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these non-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 non-consolidated financial statements are the first non-consolidated financial statements prepared by the Company in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”.
- B. In the preparation of the non-consolidated balance sheet of January 1, 2012 (the Company’s date of transition to IFRSs) (“the opening IFRS non-consolidated balance sheet”), the Company has adjusted the amounts that were reported in the non-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 IFRSs, International Accounting Standards, and Interpretations/ bulletins as endorsed by the FSC (collectively referred herein as the “IFRSs”) on the Company’s financial position, financial performance and cash flows.

(2) Basis of preparation

- A. Except for the following items, these non-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 past 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 compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unconsolidated financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial

transactions.

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

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be 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.

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(7) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are 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'.

(8) Loans and receivables

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

(9) Impairment of financial assets

- A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a company 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 company of financial assets that can be reliably estimated.
- B. The criteria that the Company 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 Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties; or
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the company, including adverse changes in the payment status of borrowers in the company or national or local economic conditions that correlate with defaults on the assets in the company;
 - (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (a) Financial assets measured at amortised cost
The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at

the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

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

(10) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(11) 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.

(12) 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'.

(13) Investments accounted for using equity method / subsidiaries, associates and jointly controlled entities

- A. Subsidiaries refer to the entities (including special purpose entities) that the Company has control over their financial and operating policies and own more than 50% of voting shares directly or indirectly. The Company evaluates investments in subsidiaries accounted under equity method in these non-consolidated financial statements.
- B. Unrealised profit (loss) arising from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in shareholdings in subsidiaries do not result to loss of control (transaction with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. When the Company loses its control in a subsidiary, the Company revalues the remaining investment in the prior subsidiary at fair value, and recognises the difference between fair value and book value in the profit or loss for the period. The accounting treatment on the previously recognised amount related to the subsidiary in other comprehensive income is the same as the basis if the Company directly disposes related assets or liabilities, which means if the Company has recognised gain or loss in other comprehensive income, the Company should reclassify the gain or loss on disposal of related assets or liabilities to profit or loss; and when the Company loses control in the subsidiary, the gain or loss should be reclassified from equity to profit or loss.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. 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 Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.

- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- K. Upon loss of significant influence over an associate, the Company 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.
- L. When the Company 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.
- M. When the Company 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.
- N. The Company's investment in a jointly controlled entity is accounted for using equity method stated in the non-consolidated financial statements. Unrealised profit or loss from transactions between the Company and the jointly controlled entity were all eliminated. The Company's share of the jointly controlled entity' post-acquisition profit (loss) incurred is recognised in profit or loss for the period, and share of the jointly controlled entity' post-acquisition other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a jointly controlled entity equals or exceeds its interest in the entity, the Company continues to recognise losses proportionate to its ownership.
- O. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful

lives. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each 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

(15) 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.

(16) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Intangible assets except goodwill are mainly computer softwares. The computer softwares are stated at cost and amortized on the straight-line basis over their estimated useful economic lives.

(17) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or companies of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or company of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) 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.

(19) Notes and accounts payable

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

(20) 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.

(21) 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.

(22) 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.

(23) Financial liabilities and equity instruments

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

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

(b) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or

loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

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

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

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

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

(24) Financial guarantee contracts

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

(25) Provisions for other liabilities

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

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the

extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company 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 other comprehensive income in the period in which they arise.
- 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.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises 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 Company 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 Company 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.

(27) 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.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the non-consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. Based on the "Income Basic Tax Act", if the regular income tax is equal or more than the basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas, if the regular income tax is less than basic tax, the income tax payable shall be equal to the basic tax. The difference between the regular income tax and basic tax shall not be subject to deductions of investment tax credits granted under the provisions of other laws.

(29) 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.

(30) 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.

(31) Revenue recognition

A. Sales of goods

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

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

B. Sales of services

The Company provides products repair services. Revenue from 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 Company might comprise of multiple components, including sale of goods and subsequent repair services, etc. If a sale agreement comprises of multiple identifiable components, the fair value of the consideration received or receivable in respect of the sale agreement shall be allocated between those components based on the relative fair

value of each component. The amount of proceeds allocated to each component is 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.

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

The preparation of these non-consolidated financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

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

A. Financial assets—impairment of equity investments

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

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Company would suffer an additional loss of \$2,279,359 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 Company uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions cannot be sold separately and cannot be leased out separately under a finance lease, 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 Company decides it to be a 'consignor' or an 'agent' of a transaction based on whether the transaction exposes the Company 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 Company 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 Company recognises revenue on a gross basis:

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

(2) Critical accounting estimates and assumptions

A. Revenue recognition

In principle, sales revenues are recognised when the earning process is completed. The Company 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 Company reassesses the reasonableness of estimates of discounts and returns periodically.

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

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific company 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 Company strategy might cause material impairment on assets in the future.

C. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Company'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 Company 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 Company assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Company'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 December 31, 2013, the Company recognised deferred income tax assets amounting to \$729,762.

F. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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 December 31, 2013, the carrying amount of inventories was \$3,340,885.

G. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company 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 Company 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 December 31, 2013, the carrying amount of unlisted stocks was \$823,830.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand and revolving funds	\$ 856	\$ 523	\$ 497
Checking accounts and demand deposits	1,068,617	494,418	784,415
Cash equivalents	1,490,577	2,297,778	1,828,711
Total	<u>\$ 2,560,050</u>	<u>\$ 2,792,719</u>	<u>\$ 2,613,623</u>

A.The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Company's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B.Cash and cash equivalents amounting to \$5,136 was restricted for use as construction guarantee (listed as other current assets), please refer to Note 8.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Items			

Current items:

Financial assets held for trading

Non-hedging derivatives	\$ 5,355	\$ 9,713	\$ 1,818
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A.The Company recognised net gain of \$36,033 and \$27,050 on financial assets held for trading for the years ended December 31, 2013 and 2012, respectively.

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

December 31, 2013			
Nature	Contract period	Contract amount (Notional amount)	Fair Value
Forward exchange:			
SELL USD/BUY TWD	Jan. 6, 2014~Jan. 29, 2014	USD 5,000,000	\$ 1,342
BUY USD/SELL JPY	Jan. 29, 2014~Feb. 27, 2014	JPY 300,000,000	4,013
			<u>\$ 5,355</u>

December 31, 2012				
Nature	Contract period	Contract amount (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. 22, 2013	USD	14,000,000	1,811
SELL AUD/BUY USD	Jan. 14, 2013	AUD	500,000	163
				<u>\$ 9,713</u>
January 1, 2012				
Nature	Contract period	Contract amount (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
				<u>\$ 1,818</u>

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

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

(3) Available-for-sale financial assets

Items	December 31, 2013	December 31, 2012	January 1, 2012
Non-current items:			
Listed and OTC stocks	\$ 1,320,794	\$ 1,552,117	\$ 1,810,117
Emerging stocks	5,607,027	5,668,581	5,679,712
Unlisted stocks	556,190	660,268	578,105
Subtotal	\$ 7,484,011	\$ 7,880,966	\$ 8,067,934
Valuation adjustment of available-for- sale financial assets	(2,279,359)	(1,927,423)	(2,722,169)
Total	<u>\$ 5,204,652</u>	<u>\$ 5,953,543</u>	<u>\$ 5,345,765</u>

A.The Company recognised (\$351,936) and \$794,746 in other comprehensive income for fair value change for the years ended December 31, 2013 and 2012, respectively, and \$141,442 and \$272,991 transferred from recognised other comprehensive income to gain on disposal of investment for sale of available-for-sale financial assets for the years ended December 31, 2013 and 2012, respectively.

B.The Company has recognised impairment loss on marketable securities of Vmax Telecom amounting to \$92,000 for the year ended December 31, 2012.

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

(4) Notes receivable

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Notes receivable	\$ 224,313	\$ 388,294	\$ 516,267
Less: allowance for bad debts	(763)	(1,182)	(15,962)
	<u>\$ 223,550</u>	<u>\$ 387,112</u>	<u>\$ 500,305</u>

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

(5) Accounts receivable

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Accounts receivable	\$ 1,955,095	\$ 1,708,251	\$ 1,695,608
Less: allowance for bad debts	(28,884)	(45,020)	(115,976)
	<u>\$ 1,926,211</u>	<u>\$ 1,663,231</u>	<u>\$ 1,579,632</u>

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

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Up to 30 days	\$ 238,925	\$ 352,312	\$ 303,797
31 to 90 days	389,648	134,276	108,972
91 to 180 days	182,755	60,902	50,386
Over 181 days	35,482	21,242	18,379
	<u>\$ 846,810</u>	<u>\$ 568,732</u>	<u>\$ 481,534</u>

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

(a) As of December 31, 2013, December 31, 2012 and January 1, 2012, the amounts of the Company's accounts receivable that were impaired were \$29,647, \$46,202 and \$131,938, respectively.

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

	<u>2013</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 25,250	\$ 20,952	\$ 46,202
Reversal of impairment	-	(13,625)	(13,625)
Write-offs during the period	-	(2,930)	(2,930)
At December 31	<u>\$ 25,250</u>	<u>\$ 4,397</u>	<u>\$ 29,647</u>
	<u>2012</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 25,250	\$ 106,688	\$ 131,938
Reversal of impairment	-	(82,194)	(82,194)
Write-offs during the period	-	(3,542)	(3,542)
At December 31	<u>\$ 25,250</u>	<u>\$ 20,952</u>	<u>\$ 46,202</u>

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

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

Policy:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Group 1	\$ 504,668	\$ 573,918	\$ 720,713
Group 2	264,632	491,884	454,625
Group 3	174,834	92,720	116,113
Group 4	42,700	38,201	48,685
Group 5	316,117	284,888	258,267
	<u>\$ 1,302,951</u>	<u>\$ 1,481,611</u>	<u>\$ 1,598,403</u>

Group1:Clients without substantial risk, such as government institutions and listed companies.

Group2:Clients with extremely low risk, which have excellent reputation and prospect, as ratified by the director of credit management of the Company.

Group3:Clients with low risk, which operate well and have had business relationships with the Company for many years with normal payment condition.

Group4:Clients with risk at an acceptable level, where the Company shall monitor their credit condition regularly.

Group5:Clients, which operate not so well and their management shall be improved.

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

(6) Inventories

December 31, 2013			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 865,657	(\$ 28,283)	\$ 837,374
Work in process	614,074	(51,157)	562,917
Finished goods	1,885,914	(119,368)	1,766,546
Inventory in transit	174,048	-	174,048
	<u>\$ 3,539,693</u>	<u>(\$ 198,808)</u>	<u>\$ 3,340,885</u>
December 31, 2012			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 947,030	(\$ 27,941)	\$ 919,089
Work in process	635,335	(44,616)	590,719
Finished goods	1,894,595	(74,444)	1,820,151
Inventory in transit	162,678	-	162,678
	<u>\$ 3,639,638</u>	<u>(\$ 147,001)</u>	<u>\$ 3,492,637</u>
January 1, 2012			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,010,914	(\$ 31,047)	\$ 979,867
Work in process	741,620	(34,694)	706,926
Finished goods	2,004,990	(97,863)	1,907,127
Inventory in transit	248,997	-	248,997
	<u>\$ 4,006,521</u>	<u>(\$ 163,604)</u>	<u>\$ 3,842,917</u>

The cost of inventories recognised as expense for the years ended December 31, 2013 and 2012 was \$16,707,276 and \$17,764,998, respectively, including the amounts of \$74,090 and \$26,623, respectively, that the Company wrote down from cost to net realisable value accounted for as cost of goods sold.

(7) Construction in progress

	December 31, 2013	December 31, 2012	January 1, 2013
Aggregate costs incurred plus recognized profits (less recognised losses)	\$ 12,827,930	\$ 11,313,371	\$ 12,239,976
Less: progress billings	(12,300,936)	(10,577,798)	(11,543,989)
Net balance sheet position for construction in progress	<u>\$ 526,994</u>	<u>\$ 735,573</u>	<u>\$ 695,987</u>
Presented as:			
Due from customers for contract work	\$ 744,268	\$ 1,012,848	\$ 1,758,997
Due to customers for contract work	(217,274)	(277,275)	(1,063,010)
	<u>\$ 526,994</u>	<u>\$ 735,573</u>	<u>\$ 695,987</u>

As of December 31, 2013, December 31, 2012 and January 1, 2012, cumulative gain (loss)

recognized under the percentage of completion method for major contracts are summarized as follows:

December 31, 2013					
Construction	Estimated completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognized
Construction A	Dec. 2014	\$ 2,237,039	\$ 2,146,199	98%	\$ 89,446
Construction B	Dec. 2016	1,241,394	1,280,283	92%	(38,889)
Construction C	July 2015	1,140,429	1,087,969	24%	12,741
Construction D	April 2014	1,093,065	994,918	96%	93,899
Construction E	Dec. 2014	1,012,982	931,561	89%	72,233
Construction F	Dec. 2017	941,452	1,536,563	96%	(595,111)
Construction G	Dec. 2014	621,282	674,470	99%	(53,188)
Construction H	June 2014	600,432	584,464	99%	15,930
Construction I	June 2014	569,115	576,996	57%	(7,881)
December 31, 2012					
Construction	Estimated 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)

(8) Investments accounted for under the equity method

	December 31, 2013	December 31, 2012	January 1, 2012
1. Tung Pei Industrial Co., Ltd.	\$ 1,912,083	\$ 1,825,537	\$ 1,790,148
2. Tecom Co., Ltd.	178,586	156,596	113,073
3. Tong Dai Co., Ltd.	191,722	175,150	178,207
4. Teco International Investment Co., Ltd.	961,769	778,480	847,585
5. Teco Holding USA Inc.	6,982,009	5,945,221	5,213,944
6. Teco Electric & Machinery (Pte) Ltd.	2,415,527	2,248,528	2,082,634
7. Tong-An Investment Co., Ltd.	6,173,572	5,252,500	5,386,583
8. Teco Electro Devices Co., Ltd.	244,337	231,647	264,601
9. United View Global Investment Co. Ltd.	7,153,922	7,079,419	7,500,174
10. GD Teco Taiwan Co., Ltd.	19,837	12,326	16,831
11. Taian (Subic) Electric Co., Inc.	137,703	132,425	137,313
12. Micropac Worldwide Investment (BVI)	1,195,097	995,678	976,352
13. Tong-An Assets Management & Development Co., Ltd.	4,776,327	4,712,825	4,686,236
14. Yatec Engineering Corporation	168,091	143,565	140,389
15. Lien Chang Electronic Enterprise Co., Ltd.	517,660	474,682	513,989
16. An-Tai International Investment Co., Ltd.	437,133	415,049	601,430
17. Century Development Corporation	821,817	783,668	713,987
18. Teco Vietnam Electric Co., Ltd.	140,852	143,736	143,784
19. Information Technology Total Services Co., Ltd.	144,795	135,404	127,444
20. Tesen Electric & Machinery Co., Ltd.	172,590	158,649	139,588
21. Taiwan Pelican Express Co., Ltd.	379,572	352,348	409,931
22. Kuenling Machinery Refrigerating Co., Ltd.	307,734	-	-
23. Others	<u>650,842</u>	<u>622,603</u>	<u>997,422</u>
	36,083,577	32,776,036	32,981,645
Less: unrealised profit from downstream transactions	(<u>520,178</u>)	(<u>443,013</u>)	(<u>372,691</u>)
	35,563,399	32,333,023	32,608,954

	December 31, 2013	December 31, 2012	January 1, 2012
Less: credit balance of long-term investments (gross amount before offset of accounts receivable-related parties, other receivables-related parties and other non-current liabilities)	(22,451)	(8,594)	(59,770)
	<u>\$ 35,540,948</u>	<u>\$ 32,324,429</u>	<u>\$ 32,549,184</u>

The share of profit/loss of subsidiaries, associates and joint ventures accounted for under equity method for the years ended December 31, 2013 and 2012 are as follows:

	For the years ended December 31,	
	2013	2012
1. Tung Pei Industrial Co., Ltd.	\$ 159,117	\$ 132,506
2. Tecom Co., Ltd.	(2,152)	(205,866)
3. Tong Dai Co., Ltd.	55,013	47,198
4. Teco International Investment Co., Ltd.	(3,627)	(54,063)
5. Teco Holding USA Inc.	975,208	942,064
6. Teco Electric & Machinery (Pte) Ltd.	216,081	200,056
7. Tong-An Investment Co., Ltd.	254,645	241,376
8. Teco Electro Devices Co., Ltd.	4,234	(8,354)
9. United View Global Investment Co., Ltd.	42,671	(253,920)
10. GD Teco Taiwan Co., Ltd.	7,511	(4,505)
11. Taian (Subic) Electric Co., Inc.	1,448	747
12. Micropac Worldwide Investment (BVI)	111,141	42,813
13. Tong-An Assets Management & Development Co., Ltd.	63,037	56,075
14. Yatec Engineering Corporation	43,387	20,930
15. Lien Chang Electronic Enterprise Co., Ltd.	18,646	(34,564)
16. An-Tai International Investment Co., Ltd.	30,014	23,447
17. Century Development Corporation	52,921	73,951
18. Teco Vietnam Electric Co., Ltd.	(2,884)	(6,302)
19. Information Technology Total Services Co., Ltd.	21,991	13,448
20. Tesen Electric & Machinery Co., Ltd.	13,941	18,911
21. Taiwan Pelican Express Co., Ltd.	54,820	93,497
22. Kuenling Machinery Refrigerating Co., Ltd.	29,738	-
23. Others	35,879	37,568
	<u>\$ 2,182,780</u>	<u>\$ 1,377,013</u>

A. For the years ended December 31, 2013 and 2012, partial investments accounted for using equity method are valued based on the financial statements audited by the companies' independent accountants. Net gain on investment accounted for using the equity method was \$203,036 and \$136,953 for the years ended December 31, 2013 and 2012, respectively; related balance of investment accounted for using equity method was \$4,073,049, \$3,918,389 and \$6,584,704, and credit balance of investment accounted for using equity method was \$11,987, \$8,594 and \$4,955 as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

B. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's common stocks owned by its subsidiaries, Tong-An Investment Co., Ltd. and others, a total cost of

\$321,563 (22,443,000 shares), \$320,839 (22,366,000 shares) and \$320,839 (22,366,000 shares), were treated as treasury stock, respectively.

C. Please refer to Note 4(3) of the 2013 consolidated financial statements for related information about subsidiaries of the Company.

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

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
December 31, 2013					
1. Tung Pei Industrial Co., Ltd.	\$ 8,180,086	\$ 1,949,953	\$ 4,500,396	\$ 489,801	31.14%
2. Creative Sensor Inc.	4,545,850	1,061,641	4,743,841	587,052	1.68%
3. Lien Chang Electronic Enterprise Co., Ltd.	2,246,631	717,085	2,407,426	127,910	33.84%
4. Century Development Corporation	6,553,087	3,122,041	664,435	184,156	21.39%
5. Others	<u>525,593</u>	<u>318,340</u>	<u>206,304</u>	<u>18,598</u>	
	<u>\$ 22,051,247</u>	<u>\$ 7,169,060</u>	<u>\$ 12,522,402</u>	<u>\$ 1,407,517</u>	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
December 31, 2012					
1. Tung Pei Industrial Co., Ltd.	\$ 7,822,445	\$ 1,960,091	\$ 4,313,134	\$ 344,283	31.14%
2. Creative Sensor Inc.	3,595,215	713,777	4,713,155	149,076	1.68%
3. Lien Chang Electronic Enterprise Co., Ltd.	2,502,766	1,101,130	2,199,062	(123,855)	33.84%
4. Century Development Corporation	6,646,007	3,416,476	731,634	288,441	21.39%
5. Others	<u>1,906,809</u>	<u>1,141,327</u>	<u>312,021</u>	<u>(146,362)</u>	
	<u>\$ 22,473,242</u>	<u>\$ 8,332,801</u>	<u>\$ 12,269,006</u>	<u>\$ 511,583</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	1.68%
4. Lien Chang Electronic Enterprise Co., Ltd.	2,418,032	877,257	33.84%
5. Century Development Corporation	6,836,345	3,847,843	21.39%
6. Vmax Telecom Co., Ltd.	1,411,432	496,805	7.55%
7. Others	<u>1,858,433</u>	<u>939,470</u>	
	<u>\$ 29,941,779</u>	<u>\$ 14,530,133</u>	

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

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
1. Tecom Co., Ltd.	\$ -	\$ -	\$ 201,505
2. Creative Sensor Inc.	45,946	31,735	30,132
3. Lien Chang Electronic Enterprise Co., Ltd.	664,496	253,034	267,676
	<u>\$ 710,442</u>	<u>\$ 284,769</u>	<u>\$ 499,313</u>

(9) Property, plant and equipment

	Land	Buildings	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Leased assets	Total
At January 1, 2013								
Cost	\$1,458,521	\$ 1,464,932	\$ 5,012,959	\$ 5,666	\$ 39,454	\$ 3,632,093	\$ 772,060	\$12,385,685
Accumulated depreciation and impairment	(35,000)	(468,811)	(4,530,172)	(3,829)	(15,366)	(3,056,704)	(675,053)	(8,784,935)
	<u>\$1,423,521</u>	<u>\$ 996,121</u>	<u>\$ 482,787</u>	<u>\$ 1,837</u>	<u>\$ 24,088</u>	<u>\$ 575,389</u>	<u>\$ 97,007</u>	<u>\$ 3,600,750</u>
2013								
Opening net book amount	\$1,423,521	\$ 996,121	\$ 482,787	\$ 1,837	\$ 24,088	\$ 575,389	\$ 97,007	\$ 3,600,750
Additions	-	-	136,960	1,680	26,355	190,743	-	355,738
Disposals	(123)	(4,925)	(2,444)	(889)	-	(18,083)	-	(26,464)
Reclassifications	830	1,276	(65,781)	-	-	(1,135)	66,917	2,107
Depreciation charge	-	(42,137)	(121,665)	(480)	(15,560)	(143,694)	(15,737)	(339,273)
Closing net book amount	<u>\$1,424,228</u>	<u>\$ 950,335</u>	<u>\$ 429,857</u>	<u>\$ 2,148</u>	<u>\$ 34,883</u>	<u>\$ 603,220</u>	<u>\$ 148,187</u>	<u>\$ 3,592,858</u>
At December 31, 2013								
Cost	\$1,459,228	\$ 1,460,095	\$ 4,972,415	\$ 5,232	\$ 65,809	\$ 3,632,423	\$ 838,977	\$12,434,179
Accumulated depreciation and impairment	(35,000)	(509,760)	(4,542,558)	(3,084)	(30,926)	(3,029,203)	(690,790)	(8,841,321)
	<u>\$1,424,228</u>	<u>\$ 950,335</u>	<u>\$ 429,857</u>	<u>\$ 2,148</u>	<u>\$ 34,883</u>	<u>\$ 603,220</u>	<u>\$ 148,187</u>	<u>\$ 3,592,858</u>

	Land	Buildings	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Leased assets	Total
At January 1, 2012								
Cost	\$1,391,984	\$ 1,526,575	\$ 4,821,332	\$ 6,584	\$ 22,565	\$ 3,572,685	\$ 699,336	\$12,041,061
Accumulated depreciation and impairment	(35,000)	(454,602)	(4,333,374)	(3,935)	(6,630)	(2,919,316)	(653,150)	(8,406,007)
2012	\$1,356,984	\$ 1,071,973	\$ 487,958	\$ 2,649	\$ 15,935	\$ 653,369	\$ 46,186	\$ 3,635,054
Opening net book amount	\$1,356,984	\$ 1,071,973	\$ 487,958	\$ 2,649	\$ 15,935	\$ 653,369	\$ 46,186	\$ 3,635,054
Additions	-	-	110,383	600	16,890	137,293	-	265,166
Disposals	(93)	-	(701)	(266)	-	(5,598)	-	(6,658)
Reclassifications	66,630	(33,833)	1,805	(537)	-	(62,876)	70,009	41,198
Depreciation charge	-	(42,019)	(116,658)	(609)	(8,737)	(146,799)	(19,188)	(334,010)
Closing net book amount	\$1,423,521	\$ 996,121	\$ 482,787	\$ 1,837	\$ 24,088	\$ 575,389	\$ 97,007	\$ 3,600,750
At December 31, 2012								
Cost	\$1,458,521	\$ 1,464,932	\$ 5,012,959	\$ 5,666	\$ 39,454	\$ 3,632,093	\$ 772,060	\$12,385,685
Accumulated depreciation and impairment	(35,000)	(468,811)	(4,530,172)	(3,829)	(15,366)	(3,056,704)	(675,053)	(8,784,935)
	\$1,423,521	\$ 996,121	\$ 482,787	\$ 1,837	\$ 24,088	\$ 575,389	\$ 97,007	\$ 3,600,750

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 years ended December 31,	
	2013	2012
Amount capitalised	\$ 839	\$ 491
Interest rate	0.86%~1.14%	1.09%~1.79%

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

(10) Investment property

	Land	Buildings	Total
At January 1, 2013			
Cost	\$ 1,046,113	\$ 1,532,265	\$ 2,578,378
Accumulated depreciation and impairment	-	(620,730)	(620,730)
	<u>\$ 1,046,113</u>	<u>\$ 911,535</u>	<u>\$ 1,957,648</u>
2013			
Opening net book amount	\$ 1,046,113	\$ 911,535	\$ 1,957,648
Reclassifications	(830)	(1,277)	(2,107)
Depreciation charge	-	(34,814)	(34,814)
Closing net book amount	<u>\$ 1,045,283</u>	<u>\$ 875,444</u>	<u>\$ 1,920,727</u>
At December 31, 2013			
Cost	\$ 1,045,283	\$ 1,530,988	\$ 2,576,271
Accumulated depreciation and impairment	-	(655,544)	(655,544)
	<u>\$ 1,045,283</u>	<u>\$ 875,444</u>	<u>\$ 1,920,727</u>
At January 1, 2012			
Cost	\$ 1,112,743	\$ 1,462,324	\$ 2,575,067
Accumulated depreciation and impairment	-	(558,194)	(558,194)
	<u>\$ 1,112,743</u>	<u>\$ 904,130</u>	<u>\$ 2,016,873</u>
2012			
Opening net book amount	\$ 1,112,743	\$ 904,130	\$ 2,016,873
Reclassifications	(66,630)	42,228	(24,402)
Depreciation charge	-	(34,823)	(34,823)
Closing net book amount	<u>\$ 1,046,113</u>	<u>\$ 911,535</u>	<u>\$ 1,957,648</u>
At December 31, 2012			
Cost	\$ 1,046,113	\$ 1,532,265	\$ 2,578,378
Accumulated depreciation and impairment	-	(620,730)	(620,730)
	<u>\$ 1,046,113</u>	<u>\$ 911,535</u>	<u>\$ 1,957,648</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 years ended December 31,	
	2013	2012
Rental income from the lease of the investment property	\$ 107,361	\$ 109,608
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 17,365	\$ 16,271
Direct operating expenses arising from the investment property that did not generate rental income in the period	\$ -	\$ -

B. The fair value of the investment property held by the Company as at December 31, 2013, December 31, 2012 and January 1, 2012 was \$5,818,966, \$5,444,677 and \$5,499,278, respectively.

(11) Other non-current assets

	December 31, 2013	December 31, 2012	January 1, 2012
Prepayment for equipment	\$ 79,090	\$ 76,517	\$ 35,440
Refundable deposits	48,086	18,678	25,081
Deferred expenses	140,115	126,370	121,243
Other assets	1,857	1,857	1,857
	<u>\$ 269,148</u>	<u>\$ 223,422</u>	<u>\$ 183,621</u>

(12) Short-term borrowings

Type of borrowings	January 1, 2012	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 39,060	0.80%~1.24%	None

As of December 31, 2013 and 2012, the Company has no short-term borrowings.

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

Items	December 31, 2013	December 31, 2012	January 1, 2012
Current items:			
Financial liabilities held for trading			
Non-hedging derivatives	\$ 1,163	\$ 2,212	\$ 661

A. The Company recognised net gain (net loss) of \$1,049 and (\$2,212) on financial liabilities held for trading for the years ended December 31, 2013 and 2012, respectively.

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

December 31, 2013			
Financial instruments	Contract period	Contract Amount (Notional Principal)	Fair value
Forward foreign exchange contracts			
SELL EUR/BUY USD	103.1.29~103.4.30	EUR 6,500,000 (\$	1,011)
SELL EUR/SELL TWD	103.2.25	USD 825,000 (	152)
			(\$ 1,163)

December 31, 2012			
Financial instruments	Contract period	Contract Amount (Notional Principal)	Fair value
Forward foreign exchange contracts			
SELL GBP/BUY USD	102.1.31	GBP 500,000 (\$	72)
SELL EUR/BUY USD	102.1.31~102.3.28	EUR 4,500,000 (	1,901)
SELL USD/BUY TWD	102.1.3~102.3.22	USD 14,000,000 (	239)
			(\$ 2,212)

January 1, 2012			
Financial instruments	Contract period	Contract Amount (Notional Principal)	Fair value
Forward foreign exchange contracts			
SELL USD/BUY TWD	101.1.9~101.2.9	USD 19,000,000 (\$	661)

The Company 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.

(14) Bonds payable

Items	December 31, 2013	December 1, 2012	January 1, 2012
Issuance of convertible bonds	\$ 1,457,100	\$ 3,000,000	\$ -
Add: foreign exchange gain, net	18,600	-	-
Less: discount on bonds payable	-	(97,347)	-
	<u>\$ 1,475,700</u>	<u>\$ 2,902,653</u>	<u>\$ -</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 December 31, 2013, the book value of convertible bonds amounting to \$3,000,000 have been converted into common stocks to 142,319,000 shares. The amount of 33,184,000 common stocks was recognised in “Advance receipts for share capital” 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. The difference between the abovementioned and actual (\$20.7 in dollars) conversion price was due to an increase in outstanding shares from conversion of corporate bonds to common stock, and was adjusted in accordance with the Board of Directors’ approval and issuance methods.

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.

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2013</u>
Long-term bank borrowings				
Taiwan Cooperative Bank	Borrowing period is from May 2, 2013 to May 2, 2015; due for repayment.	1.231%~1.351%	None	\$ 900,000
Mega International Commercial Bank	Borrowing period is from Aug. 18, 2013 to Aug. 17, 2015; due for repayment.	1.33%	None	850,000
Hua Nan Bank	Borrowing period is from Aug. 7, 2013 to Aug. 7, 2015; due for repayment.	1.22%~1.23%	None	700,000
Firstbank	Borrowing period is from Jul. 17, 2013 to Jul. 17, 2015; due for repayment.	1.45%	None	500,000
Bank of Taiwan	Borrowing period is from Nov. 15, 2013 to Nov. 15, 2015; due for repayment.	1.315%~1.33%	None	400,000
Firstbank syndication	Borrowing period is from Dec. 15, 2010 to Dec. 14, 2015; due for repayment.	1.417%~1.435%	None	-
				<u>3,350,000</u>
Commercial paper payable				
China Bills Finance Corporation	Borrowing period is from Mar. 1, 2013 to Feb. 28, 2015; due for repayment.	0.72%~0.79%	None	500,000
Grand Bills Finance Corporation	Borrowing period is from Jan. 16, 2013 to Jan. 14, 2015; due for repayment.	0.81%~0.90%	None	350,000
Taiwan Finance Corporation	Borrowing period is from May. 27, 2013 to May. 26, 2015; due for repayment.	0.90%~0.94%	None	<u>200,000</u>
				1,050,000
Less: unamortized discount				(414)
				<u>1,049,586</u>
				<u>\$ 4,399,586</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2012
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	\$ 2,150,000
Hua Nan Bank	Borrowing period is from Oct. 5, 2012 to Oct. 5, 2014; due for repayment.	0.75%~1.21%	None	800,000
Taiwan Cooperative Bank	Borrowing period is from May 9, 2012 to May 9, 2014; due for repayment.	1.077%~1.237%	None	800,000
Mega International Commercial Bank	Borrowing period is from Aug. 18, 2011 to Aug. 17, 2014; due for repayment.	0.82%~1.32%	None	700,000
Far Eastern International Bank	Borrowing period is from Apr. 19, 2011 to Apr. 19, 2014; due for repayment.	1.23%	None	<u>500,000</u>
				<u>4,950,000</u>
Commercial paper payable				
International Bills Financial Corporation	Borrowing period is from Mar. 19, 2012 to Mar. 19, 2014; due for repayment.	0.843%	None	500,000
Mega Bills Finance Corporation	Borrowing period is from Mar. 9, 2011 to Mar. 8, 2014; due for repayment.	0.622%~0.931%	None	700,000
China Bills Finance Corporation	Borrowing period is from Jan. 7, 2011 to Feb. 28, 2014; due for repayment.	0.3%~0.811%	None	500,000
Grand Bills Finance Corporation	Borrowing period is from Nov. 22, 2011 to Jan. 15, 2014; due for repayment.	0.55%~0.831%	None	350,000
Taiwan Finance Corporation	Borrowing period is from May 3, 2011 to May 2, 2014; due for repayment.	0.651%~0.881%	None	<u>200,000</u>
				2,250,000
Less: unamortized discount				(<u>1,076</u>)
				<u>2,248,924</u>
				<u>\$ 7,198,924</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>January 1, 2012</u>
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 Jul. 18, 2011 to Jul. 18, 2013; due for repayment.	1.2%~1.21%	None	<u>200,000</u>
				<u>9,600,000</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	<u>200,000</u>
				2,350,000
Less: unamortized discount				(<u>1,329</u>)
				<u>2,348,671</u>
				<u>\$ 11,948,671</u>

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

B. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company has undrawn borrowing facilities of \$11,550,000, \$8,350,000 and \$12,000,000, respectively.

(16) 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:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Present value of funded obligations	(\$ 1,998,102)	(\$ 2,062,790)	(\$ 2,122,944)
Fair value of plan assets	<u>397,163</u>	<u>465,400</u>	<u>540,187</u>
	(1,600,939)	(1,597,390)	(1,582,757)
Unrecognised past service cost	(54,062)	(61,393)	(68,724)
Net liability in the balance sheet	<u>(\$ 1,655,001)</u>	<u>(\$ 1,658,783)</u>	<u>(\$ 1,651,481)</u>

(c) Changes in present value of funded obligations are as follows:

	<u>2013</u>	<u>2012</u>
Present value of funded obligations		
At January 1	\$ 2,062,790	\$ 2,122,944
Current service cost	28,156	28,060
Interest expense	38,454	36,072
Actuarial profit	(10,340)	-
Benefits paid out of the plan assets	(105,734)	(124,286)
Benefits paid by the Company	(15,224)	-
At December 31	<u>\$ 1,998,102</u>	<u>\$ 2,062,790</u>

(d) Changes in fair value of plan assets are as follows:

	2013	2012
Fair value of plan assets		
At January 1	\$ 465,400	\$ 540,187
Expected return on plan assets	10,306	12,453
Actuarial loss	(12,177)	-
Employer contributions	39,368	37,046
Benefits paid	(105,734)	(124,286)
At December 31	<u>\$ 397,163</u>	<u>\$ 465,400</u>

(e) Amounts of expenses recognised in comprehensive income statements are as follows:

	2013	2012
Current service cost	\$ 28,156	\$ 28,060
Interest cost	38,454	36,072
Expected return on plan assets	(10,306)	(12,453)
Past service cost	(7,331)	(7,331)
Current pension costs	<u>\$ 48,973</u>	<u>\$ 44,348</u>

Details of cost and expenses recognised in comprehensive income statements are as follows:

	2013	2012
Cost of sales	\$ 21,401	\$ 20,616
Selling expenses	18,030	16,390
General and administrative expenses	3,326	5,604
Research and development expenses	6,216	1,738
	<u>\$ 48,973</u>	<u>\$ 44,348</u>

(f) Amounts recognised under other comprehensive income are as follows:

	2013	2012
Recognition for current period	(\$ 1,837)	\$ -
Accumulated amount	(\$ 1,837)	\$ -

(g) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 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.

The Company's actual compensation of plan assets were \$5,720 and \$4,862 for the years ended December 31, 2013 and 2012, respectively.

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

	2013	2012	2011
Discount rate	2.15%	1.75%	1.75%
Future salary increases	2.00%	2.00%	2.00%
Expected return on plan assets	2.50%	2.50%	2.50%

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

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

	2013	2012
Present value of defined benefit obligation (\$	1,998,102)	(\$ 2,062,790)
Fair value of plan assets	397,163	465,400
Deficit in the plan	(\$ 1,600,939)	(\$ 1,597,390)
Experience adjustments on plan liabilities (\$	133,313)	\$ 156,724
Experience adjustments on plan assets	\$ 4,586	\$ 7,591

(J) Expected contributions to the defined benefit pension plans of the Company within one year from December 31, 2013 amounts to \$40,156.

B.(a) Effective July 1, 2005, the Company 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 contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2013 and 2012 were \$73,782 and \$72,183, respectively.

(17) Share-based payment

A. As of December 31, 2013 and 2012, the Company's share-based payment arrangements were as follows:

(a) Treasury stocks 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:

December 31, 2013

<u>Grant date</u>	<u>Grant quantity</u>	<u>Contract period</u>	<u>Vesting conditions</u>	<u>Actual turnover rate</u>	<u>Estimated future turnover rate</u>
Dec. 26, 2007	50,000 units (Note)	6 years	2 years' service	5.00%	-
December 31, 2012					

<u>Grant date</u>	<u>Grant quantity</u>	<u>Contract period</u>	<u>Vesting conditions</u>	<u>Actual turnover rate</u>	<u>Estimated future turnover rate</u>
Dec. 26, 2007	50,000 units (Note)	6 years	2 years' service	4.30%	5%
January 1, 2012					

<u>Grant date</u>	<u>Grant quantity</u>	<u>Contract period</u>	<u>Vesting conditions</u>	<u>Actual turnover rate</u>	<u>Estimated future turnover rate</u>
Dec. 26, 2007	50,000 units (Note)	6 years	2 years' service	3.00%	5%

Note: Each unit of stock option 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 years ended December 31,			
	2013		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 year	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	- (0.40)	- (0.60)	- (0.60)	-
Options forfeited	(1,561)	-	(1,092)	-
Options exercised	(8,381)	-	(10,295)	-
Options outstanding a end of the year	-	\$ 11.70	9,942	\$ 12.10
Options exercisable at end of the year	-		9,942	
Options authorized but not granted at end of the year	-		-	
Options revoked	1,561		-	

C.The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2013 and 2012 was \$28.87 and \$20.09, respectively.

D.As of December 31, 2013, December 31, 2012 and January 1, 2012, the range of exercise prices of stock options outstanding was \$11.7, \$12.1 and \$12.7 (in dollars), respectively.

(18) Share capital

A.As of December 31, 2013, the Company's authorized capital was \$30,305,500, consisting of 3,030,550 thousand shares of ordinary stock, including 50,000 thousand shares reserved for employee stock options and the paid-in capital was \$19,646,374 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 years ended December 31,	
	2013	2012
At January 1	\$ 18,471,209	\$ 18,375,519
Employee stock options exercised	83,810	95,690
Convertible bonds exercised	1,091,355	-
At December 31	\$ 19,646,374	\$ 18,471,209

B.For the year ended December 31, 2013, the Company issued common stock amounting to 153,596,000 shares, since employee stock options and convertible bonds have been exercised. As of December 31, 2013, employee stock options and convertible bonds have been exercised but the registration procedure for 36,080,000 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 525 thousand units of GDRs outstanding, representing 5,248 thousand common shares as of December 31, 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 or 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. In addition, Top-Tower Enterprises Co., Ltd. also held the Company's shares before the Company obtained control of Top-Tower Enterprises Co., Ltd. on August, 2013, and never bought the shares of the Company again after the Company obtained its control. As of December 31, 2013, December 31, 2012 and January 1, 2012, book value of the shares of the Company held by the two subsidiaries was \$321,563, \$320,839 and \$320,839, respectively.

Details are as follows :

December 31, 2013			
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 14.92	\$ 34.15
An-Tai International Investment Co., Ltd.	2,826	10.37	34.15
Top-Tower Enterprises Co., Ltd.	77	9.37	34.15
	<u>22,443</u>		
December 31, 2012			
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 14.92	\$ 22.25
An-Tai International Investment Co., Ltd.	2,826	10.37	22.25
	<u>22,366</u>		
January 1, 2012			
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 14.92	\$ 17.85
An-Tai International Investment Co., Ltd.	2,826	10.37	17.85
	<u>22,366</u>		

(19) Capital surplus

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

(20) Retained earnings

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 estimated employees' bonus was \$304,550 and \$240,141, and the estimated directors' and supervisors' remuneration was \$135,355 and \$106,729, for the years ended December 31, 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 is 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.
- Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- F. As of December 31, 2013 and 2012, the Company has recognised dividends attributable to owners amounting to \$1,922,095 (\$1 (in dollar) per share) and \$1,661,072 (\$0.9 (in dollar) per share). The appropriations of the 2013 net income was proposed in the stockholders' meeting on March 24, 2014 to appropriate \$1.1 (in dollar) for each common stock, and the total attributed dividends amounted to \$2,202,962.

(21) 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 available-for-sale financial investment			
–Company	(351,936)	-	(351,936)
–Subsidiaries, associates and joint ventures	1,002,336	-	1,002,336
Currency translation differences:			
–Company	-	54,066	54,066
At December 31, 2013	(\$ 629,353)	(\$ 312,141)	(\$ 941,494)
	Available-for-sale investment	Currency translation	Total
At January 1, 2012	(\$ 1,279,759)	\$ -	(\$ 1,279,759)
Unrealized gains and losses of available-for-sale financial investment			
–Company	794,746	-	794,746
–Subsidiaries, associates and joint ventures	(794,740)	-	(794,740)
Currency translation differences:			
–Company	-	(366,207)	(366,207)
At December 31, 2012	(\$ 1,279,753)	(\$ 366,207)	(\$ 1,645,960)

(22) Operating revenue

	For the year ended December 31, 2013	For the year ended December 31, 2012
Sales revenue	\$ 21,629,359	\$ 22,738,055
Service revenue	1,372,314	394,585
Construction contract revenue	2,602,776	2,328,499
Total	\$ 25,604,449	\$ 25,461,139

(23) Other income

	For the year ended December 31, 2013	For the year ended December 31, 2012
Rental revenue	\$ 129,191	\$ 130,263
Dividend income	70,866	70,730
Interest income:		
Interest income from bank deposits	42,875	10,250
Other interest income	3,099	2,422
Other non-operating income	158,363	179,178
Total	<u>\$ 404,394</u>	<u>\$ 392,843</u>

(24) Other gains and losses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Net gains (losses) on financial liabilities at fair value through profit or loss	\$ 1,049	(\$ 2,212)
Net gains on financial assets at fair value through profit or loss	36,033	27,050
Net currency exchange gains (losses)	17,634	(82,697)
Gains (losses) on disposal of property, plant and equipment	175	(3,682)
Gains on disposal of investments	172,241	272,991
Impairment loss	-	(92,000)
Non-operating expenses	(268,548)	(158,819)
Total	<u>(\$ 41,416)</u>	<u>(\$ 39,369)</u>

(25) Finance costs

	For the year ended December 31, 2013	For the year ended December 31, 2012
Interest expense:		
Bank borrowings	\$ 41,737	\$ 70,959
Convertible bonds	44,170	17,753
Others	13,231	19,154
Less: capitalization of qualifying assets	(839)	(491)
	98,299	107,375
Finance expenses	15,332	17,117
Finance costs	<u>\$ 113,631</u>	<u>\$ 124,492</u>

(26) Expenses by nature

	For the year ended December 31, 2013	For the year ended December 31, 2012
Change in inventory of finished goods and work in process and raw materials and supplies used	\$ 14,204,374	\$ 15,410,650
Construction cost	2,389,559	2,122,977
Service cost	1,248,105	312,527
Employee benefit expense	2,681,340	2,591,130
Depreciation charges on property, plant and equipment	323,536	314,822
Amortization charges	47,343	37,345
Processing fees	637,874	573,066
Indirect materials	255,599	252,764
Shipping expense	219,243	220,229
Dealers' compensation	200,393	230,058
Energy costs	184,528	174,801
Other expenses	1,422,974	1,328,081
Total	<u>\$ 23,814,868</u>	<u>\$ 23,568,450</u>

(27) Employee benefit expense

	For the year ended December 31, 2013	For the year ended December 31, 2012
Salaries	\$ 2,059,754	\$ 1,962,941
Employees' bonus and directors' and supervisors' remuneration	439,905	346,870
Labor and health insurances	164,733	146,897
Pension	122,755	116,531
Others	90,065	92,457
	<u>\$ 2,877,212</u>	<u>\$ 2,665,696</u>

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

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Current tax:		
Current tax on profits for the period	\$ 203,454	\$ 173,862
Adjustments in respect of prior years	4,249	1,189
Total current tax	<u>207,703</u>	<u>175,051</u>
Deferred tax:		
Origination and reversal of investment tax credit	150,563	149,222
Origination and reversal of loss carryforward	18,133	10
Origination and reversal of temporary differences	8,272	24,277
Total deferred tax	<u>176,968</u>	<u>173,509</u>
Income tax expense	<u>\$ 384,671</u>	<u>\$ 348,560</u>

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
Currency translation differences	<u>\$ 3,472</u>	<u>(\$ 38,626)</u>

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2013	For the year ended December 31, 2012
Tax calculated based on profit before tax and statutory tax rate	\$ 704,572	\$ 582,822
Effects from items disallowed by tax regulation	(212,803)	(101,571)
Prior year net of deferred tax assets and liabilities (over) underestimation	(185,961)	(218,262)
Effect from investment tax credit	-	(13,000)
Prior year income tax underestimation	4,249	1,189
Effect from Alternative Minimum Tax	-	13,000
Additional 10% tax on undistributed earnings	<u>74,614</u>	<u>84,382</u>
Income tax expense	<u>\$ 384,671</u>	<u>\$ 348,560</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

For the year ended December 31, 2013

	January 1,	Recognized in profit or loss	Recognized in other comprehensive income	December 31,
Temporary differences:				
-Deferred tax assets:				
Unrealized intercompany profit	\$ 141,236	\$ 13,118	\$ -	\$ 154,354
Impairment loss	98,541	(8,012)	-	90,529
Currency translation differences	70,349	-	(3,472)	66,877
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	51,004	(2,863)	-	48,141
Unrealized expenses	43,971	3,591	-	47,562
Permanent loss on investments	29,817	-	-	29,817
Loss on inventory	24,990	8,807	-	33,797
Over provision of allowance for doubtful accounts	14,031	(3,885)	-	10,146
Others	85,060	(2,384)	-	82,676
Net operating loss carryforward	183,996	(18,133)	-	165,863
Investment tax credit	<u>150,563</u>	<u>(150,563)</u>	<u>-</u>	<u>-</u>
	<u>893,558</u>	<u>(160,324)</u>	<u>(3,472)</u>	<u>729,762</u>
-Deferred tax liabilities:				
Investment income from foreign investments	644,784	16,284	-	661,068
Land value incremental reserve	106,179	-	-	106,179
Unrealized exchange gain	1,258	183	-	1,441
Others	<u>10,056</u>	<u>177</u>	<u>-</u>	<u>10,233</u>
Subtotal	<u>762,277</u>	<u>16,644</u>	<u>-</u>	<u>778,921</u>
Total	<u>\$ 131,281</u>	<u>(\$ 176,968)</u>	<u>(\$ 3,472)</u>	<u>(\$ 49,159)</u>

For the year ended December 31, 2012				
		Recognized in	Recognized in	
	January 1,	in	other	
		profit or loss	comprehensive	December 31,
			income	
Temporary differences:				
-Deferred tax assets:				
Unrealized intercompany profit	\$ 117,162	\$ 24,074	\$ -	\$ 141,236
Impairment loss	98,542	-	-	98,542
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	59,413	(8,410)	-	51,003
Unrealized expenses	45,515	(1,544)	-	43,971
Currency translation differences	31,723	-	38,626	70,349
Permanent loss on investments	29,817	-	-	29,817
Loss on inventory	27,813	(2,823)	-	24,990
Over provision of allowance for doubtful accounts	26,210	(12,179)	-	14,031
Others	97,737	(12,677)	-	85,060
Net operating loss carryforward	184,006	(10)	-	183,996
Investment tax credit	299,785	(149,222)	-	150,563
	<u>1,017,723</u>	<u>(162,791)</u>	<u>38,626</u>	<u>893,558</u>
-Deferred tax liabilities:				
Investment income from foreign investments	631,353	13,431	-	644,784
Land value incremental reserve	106,179	-	-	106,179
Unrealized exchange gain	3,774	(2,516)	-	1,258
Others	10,253	(197)	-	10,056
Subtotal	<u>751,559</u>	<u>10,718</u>	<u>-</u>	<u>762,277</u>
Total	<u>\$ 266,164</u>	<u>(\$ 173,509)</u>	<u>\$ 38,626</u>	<u>\$ 131,281</u>

D. According to the Act for Industrial Innovation and Statute for Upgrading Industries (before its abolishment), details of the amount the Company is entitled as investment tax credit and unrecognized deferred tax assets are as follows:

December 31, 2013			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Final year tax credits are due
Investments in emerging important strategic industries	\$ 22,031	\$ 22,031	2015
December 31, 2012			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Final year tax credits are due
Research and development	\$ 116,252	\$ -	2013
Machinery and equipment	268	-	2014
Employees' training	34,043	-	2015
	<u>\$ 150,563</u>	<u>\$ -</u>	
January 1, 2012			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Final year tax credits are due
Research and development	\$ 154,517	\$ -	2012
Machinery and equipment	145,000	-	2013
Employees' training	268	-	2014
	<u>\$ 299,785</u>	<u>\$ -</u>	

E. Expiration dates of unused net operating loss carryforward and amounts of unrecognized deferred tax assets are as follows:

Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2009	Amount assessed	\$ 975,665	\$ -	2019
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2009	Amount assessed	\$ 1,082,329	\$ -	2019
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2009	Amount assessed	\$ 1,082,388	\$ -	2019

F. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2013</u>
Deductible temporary differences	\$ <u>1,009,529</u>	\$ <u>1,073,494</u>	\$ <u>1,006,206</u>

G. The Company has not recognized taxable temporary differences associated with investment in certain subsidiaries as deferred tax liabilities. As of December 31, 2013, December 31, 2012 and January 1, 2012, the amounts of temporary difference unrecognized as deferred tax liabilities were \$6,272,430, \$5,076,725 and \$3,949,960, respectively.

H. As of December 31, 2013, the Company's income tax returns through 2011 have been assessed and approved by the Tax Authority.

I. Unappropriated retained earnings:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2013</u>
Earnings generated in and before 1997	\$ 684,024	\$ 684,024	\$ 684,024
Earnings generated in and after 1998	<u>7,554,909</u>	<u>6,013,521</u>	<u>5,080,437</u>
	\$ <u>8,238,933</u>	\$ <u>6,697,545</u>	\$ <u>5,764,461</u>

J. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of the imputation tax credit account was \$484,222, \$317,505 and \$286,371, respectively. The creditable tax rate was 7.91% for 2012 and is estimated to be 5.66% for 2013.

(29) Earnings per share

Earnings per share for common stockholders are as follows:

	<u>For the year ended December 31, 2013</u>		
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Net income	\$ 3,759,872	1,871,009	\$ <u>2.01</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonus	-	8,918	
Profit plus assumed conversion of all dilutive potential ordinary shares	\$ <u>3,759,872</u>	<u>1,879,927</u>	\$ <u>2.00</u>

For the year ended December 31, 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>			
Net income	\$ 3,079,802	1,820,675	<u>\$ 1.69</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares:			
Employee stock options	-	3,954	
Employees' bonus	-	10,793	
Profit plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,079,802</u>	<u>1,835,422</u>	<u>\$ 1.68</u>

(30) Non-cash transaction

A. Investing activities with partial cash payments:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Acquisition of property, plant and equipment	\$ 355,738	\$ 323,038
Add: payables at beginning of period	150,444	132,967
Less: payables at end of period	(128,786)	(150,444)
Cash paid	<u>\$ 377,396</u>	<u>\$ 305,561</u>

B. Financing activities with no cash flow effects:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Convertible bonds being converted to capital stocks	<u>\$ 3,000,000</u>	<u>\$ -</u>

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company	Names of related parties	Relationship with the Company
Teco Nanotech Co., Ltd. (Teco Nanotech)	The subsidiary	Yatec Engineering Corporation (Yatec)	The subsidiary
Teco International Investment Co., Ltd. (Teco International)	"	An-Tai International Investment Co., Ltd. (An-Tai)	"
Tong-An Assets Management & Development Co., Ltd. (Tong-An Assets)	"	Micropac Worldwide Investment (BVI)(Micropac)	"
Tong Dai Co., Ltd. (Tong Dai)	"	A-Ok Technical Co., Ltd (A-Ok Technical)	"
Tesen Electric & Machinery Co., Ltd. (Tesen)	"	Taian-Etacom Technology Co., Ltd. (Taian-Etacom)	"
Information Technology Total Services Co., Ltd. (ITTS)	"	Perkilangen Elektrik Taian Jaya Sdn. Bhd. (Perkilangen)	"
Tong Tai Jung Co., Ltd. (Tong Tai Jung)	"	Taian (Subic) Electric Co., Inc. (Taian Subic)	"
Teco Electro Devices Co., Ltd. (Teco Electro)	"	Taian (Malaysia) Electric Sdn., Bhd. (Taian Malaysia)	"
Teco Electric & Machinery (Pte) Ltd. (Teco Singapore)	"	E-Joy International Co., Ltd. (E-Joy International)	"
Teco Electric Co., Ltd. (Teco Europe)	"	An-Sheng Travel Co., Ltd. (An Sheng)	"
Teco Holding USA Inc. (Teco Holding)	"	Teco Vietnam Electric Co., Ltd. (Teco Vietnam)	"
GD Teco Taiwan Co., Ltd. (GD Teco)	"	Teco Appliance (H.K.) Co., Ltd. (Teco Appliance)	"
Tecom Co., Ltd. (Tecom)	"	TECO (PHILIPPINES) 3C & APPLIANCES, INC. (TECO 3C)	"
Great Teco Whirlpool Co., Ltd. (Teco Whirlpool)	" (The company was liquidated in June 2012)	Tecoson Industrial Development Ltd. (Tecoson)	"
Tecnos International Consultant Co., Ltd. (Tecnos)	The subsidiary	Teco Electronic Devices Co., Ltd. (Teco Devices)	"
Tong-An Investment Co., Ltd. (Tong-An)	"	Nanchang Dong-Huan Management & Consulting Co., Ltd. (Nanchang Dong-Huan)	"
Taiwan Pelican Express Co., Ltd. (Pelican)	"	Tasia (PTE) Ltd. (Tasia)	"
Teco Westinghouse Motor Industrial-Canada (Teco Westinghouse Canada)	"	P.T Teco Multiguna Electro (Teco Multiguna)	"
Teco Westinghouse Motor Company (Teco Westinghouse)	"	Great Teco, S.L. (Great Teco, S.L.)	"
Titco International Corp. (Titco)	" (The company was liquidated in April 2012)	Information Technology Total Service (Hang Zhu) Co., Ltd. (ITTS Hang Zhu)	"

Names of related parties	Relationship with the Company	Names of related parties	Relationship with the Company
Teco Industrial (Malaysia) Sdn. Bhd. (Teco Malaysia)	The subsidiary	Asia Air Tech Industrial Co., Ltd. (AAT)	The subsidiary
Tecoson HK Co., Ltd. (Tecoson HK)	"	Great Teco Motor Ltd. (GTM)	"
Wuxi Teco Electric & Machinery Co., Ltd. (Wuxi Teco)	"	Teco Electronic & Machinery (THAI) Co., Ltd. (Teco THAI)	"
Suzhou Teco Electric & Machinery Co., Ltd. (Suzhou Teco)	"	Information Technology Total Service (BVI) (ITTS BVI)	"
Nan Chang Teco Electronic & Machinery Co., Ltd. (Nanchang Teco)	"	Asia Electric & Machinery (PTE) LTD. (Asia PTE)	"
Taichang Teco Electro Devices Co. (Taichang Teco)	"	STE Marketing SDN. BHD (STEM)	"
Jiangxi Teco Electric and Machinery Co., Ltd. (Jiangxi Teco)	"	Sankyo Co., Ltd. (Sankyo)	"
QingDao Teco Precision Mechtronics Co., Ltd. (QingDao Teco)	"	Teco Electric & Machinery B.V. (Teco Netherlands)	"
Xiamen Teco Technology Co., Ltd. (Xiamen Teco)	"	TYM Electric & Machinery Sdn. Bhd. (TYM)	"
Asia Innovative Technology Co., Ltd. (Xiamen An-Tai)	"	Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. (Teco Dong Guang)	"
An-Tai International Investment Co., Singapore (An-Tai Singapore)	"	Unison Service Corporation (Unison)	"
Antech Automation Corp. (Antech)	"	Kuenling Machinery Refrigerating Co., Ltd. (Kuenling Refrigerating)	"
An-Hubbell-Taian Co., Ltd. (An-Hubbell)	"	Baycom Opto-Electronics Technology Co., Ltd. (Baycom)	(Note 1)
Universal Mailing Service Co., Ltd. (Universal)	"	Tecom International Investment Co., Ltd. (Tecom International)	The subsidiary
Teco Australia Pty. Ltd. (Teco Australia)	"	Teco Sichuan trading Co., Ltd. (Teco Sichuan)	"
Jack Property Service & Management Company (Jack Property)	"	Qingdao Teco precision Mechatronics Co., Ltd. (QingDao Teco)	"
Tai-An Technology (Wuxi) Co., Ltd. (Tai-An Wuxi)	"	Shanghai TecoElectric & MachineryCo., (Shanghai Teco)	"
P.T Teco Elektro Indonesia (P.T Teco)	"	TECO Elektrik Turkey A.S. (Turkey Teco)	"
Teco Group Science-Technology (Hang Zhou) Co., Ltd. (Teco Hang Zhou)	"		(Note 2)

Names of related parties	Relationship with the Company	Names of related parties	Relationship with the Company
Qingdao TECO Century Advanced High-tech Mechtronics Co., Ltd. (TECO Century)	The subsidiary	Hunan TECO WindEnergy Limited (Hunan Teco)	The subsidiary
Fujian Teco Precision Co., Ltd. (Fujian Teco)	"	Taian Electric Co., Ltd. (Taian)	(Note 3) The subsidiary
United View Global Investment Co., Ltd. (UVG)	"	Information Technology Total Services (Wuxi) Co., Ltd. (ITTS Wuxi)	"

Note 1: The Company gained more than half of the seats in the Board of Directors of Kuenling Refrigerating in April 2013, thus, holds control over Kuenling Refrigerating.

Note 2: The Company gained shares with control over TECO Elektrik Turkey A.S. in September 2013, thus, included TECO Elektrik Turkey A.S. as a subsidiary from the date when control was gained.

Note 3: The Company gained shares with control over Hunan Teco in July 2013, thus, included Hunan Teco as a subsidiary from the date when control was gained.

Names of related parties	Relationship with the Company	Names of related parties	Relationship with the Company
Information Technology Total Service (Xiamen) Ltd. (ITTS Xiamen)	The subsidiary	TG Teco Vacuum Insulated Glass Corp. (TG Teco)	Associates
Jiangxi TECO Air Conditioning Equipment Co., Ltd. (Jiangxi Teco Air)	"	Jiangxi Teco-Lead PM Generator Manufacturing Co., Ltd. (Jiangxi Teco-Lead)	"
Tianjih Teco Technology Co., Ltd. (Tianjih Teco)	"	Asia Pacific Telecom Co., Ltd. (Asia Pacific Telecom)	An entity controlled by key management personnel
Top-Tower Enterprises Co., Ltd. (Top-Tower)	" (Note)	Teco Image System Co., Ltd. (Teco Image)	"
Royal Host Taiwan Co., Ltd. (Royal)	Associates	An-Shin Food Service Co., Ltd. (An-Shin)	"
Tung Pei Industrial Co., Ltd. (Tung Pei)	"	Lien Chang Electronic Enterprise Co., Ltd. (Lien Chang)	"
E-Value Commerce Co., Ltd. (E-Value)	"	TA Associates International Pte. Ltd. (TA Associates)	Associates
Samwha Industrial Systems Co., Ltd. (Samwha)	"	Taian Shen Electric Co., Ltd. (Taian Shen)	"
Solidtec Consulting Inc. (Solidtec)	"	PT. Taian Electronic Indonesia (PT. Taian)	"
Creative Sensor Inc. (Creative Sensor)	"	Yaskawa TECO Motor Engineering Co. (Yaskawa)	"
Media Vision Inc. (Media Vision)	" (The company was liquidated in July 2012)	United Development Corporation Ltd. (United Development)	"
Le-Li Co., Ltd. (Le-Li)	Associates	Century Development Corporation (Century Development)	"
Gorich Technology Co., Ltd. (Gorich)	"	Teco Inc. (Teco Inc.)	"
Tension Envelope Taiwan Co., Ltd. (Tension)	"	Jason Technology (Asia) Co., Ltd. (Jason Technology)	"
Teco Information International Investment Corp. (Teco Information)	"	Advanced Innovative Marketing INC. (AIM)	"
Teron Electric (Huizhou) Co., Ltd. (Teron)	"	Tecma Information Systems Sdn. Bhd. (TECMA)	"
Ching Chi International Limited (Ching Chi)	"	Teco Middle East Electrical & Machinery Co., Ltd. (TME)	"

Note: The Company holds control over Top-Tower's Board of Directors, thus, included Top-Tower as a subsidiary.

(2) Significant related party transactions and balances

A. Sales:

	<u>For the year ended December 31, 2013</u>	<u>For the year ended December 31, 2012</u>
Sales of goods:		
— Subsidiaries	\$ 11,824,773	\$ 10,932,033
— Associates	509,418	448,388
— Other related parties	<u>1,168</u>	<u>2,705</u>
Total	<u>\$ 12,335,359</u>	<u>\$ 11,383,126</u>

The sales terms, including pricing and collection, were negotiated in consideration of cost, market, competitors and other factors. The unrealized gain from downstream sales amounting to \$520,178 and \$443,013 for the years ended December 31, 2013 and 2012, respectively, had been eliminated and listed as investments accounted for under equity method.

B. Construction contract revenue

	<u>For the year ended December 31, 2013</u>	<u>For the year ended December 31, 2012</u>
— Associates	<u>\$ -</u>	<u>\$ 1,973</u>

These construction contract revenues are recognized under the percentage-of-completion method according to the construction contracts, which were negotiated in consideration of the general market price and other factors

C. Purchases:

	<u>For the year ended December 31, 2013</u>	<u>For the year ended December 31, 2012</u>
Purchases of goods:		
— Subsidiaries	\$ 6,018,936	\$ 6,135,237
— Associates	<u>97,294</u>	<u>77,755</u>
Total	<u>\$ 6,116,230</u>	<u>\$ 6,212,992</u>
	<u>For the year ended December 31, 2013</u>	<u>For the year ended December 31, 2012</u>
Shipping expense:		
— Subsidiaries	<u>\$ 96,027</u>	<u>\$ 110,353</u>
	<u>For the year ended December 31, 2013</u>	<u>For the year ended December 31, 2012</u>
Service expense:		
— Subsidiaries	<u>\$ 82,279</u>	<u>\$ 80,960</u>

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

(b) The shipping terms, including pricing and payments, were negotiated in consideration of the market price and other factors.

(c) The service terms, including pricing and payments, were negotiated in consideration of the cost, market, competitors and other factors.

D. Notes and accounts receivable

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2013</u>
Accounts and notes receivable			
— Related parties			
— Subsidiaries	\$ 2,811,382	\$ 2,634,334	\$ 3,486,177
— Associates	66,790	51,273	57,212
— Other related parties	<u>521</u>	<u>79</u>	<u>-</u>
	2,878,693	2,685,686	3,543,389
Add: foreign exchange gain (loss)	<u>621</u>	<u>(22,487)</u>	<u>8,914</u>
	2,879,314	2,663,199	3,552,303
Less: reclassified to other receivables	<u>(402,462)</u>	<u>(206,218)</u>	<u>(239,875)</u>
	2,476,852	2,456,981	3,312,428
Less: allowance for doubtful accounts	-	-	(5,161)
balance of long-term equity investments	<u>(11,703)</u>	<u>(8,574)</u>	<u>(3,955)</u>
Total	<u>\$ 2,465,149</u>	<u>\$ 2,448,407</u>	<u>\$ 3,303,312</u>

(a) The receivables from related parties arise mainly from sale transactions. The receivables are due within 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.

(b) As of December 31, 2013, December 31, 2012 and January 1, 2012, accounts receivable amounting to \$402,462, \$206,218 and \$239,875, respectively, were reclassified to other receivables as their aging were over the normal credit term.

E. Accounts and notes payable

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2013</u>
Accounts and notes payable			
— Subsidiaries	\$ 1,574,879	\$ 1,108,239	\$ 1,313,069
— Associates	<u>47,398</u>	<u>35,457</u>	<u>33,772</u>
Total	<u>\$ 1,622,277</u>	<u>\$ 1,143,696</u>	<u>\$ 1,346,841</u>

The payables to related parties arise mainly from purchase transactions and are due within 30 to 75 days after the date of purchase. The payables bear no interest.

F. Loans to related parties:

(a) Receivables from related parties - credit line

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2013</u>
Subsidiaries	<u>\$ -</u>	<u>\$ 117,180</u>	<u>\$ -</u>

(b) Interest income

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Subsidiaries	<u>\$ 279</u>	<u>\$ 142</u>

As of December 31, 2013 and 2012, the Company actual loaned to subsidiaries amounting to \$0 and \$44,241, respectively. The loans to subsidiaries are repayable monthly over 2 years and carry interest at 1.0594%~1.184% and 1.26% per annum for the years ended December 31, 2013 and 2012, respectively.

G. Other receivables

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2013</u>
(a) Overdue accounts receivable:			
— Subsidiaries	\$ 392,006	\$ 203,673	\$ 239,875
— Associates	10,456	2,545	-
	<u>\$ 402,462</u>	<u>\$ 206,218</u>	<u>\$ 239,875</u>
	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2013</u>
(b) Others			
— Subsidiaries	\$ 438,218	\$ 520,947	\$ 522,903
— Associates	29,262	29,807	143,009
— Other related parties	2,499	2,265	3,120
	<u>469,979</u>	<u>553,019</u>	<u>669,032</u>
Less: allowance for doubtful accounts	(12,526)	(12,526)	(56,620)
Credit balance of long-term equity investments	(10,748)	(20)	(55,571)
	<u>\$ 446,705</u>	<u>\$ 540,473</u>	<u>\$ 556,841</u>

Other receivables - others mainly consist of rents, etc.

H. Other payables

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2013</u>
— Subsidiaries	\$ 247,005	\$ 211,482	\$ 109,081
— Associates	810	1,078	1,138
— Other related parties	36	261	159
	<u>\$ 247,851</u>	<u>\$ 212,821</u>	<u>\$ 110,378</u>

Other payables mainly consist of rents payable, etc.

I. Endorsements and guarantees provided to related parties:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2013</u>
— Subsidiaries	\$ 344,831	\$ 347,106	\$ 459,774
— Associates	81,070	78,989	82,351
	<u>\$ 425,901</u>	<u>\$ 426,095</u>	<u>\$ 542,125</u>

J. Property transactions:

- (a) The Company rented assets in Quanying and Chungli of Taoyuan County from Tong-An Assets for self-use or rentals. For the years ended December 31, 2013 and 2012, the rent expense was \$64,666 and \$56,444, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, unpaid rent amounted to \$153,355, \$81,612 and \$22,745 (listed as other payables - related parties), respectively.
- (b) The Company sold a number of compressors (listed as property, plant and equipment) to QingDao Teco in July, 2011. The contract amounted to \$54,558, and gain on disposal of property, plant and equipment amounted to \$9,360. As of December 31, 2013, \$52,019 had not been received (listed as other receivables - related parties).
- (c) Key management compensation

	For the year ended December 31, 2013	For the year ended December 31, 2012
Salaries and other short-term employee	\$ 224,178	\$ 197,307
Post-employment benefits	1,373	1,829
Total	<u>\$ 225,551</u>	<u>\$ 199,136</u>

8. PLEDGED ASSETS

Pledged asset	Book value			Purpose
	December 31, 2013	December 31, 2012	January 1, 2012	
Pledged assets-				
Other financial assets-current				
Time deposits	<u>\$ 5,136</u>	<u>\$ 15,985</u>	<u>\$ 15,870</u>	Exercise guarantee for construction and grants from Technology Development Program by Ministry of Economic Affairs

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

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

(2) Commitments

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

	December 31, 2013	December 31, 2012	January 1, 2013
Property, plant and equipment	<u>\$ 20,851</u>	<u>\$ 138,739</u>	<u>\$ 13,050</u>

B. As of December 31, 2013, the outstanding letters of credit for the materials and equipment purchases was \$665,717.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Company's capital increase amounting to US\$40,000,000 in Jiangxi Teco Electric was approved by the Board of Directors on February 21, 2014. As of March 24, 2014, the capital increase was not completed yet.

12. Others

(1) Capital management

The Company's objectives when managing capital are based on the industrial scale, considering industrial future growth and product development, and setting appropriate market share, as well as plans of corresponding capital expenditure, calculation of operating capital needed for financial operations, and considering operating profit and cash inflows arise from product competitiveness, to determine appropriate capital structure.

(2) Financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Company's financial

instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

December 31, 2013			
	Book value		Fair value
Financial assets:			
Cash and cash equivalents	\$ 2,560,050	\$	2,560,050
Notes receivable	655,178		655,178
Accounts receivable	3,959,732		3,959,732
Other receivables	877,543		877,543
Total	<u>\$ 8,052,503</u>	<u>\$</u>	<u>8,052,503</u>
December 31, 2012			
	Book value		Fair value
Financial assets:			
Cash and cash equivalents	\$ 2,792,719	\$	2,792,719
Notes receivable	816,885		816,885
Accounts receivable	3,681,865		3,681,865
Other receivables	877,173		877,173
Total	<u>\$ 8,168,642</u>	<u>\$</u>	<u>8,168,642</u>

	January 1, 2012	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	\$ 2,613,623	\$ 2,613,623
Notes receivable	920,982	920,982
Accounts receivable	4,462,267	4,462,267
Other receivables	848,702	848,702
Total	<u>\$ 8,845,574</u>	<u>\$ 8,845,574</u>

	December 31, 2013	
	Book value	Fair value
Financial liabilities:		
Notes payable	\$ 144,861	\$ 144,861
Accounts payable	4,970,113	4,970,113
Other payables	2,645,159	2,645,159
Corporate bonds payable	1,475,700	1,475,700
Long-term borrowings	4,399,586	4,399,586
Total	<u>\$ 13,635,419</u>	<u>\$ 13,635,419</u>

	December 31, 2012	
	Book value	Fair value
Financial liabilities:		
Notes payable	\$ 221,550	\$ 221,550
Accounts payable	4,795,455	4,795,455
Other payables	2,392,594	2,392,594
Corporate bonds payable	2,902,653	2,902,653
Long-term borrowings	7,198,924	7,198,924
Total	<u>\$ 17,511,176</u>	<u>\$ 17,511,176</u>

	January 1, 2012	
	Book value	Fair value
Financial liabilities:		
Short-term borrowings	\$ 39,060	\$ 39,060
Notes payable	264,020	264,020
Accounts payable	5,247,742	5,247,742
Other payables	2,135,414	2,135,414
Long-term borrowings	11,948,671	11,948,671
Total	<u>\$ 19,634,907</u>	<u>\$ 19,634,907</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(13)).
- (b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and

hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Company is required to hedge their entire foreign exchange risk exposure with the treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company use forward foreign exchange contracts, transacted with Company treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Company utilises forward exchange agreements/forward transaction and other derivative financial instruments to hedge realised fair value risk and cash flow risk arising from exchange rate fluctuations in assets or liabilities denominated in foreign currencies, and monitors fluctuations to reduce exchange rate risk.
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2013

	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD: NTD	77,784	29.8050	\$ 2,318,352	1%	\$ 23,184	\$ -
AUD: NTD	3,805	26.5850	101,156	1%	1,012	-
EUR: NTD	10,665	41.0900	438,225	1%	4,382	-
JPY: NTD	1,285,844	0.2839	365,051	1%	3,651	-
RMB: NTD	326,073	4.9190	1,603,953	1%	16,040	-
<u>Non-monetary items</u>						
USD: NTD	520,159	29.8050	15,503,339			
SGD: NTD	102,837	23.5800	2,424,896			
VND: NTD	100,651,302	0.0014	140,912			
MYR: NTD	12,577	9.0899	114,324			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD: NTD	53,477	29.8050	1,593,882	1%	15,939	-
JPY: NTD	574,454	0.2839	163,087	1%	1,631	-

December 31, 2012

	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD: NTD	52,154	29.0400	\$ 1,514,552	1%	\$ 15,146	\$ -
AUD: NTD	4,022	30.1650	121,324	1%	1,213	-
EUR: NTD	7,937	38.4900	305,495	1%	3,055	-
JPY: NTD	864,303	0.3364	290,752	1%	2,908	-
RMB: NTD	17,332	4.6968	81,405	1%	814	-
<u>Non-monetary items</u>						
USD: NTD	489,740	29.0400	14,222,050			
SGD: NTD	97,230	23.7600	2,310,185			
VND: NTD	102,669,454	0.0014	143,737			
MYR: NTD	11,591	9.4894	109,992			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD: NTD	45,327	29.0400	1,316,296	1%	13,163	-
JPY: NTD	355,763	0.3364	119,679	1%	1,197	-

January 1, 2012

(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD: NTD	80,535	30.2750	\$ 2,438,197	1%	\$ 24,382	\$ -
AUD: NTD	8,521	30.7350	261,893	1%	2,619	-
EUR: NTD	6,974	39.1800	273,241	1%	2,732	-
JPY: NTD	1,050,841	0.3906	410,458	1%	4,105	-
<u>Non-monetary items</u>						
USD: NTD	459,526	30.2755	13,912,379			
SGD: NTD	90,594	23.3100	2,111,746			
VND: NTD	102,705,023	0.0014	143,787			
MYR: NTD	10,773	9.5453	102,832			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD: NTD	55,940	30.2750	1,693,584	1%	16,936	-
JPY: NTD	439,850	0.3906	171,805	1%	1,718	-

Price risk

The Company is exposed to equity securities price risk because of investments held by the Company are classified on the consolidated balance sheet as available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

Interest rate risk

A. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years 2013 and 2012, the Company's borrowings at variable rate were denominated in NTD.

B. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

C. At December 31, 2013 and 2012, if interest rates on NTD-denominated borrowings at that date had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2013 and 2012 would have been \$9,129 and \$14,938 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's internal credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. For banks and financial institutions, only parties with excellent ratings are accepted.

ii. No credit limits were exceeded for the years ended December 31, 2013 and 2012, and management does not expect any significant losses from non-performance by these counterparties.

iii. For credit quality information of financial assets that are neither past due nor impaired, please refer to Note 6(5).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing limits at all times so that the Company does not breach borrowing limits or covenants. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and external

regulatory or legal requirements.

ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative
financial liabilities:

December 31, 2013	Up to 1 year	year and 2 years	Between 2 and 3 years	Carrying amount
Notes payable	\$ 144,861	\$ -	\$ -	\$ 144,861
Accounts payable	4,970,113	-	-	4,970,113
Other payables	2,645,159	-	-	2,645,159
Bonds payable	-	-	1,581,699	1,581,699
Long-term borrowings(including current portion)	4,399,586	-	-	4,399,586

Non-derivative
financial liabilities:

December 31, 2012	Up to 1 year	year and 2 years	Between 2 and 3 years	Carrying amount
Notes payable	\$ 221,550	\$ -	\$ -	\$ 221,550
Accounts payable	4,795,455	-	-	4,795,455
Other payables	2,392,594	-	-	2,392,594
Bonds payable	-	-	-	-
Long-term borrowings(including current portion)	7,198,924	-	-	7,198,924

Non-derivative
financial liabilities:

January 1, 2013	Up to 1 year	year and 2 years	Between 2 and 3 years	Carrying amount
Short-term borrowings	\$ 39,060	\$ -	\$ -	\$ 39,060
Notes payable	264,020	-	-	264,020
Accounts payable	5,247,742	-	-	5,247,742
Other payables	2,135,414	-	-	2,135,414
Long-term borrowings(including current portion)	11,948,671	-	-	11,948,671

iii. As of December 31, 2013, December 31, 2012, January 1, 2012, the derivative financial liabilities which are executed by the Company are all due within one year.

iv. The Company does not expect the timing of occurrence of the cash flows estimated

through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(1) 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 Company's financial assets and liabilities that are measured at fair value at December 31, 2013, December 31, 2012 and January 1, 2012:

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 5,355	\$ -	\$ 5,355
Available-for-sale financial assets				
Equity securities	4,380,822	-	823,830	5,204,652
Total	<u>\$ 4,380,822</u>	<u>\$ 5,355</u>	<u>\$ 823,830</u>	<u>\$ 5,210,007</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 1,163	\$ -	\$ 1,163
December 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 9,713	\$ -	\$ 9,713
Available-for-sale financial assets				
Equity securities	4,985,205	-	968,338	5,953,543
Total	<u>\$ 4,985,205</u>	<u>\$ 9,713</u>	<u>\$ 968,338</u>	<u>\$ 5,963,256</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 2,212	\$ -	\$ 2,212

January 1, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 1,818	\$ -	\$ 1,818
Available-for-sale financial assets				
Equity securities	<u>4,607,867</u>	<u>-</u>	<u>737,898</u>	<u>5,345,765</u>
Total	<u>\$ 4,607,867</u>	<u>\$ 1,818</u>	<u>\$ 737,898</u>	<u>\$ 5,347,583</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 661</u>	<u>\$ -</u>	<u>\$ 661</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 Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments classified as 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 as at, December 31, 2013, December 31, 2012 and January 1, 2012.

	Equity securities	Equity securities
	For the year ended December 31, 2013	For the year ended December 31, 2012
Beginning balance	\$ 968,338	\$ 737,898
Gains and losses recognised in other comprehensive income	(40,429)	249,889
Disposed of in the period	(104,079)	(19,449)
Ending balance	<u>\$ 823,830</u>	<u>\$ 968,338</u>

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2013	Balance at December 31, 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 total on loans granted (Note 2)	Footnote
0	The Company	U.V.G.	Other receivables	Yes	\$ 117,180	\$ -	\$ -	1.0594~ 1.1834	Short-term financing	\$ -	For operating capital purposes	\$ -	-	-	\$ 1,285,903	\$ 4,286,343	

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 most current period's (December 31, 2013) net assets, and the limit on loans granted to a single party shall not exceed 3% of the Company's most current period's (December 31, 2013) 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	Parties being guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2013	Outstanding endorsement/ guarantee amount at December 31, 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 company	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	Footnote
		Company name	Relationship with the endorser/guarantor (Note 2)											
0	The Company	GD Teco	1	\$ 8,572,687	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	0.23	\$25,718,060	Y	N	N	
		International Straits Construction	1	8,572,687	100,000	100,000	100,000	-	0.23	25,718,060	Y	N	N	
		Others	3	8,572,687	617,974	398,059	398,059	-	0.93	25,718,060	N	N	Y	
			1 - 2 - 4	8,572,687	229,428	225,901	225,901	-	0.53	25,718,060	Y	N	N	
					\$ 823,960									

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

Note 2: (1) Represents the Company directly owns over 50% shares of the subsidiary.

(2) Represents the Company directly or indirectly through its subsidiaries owns over 50% shares of the subsidiary.

(3) Represents the Company has business relationship with the party.

(4) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: In accordance with the Company's policy, the total guarantee amount of the Company shall not exceed 60% of the Company's most current period's (December 31, 2013) net assets, and the guarantee to a single party shall not exceed 20% of the Company's most current period's (December 31, 2013) net assets. If the actual guarantee is denominated in a foreign currency, it is evaluated using the selling rate for that date on the Taipei Foreign Exchange Market as approved by the Board of Directors

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Name of marketable securities	Relationship with the security issuers	General ledger account	As of December 31, 2013				Footnote
				Number of shares	Book value	Ownership(%)	Fair value	
The Company	United Microelectronics Corporation	None	"	23,479	\$ 314,670	0.20	\$ 314,670	None
	AU Optronics	"	"	2,373	22,589	0.03	22,589	None
	Far EasTone Telecom. Co.	"	"	-	21	0.00	21	None
	Cathay Securities Co.	"	"	1,704	82,198	0.01	82,198	None
	Chimei Innolux Co.	"	"	21,200	240,622	0.29	240,622	None
	Taiwan Cogeneration Co.	"	"	11,527	200,577	1.96	200,577	None
	Taiwan High Speed Rail Co.	The Company is serving as the supervisor of this company	"	475,151	2,584,824	4.51	2,584,824	None
	Cando Co., Ltd.	The Company is serving as the chairman of this company	"	23,869	140,110	3.52	140,110	None
	IBT	None	"	51,924	325,043	2.17	325,043	None
	Asia Pacific Telecom Co.	"	"	24,715	381,847	0.75	381,847	None
	Far EasTone Telecom. Co.	The Company is serving as the chairman of this company	"	70,907	308,553	10.99	308,553	None
	Pacific Venture Fund	"	"	-	59,055	-	59,055	None
	E & E Recycling Co.	None	"	-	544,543	-	544,543	None
		The Company is serving as the chairman of this company	"	-	-	-	-	None

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

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 The Company	Counterparty	Relationship with the counterparty under the equity method	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	Note	Balance (\$)	Percentage of total notes/accounts receivable (payable)	
	Tesen	An investee accounted for under the equity method	Purchases	\$ 1,935,736	10%	30 days	Note	Note	67,507	(1%)	
	Taian(Subic)	"	"	224,616	1%	75 days	"	"	(52,834)	(1%)	
	Kuen Ling	"	"	166,734	1%	"	"	"	(118,309)	(2%)	
	GD Teco	"	"	135,096	1%	"	"	"	(31,119)	(1%)	
	Wuxi Teco	An indirect investee accounted for under the equity method	"	1,510,170	7%	"	"	"	(790,090)	(15%)	
	Teco Malaysia	"	"	573,527	3%	"	"	"	(83,598)	(2%)	
	Shzhou Teco	"	"	416,313	2%	"	"	"	(112,368)	(2%)	
	Tai-An Wuxi	"	"	369,096	2%	"	"	"	(66,681)	(1%)	
	Jiangxi Teco	"	"	156,977	1%	"	"	"	(45,749)	(1%)	
	Xiamen An-Tai	"	"	155,947	1%	"	"	"	(6,026)	-	
	Teco Singapore	An investee accounted for under the equity method	Sales	(1,295,269)	(5%)	90 days	"	"	194,055	4%	
	Tong Dai	"	"	(876,013)	(3%)	"	"	"	223,166	5%	
	Tong Tai Jung	"	"	(676,037)	(3%)	"	"	"	198,339	4%	
	Yaskawa	"	"	(245,702)	(1%)	"	"	"	17,467	-	
	Taisan	"	"	(228,691)	(1%)	"	"	"	17,775	-	
	Yatec Engineering Corporation	"	"	(108,602)	-	"	"	"	63,834	1%	
	Teco Westinghouse	An indirect investee accounted for under the equity method	"	(4,350,545)	(17%)	"	"	"	647,088	14%	
	Teco Australia	"	"	(1,163,684)	(5%)	"	"	"	268,973	6%	
	Teco Westinghouse Canada	"	"	(1,084,725)	(4%)	"	"	"	145,348	3%	
	Teco Netherlands	"	"	(708,144)	(3%)	"	"	"	181,681	4%	
	Top-Tower	"	"	(376,686)	(1%)	"	"	"	134,361	3%	
	Sankyo	"	"	(243,819)	(1%)	"	"	"	118,092	3%	
	Mexico Teco	"	"	(230,960)	(1%)	"	"	"	78,502	2%	

Note: No other similar transactions for comparison, the transaction is exercised in accordance with terms negotiated by both sides.

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

Creditor	Counterparty	Relationship with the counterparty	Balance at December 31, 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	\$ 198,339	3.50	\$ -	-	\$ 157,942	
	Tong Dai	"	223,166	3.92	-	-	223,166	
	Teco Singapore	"	194,906	7.56	-	-	93,551	
	Teco Westinghouse Canada	An indirect investee accounted for under the equity method	145,348	6.15	-	-	123,550	
	Teco Westinghouse	"	647,178	6.98	-	-	341,561	
	Teco Australia	"	270,465	4.71	-	-	158,035	
	Sankyo	"	268,577	0.92	143,091	In the process of collection	47,251	
	Teco Netherlands	"	398,458	2.00	216,473	"	88,234	
	Top-Tower	"	134,424	3.09	-	-	109,178	
		Notes receivables and accounts receivables and other payables						Total amount was \$ 12,526

I. Derivative financial instruments undertaken during the year ended December 31, 2013: Please refer to Notes 6(2), 6(13).

J. Significant inter-company transactions during the year ended December 31, 2013:

Counterparty	Relationship (Note 2)	Transaction			Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
		General ledger account	Amount			
Tong Tai Jung	1	Notes receivable and Accounts receivable	\$ 198,339		No similar transactions for comparison	-
Tong Dai	"	"	223,166		Transacted in accordance with terms and deadlines negotiated by both sides	-
Teco Singapore	"	Accounts receivable and Other receivable	194,906		"	-
Teco Westinghouse Canada	"	Accounts receivable	145,348		"	-
Teco Westinghouse	"	Accounts receivable and Other receivable	647,178		"	1%
Teco Australia	"	"	270,465		"	-
Teco Netherlands	"	"	398,458		"	1%
Sankyo	"	"	268,577		"	-
Top-Tower	"	Accounts receivable and Notes receivable and Other receivable	134,424		"	-
The Company	2	Accounts receivable	790,090		"	1%
"	"	Notes receivable and Accounts receivable	118,309		"	-
"	"	Accounts receivable	112,368		"	-
Teco Netherlands	3	Other receivable	287,630		"	-
Teco Singapore	1	Sales	1,295,269		"	5%
Tong Dai	"	"	876,013		"	3%
Tong Tai Jung	"	"	676,037		"	3%
Teco Westinghouse	"	"	4,350,545		"	17%
Teco Australia	"	"	1,163,684		"	5%
Mexico Teco	"	"	230,960		"	1%

Counterparty	Relationship (Note 2)	Transaction			
		General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
Teco Westinghouse Canada	1	Sales	1,084,725	Transacted in accordance with terms and	4%
Teco Netherlands	"	"	708,144	deadlines negotiated by both sides	3%
Yatec Engineering Corporation	"	"	108,602	"	-
Top-Tower	"	"	376,686	"	1%
Sankyo	"	"	243,819	"	1%
The Company	2	Sales	1,935,736	"	8%
"	"	"	224,616	"	1%
"	"	"	166,734	"	1%
"	"	"	135,096	"	1%
"	"	"	1,510,170	"	6%
"	"	"	573,527	"	2%
"	"	"	416,313	"	2%
"	"	"	369,096	"	1%
"	"	"	155,947	"	1%
"	"	"	156,977	"	1%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories;

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

(2) Information of investee companies

A. Information on investees (not including investees in Mainland China):

Name of investor	Name of investee	Location	Main operating activities	Initial investment amount		Shares held at December 31, 2013			Net profit (loss) of the investee for the year ended December 31, 2013	Investment income (loss) recognised by the Company for the year ended December 31, 2013	Footnote
				Balance at December 31, 2013	Balance at December 31, 2012	Number of shares	Ownership (%)	Book value			
The Company	Tung Pei	Taiwan	Main operating activities Manufacturing of bearings	\$ 12,293	\$ 12,293	39,145,044	31.14	\$ 1,912,083	\$ 500,552	\$ 159,117	None
	Tecom	Taiwan	Manufacturing of key telephone system and non-key service unit telephone system	631,410	631,410	400,602,050	63.52	178,586	6,204	(2,152)	None
	Teco International	Taiwan	Invested various manufacturing industries, securities and office buildings	100,013	100,013	50,562,000	100	961,769	(3,627)	(3,627)	None
	Teco Holding and its subsidiaries	U.S.A.	Manufacturing and distribution of motors and generators, and investment and trading in U.S.A.	726,428	726,428	1,680	100	6,982,009	973,783	975,208	None
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore and neighboring countries	112,985	112,985	7,200,000	90	2,415,527	240,090	216,081	None
	Tong-An	Taiwan	Various investments	2,490,000	2,490,000	384,473,564	99.6	6,173,572	255,667	254,645	None
	Teco Electro	Taiwan	Manufacturing and selling of Stepping motors	128,496	128,496	15,386,949	62.57	244,337	7,431	4,234	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	7,153,922	(3,412)	42,671	None
	Information Technology Total Services	Taiwan	E-business service, mailing and data management	121,232	121,232	12,123,248	60.62	144,795	36,389	21,991	None
	Tesen	Taiwan	Manufacturing and sales of home appliances	200,000	200,000	20,000,000	100	172,590	7,007	13,941	None

A-1. Investee companies with significant influence (not including investees in Mainland China):

Investor	Investee	Location	Main business activity	Initial investment amount		Shares held at December 31, 2013			Net profit/(loss) of the investee for the year ended December 31, 2013	Investment income/(loss) recognised by the Company for the year ended December 31, 2013	Footnote
				Balance at December 31, 2013	Balance at December 31, 2012	Number of shares	Ownership(%)	Book value			
The Company	Lien Chang	Taiwan	Manufacturing of Color Flybacks Transformers, Mono Flyback yokes	\$ 117,744	\$ 117,744	37,542,159	33.84	\$ 517,660	\$ 56,016	\$ 18,646	None
	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	22,444	22,444	5,290,800	92.63	191,722	59,392	55,013	None
	Teco Vietnam	Vietnam	Manufacturing and servicing for the accessories, parts and equipment of electrical appliances	264,111	264,111	13,772,799	100	140,852	388	(2,884)	None
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,799,996	64.95	168,091	66,931	43,387	None
	Tong-An Assets	Taiwan	Real estate business	2,111,889	2,111,889	107,203,907	100	4,776,327	63,782	63,037	None
	Taian Subic	Philippines	Manufacturing and sale of switches	165,819	165,819	17,131,155	76.7	137,703	2,397	1,448	None
	Micropac and its subsidiaries	British Virgin	Manufacturing and selling of optical fiber equipment and international trade	262,276	214,527	8,483,591	100	1,195,097	109,241	111,141	None
	Century development	Taiwan	Development and management of industrial park	673,801	673,801	54,944,762	21.39	821,817	184,156	52,921	None
	An-Tai	Taiwan	Investment holdings	150,000	150,000	16,500,000	100	437,133	30,014	30,014	None
	Pelican	Taiwan	Logistics and distribution services	255,116	260,595	24,121,700	25.27	379,572	184,700	54,820	None
	Kuen Ling Machinery Refrigerating co., Ltd	Taiwan	Manufacturing, installation, repair, domestic and export sales and leasing of condensor, water cooling, water-cooled chiller and freezer	296,003	296,003	15,218,642	19.98	307,734	158,071	29,738	None
	Tung Pei (SAMOA) Industrial Co., Ltd.	Samoa	Investment holdings to establish foreign manufacturing and selling locations	646,343	646,343	23,031,065	100	1,423,878	81,397	81,070	None

A-2. Investee companies with significant influence (not including investees in Mainland China):

Investor	Investee	Location	Main business activity	Initial investment amount		Shares held at December 31, 2013			Net profit(loss) of the investee for the year ended December 31, 2013	Investment income(loss) recognised by the Company for the year ended December 31, 2013	Footnote
				Balance at December 31, 2013	Balance at December 31, 2012	Number of shares	Ownership (%)	Book value			
Tecom	Tecom International Investment Co., Ltd	Taiwan	Investment holdings	\$ 100,000	\$ 100,000	12,000,000	100	\$ 214,702	\$ 60,613	\$ 60,613	None
	Baycom Opto-electronics Technology Co. Ltd	Taiwan	Manufacturing, development, and sales of optical telecom products	359,656	359,656	12,483,600	28.64	158,051	49,140	14,073	None
Tong-An	Creative Sensor Inc.	Taiwan	Manufacturing and sales of the electrical components of image sensors	87,464	87,464	7,913,310	6.23	208,905	189,298	11,874	None
	Century Development	Taiwan	Development and management of industrial park	371,107	371,107	29,936,082	11.66	394,409	184,156	27,109	None
Lien Chang	Pelican	Taiwan	Logistics and distribution services	118,718	118,718	9,170	10.66	116,876	184,700	19,945	None
	Gen Mao International Corp.	Taiwan	Investment holdings	92,000	150,000	11,720,000	100	92,942	6,345	6,345	None
Century Development	Gen Mao(Singapore)	Singapore	Investment holdings	582,246	434,633	27,502,355	84.97	488,520	36,705	14,114	None
	Centurytech Construction and Management Corp.	Taiwan	Construction and sales of related raw materials	98,170	98,170	10,000,000	100	169,744	14,356	15,641	None
Teco Electro	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100	215,962	(7,387)	(7,387)	None
Teco Singapore	Century Development	Taiwan	Development and management of industrial park	179,222	179,222	15,565,184	6.06	194,370	184,156	11,160	None
Teco International	Creative Sensor Inc.	Taiwan	Manufacturing and sales of the electrical components of image sensors	60,794	59,700	4,634,447	3.65	122,345	189,298	6,926	None
Kuen Ling Machinery Refrigerating Co., Ltd.	CHING CHI INTERNATIONAL LIMITED	Cayman Islands	Investment in other area	201,467	201,467	6,200,000	83	420,976	44,368	36,345	None
	K.A. Corp.	Somoa	Commodity sales and trading business	102,352	102,352	3,201,000	100	44,035	7,219	7,219	None
CHING CHI INTERNATIONAL	I Chi Industrial Co., Ltd	Taiwan	General manufacturing	30,000	30,000	3,000,000	100	32,524	1,935	1,935	None
	KA LING INDUSTRIAL CORP.	Brunei	General manufacturing	7,073	7,073	-	70	8,705	1,985	1,389	None
Star Royal Co., Ltd.	Star Royal Co., Ltd.	Taiwan	General manufacturing	47,000	47,000	2,350,000	23.5	-	-	-	None
											None

B. Loan granted during the year ended December 31, 2013:

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum balance during the year ended December 31, 2013	Balance at December 31, 2013 (Note 11)	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	Ceiling on total loans granted	Footnote
													Item	Value				
1	Tong-An	Le-Li	Other receivables	Yes	\$ 33,500	\$ 33,500	\$ 33,500	2.5	Short-term financing	\$ -	Additional operating capital	\$ -	Commercial paper	\$ 5,000	-	\$ 50,000	\$ 200,000	Note 10
2	U.V.G.	Teco Netherlands	"	"	287,630	287,630	287,630	1.54	Short-term financing	-	Additional operating capital	-	-	-	-	429,224	715,373	Note 2
2	U.V.G.	Teco Century	"	"	65,736	55,071	54,841	7	Short-term financing	-	Additional operating capital	-	-	-	-	429,224	715,373	Note 2
3	Teco Singapore	Teco Vietnam	"	"	17,212	4,839	4,839	2.35	Short-term financing	-	Additional operating capital	-	-	-	-	144,932	241,553	Note 3
4	Tai-An Wuxi	Fujian Teco	"	"	46,784	46,784	46,784	5.6	Short-term financing	-	Additional operating capital	-	-	-	-	57,752	115,504	Note 4
5	Wuxi Teco	Jiangxi Teco	"	"	46,784	-	-	5.03	Short-term financing	-	Additional operating capital	-	-	-	-	50,217	167,390	Note 5
6	Teco Westinghouse	TWMM	"	"	77,820	55,874	49,691	2.55-3.68	Short-term financing	-	Additional operating capital	-	-	-	-	473,965	947,930	Note 6
7	Teco Australia	Moss Australia	"	"	15,538	-	-	3.5-6.75	Short-term financing	-	Additional operating capital	-	-	-	-	42,033	140,111	Note 7
8	Kuen Ling	Kuen Ling (Vietnam)	"	"	35,712	35,712	11,902	5	Short-term financing	22,973	Additional operating capital	-	-	-	-	126,197	504,788	Note 8
9	Kuen Ling	CHING CHI INTERNATI ONAL LIMITED	"	"	29,760	-	-	2.75	Short-term financing	-	Additional operating capital	-	-	-	-	126,197	504,788	Note 8
10	Kuen Ling	K.A. Corp.	"	"	29,760	29,760	13,390	2.75	Short-term financing	2,840	Additional operating capital	-	-	-	-	126,197	504,788	Note 8
11	Kuen Ling (Shanghai)	Kuen Ling (Suzhou)	"	"	24,579	24,579	-	6.65	Short-term financing	62,278	Additional operating capital	-	-	-	-	59,247	59,247	Note 9

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 most current period's (December 31, 2013) net assets, and the guarantee to a single party shall not exceed 6% of U.V.G.'s most current period's (December 31, 2013) net assets.

Note 3: In accordance with Teco Singapore's policy, the total guarantee amount shall not exceed 10% of Teco Singapore's most current period's (December 31, 2013) 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 most current period's (December 31, 2013) net assets, and the guarantee to a single party shall not exceed 5% of Tai-An Wuxi's most current period's (December 31, 2013) net assets.

Note 5: In accordance with Wuxi Teco's policy, the total guarantee amount shall not exceed 10% of Wuxi Teco's most current period's (December 31, 2013) net assets.

Note 6: In accordance with Teco Westinghouse's policy, the total guarantee amount shall not exceed 20% of Teco Westinghouse's most current period's (December 31, 2013) net assets, and the guarantee to a single party shall not exceed 10% of Teco Westinghouse's most current period's (December 31, 2013) net assets.

Note 7: In accordance with Teco Australia's policy, the total guarantee amount shall not exceed 10% of Teco Australia's most current period's (December 31, 2013) net assets, and the guarantee to a single party shall not exceed 3% of Teco Australia's most current period's (December 31, 2013) 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 most current period's (December 31, 2013) net assets and the guarantee to a single party or group shall not exceed 10% of the KUEN LING's most current period's (December 31, 2013) 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 most current period's (December 31, 2013) net assets.

Note 10: In accordance with Tong-an investment's policy, the total guarantee amount shall not exceed \$200 million, and the guarantee to a single party shall not exceed \$50 million.

Note 11: The credit line approved by the Board of Directors.

C. Endorsements and guarantees provided during the year ended December 31, 2012:

Number (Note 1)	Name	Parties being guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2013	Outstanding endorsement/ guarantee amount at December 31, 2013	Actual amount drawn down	Amount of endorsement/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser guarantor company	Ceiling amount on total amount of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsement/ guarantee by subsidiary to parent company	Provision of endorsement/ guarantee to the party in Mainland China	Footnote
		Name	Relationship with the endorser /guarantor											
1	Tong-An Assets	GREYBACK INTERNATIONAL	Note 2	\$ 477,633	\$ 18,300	\$ 14,903	\$ 14,903	\$ -	0.3	\$ 955,265	Y	N	N	
2	Teco Westinghouse	TWMM	Note 2	473,965	89,206	89,037	89,037	-	1.9	947,390	Y	N	N	
3	Teco Australia	Ejoy Australia	Note 2	280,222	1,378	1,178	1,178	-	0.1	840,666	Y	N	N	
3	Teco Australia	Moss Australia	Note 2	280,222	1,789	1,528	1,528	-	0.1	840,666	Y	N	N	
4	Ton-An Investment	TG Teco Vacuum Insulated Glass Corp.	Note 2	105,000	105,000	105,000	105,000	-	2	200,000	N	N	N	
5	Tecom	Tecom International	Note 2	45,834	50,000	50,000	-	-	16.38	91,668	Y	N	N	
5	Tecom	A-Tel Inc.	Note 2	45,834	-	-	-	Note 8	-	91,668	N	N	N	
6	Kuen Ling	Kuen Ling (Suzhou)	Note 2	378,591	89,580	59,720	-	-	5	504,788	Y	N	Y	
6	Kuen Ling	Kuen Ling (Vietnam)	Note 2	378,591	59,720	59,720	27,926	-	5	504,788	Y	N	N	
6	Kuen Ling	I Chi	Note 2	378,591	9,000	8,000	6,000	-	0.7	504,788	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' most current period's (December 31, 2013) net assets, and the guarantee to a single party shall not exceed 10% of Tong-An Assets' most current period's (December 31, 2013) net assets. If the guarantee is denominated in a foreign currency, then the valuation uses the selling rate for that date at the Taipei Foreign Exchange Market as approved by the Board of Directors.

Note 4: In accordance with TecoWestinghouse's policy, the total guarantee amount shall not exceed 20% of the TecoWestinghouse's most current period's (December 31, 2013) net assets, and the guarantee to a single party shall not exceed 10% of the TecoWestinghouse's most current period's (December 31, 2013) net assets. If the guarantee is denominated in a foreign currency, then the valuation uses the selling rate for that date at the Taipei Foreign Exchange Market as approved by the Board of Directors.

Note 5: In accordance with Teco Australia's policy, the total guarantee amount shall not exceed 60% of the Teco Australia's most current period's (December 31, 2013) net assets, and the guarantee to a single party shall not exceed 20% of the Teco Australia's most current period's (December 31, 2013) net assets. If the guarantee is denominated in a foreign currency, then the valuation uses the selling rate for that date at the Taipei Foreign Exchange Market as approved by the Board of Directors.

Note 6: In accordance with Tong-An Investment's policy, the total guarantee amount shall not exceed \$200 million, and the guarantee to a single party shall not exceed \$50 million. If there is a special need to go over the ceiling than the decision should be made by the Board of Directors.

Note 7: In accordance with Tecom's policy, the total guarantee amount shall not exceed 30% of the Tecom's most current period's (December 31, 2013) net assets, and the guarantee to a single party shall not exceed 15% of the Tecom's most current period's (December 31, 2013) net assets. If the guarantee is denominated in a foreign currency, then the valuation uses the selling rate for that date at the Taipei Foreign Exchange Market as approved by the Board of Directors.

Note 8: Tecom's long-term equity 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 9: In accordance with KUEN LING's policy, the total guarantee amount shall not exceed 40% of the KUEN LING's most current period's (December 31, 2013) net assets, and the guarantee to a single party shall not exceed 30% of KUEN LING's most current period's (December 31, 2013) net assets.

D. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities	Name of marketable securities	Relationship with the security issuers	General ledger account	As of December 31, 2013			Footnote
					Number of shares	Book value	Ownership(%)	
(1)Teco International	Common stock	Teco Image Systems Co., Ltd	Related party in substance	Note 1	6,377	\$ 163,430	5.67	\$ 163,430
(2)Tong-An Investment	Common stock	Chung-Hsin Electrical and Machinery Manufacturing	None	"	16,399	491,002	-	491,002
		Makalot Industrial Co., Ltd	"	Note 3	4,019	287,854	-	287,854
		Asia Plastic Recycling Holding Limited	"	Note 2	475	17,469	-	17,469
		The Company	An investee accounted for under the equity method	Note 1	19,540	667,293	0.99	667,293
		Teco Image Systems Co., Ltd	Related party in substance	"	9,197	125,991	8.17	125,991
(3)JUVG (4)An-Tai International	Beneficiary certificates	Far Eastone Communications Co., Ltd	None	"	12,256	802,765	0.38	802,765
		Taiwan Mobile Co., Ltd	"	"	3,330	320,679	0.10	320,679
		Asia Plastic Recycling Holding Limited	Related party in substance	"	29,144	494,415	-	494,415
		Fubon Multimedia	None	"	16,324	1,825,023	12.77	1,825,023
		Asia Pacific Telecom Co., Ltd	Related party in substance	"	7,406	114,423	0.22	114,423
		An-Shin Singapore	"	"	1,820	54,509	13	54,509
		Fuh Hwa Money Market	None	Note 3	15,676	592,508	-	592,508
		Goldman Sachs Fund	"	Note 1	2,297	61,380	-	61,380
		Synacor Inc.	"	"	118	8,611	-	8,611
		The Company	An investee accounted for under the equity method	"	2,826	96,499	0.14	96,499
(5)Tong-An Assets (6)Jack Property (7)Teco Electro (8)ITTS (9)Teco Singapore (10)Taiwan Pelican Express (11)Teco Australia (12)Teco Nanotech	Beneficiary certificates	Teco Image Systems Co., Ltd	Related party in substance	"	1,232	16,880	1.09	16,880
		An-Shin Food Services Co., Ltd	"	"	3,066	224,101	12.64	224,101
		EXCELSIOR MEDICAL CO.,LTD	None	"	475	8,147	-	8,147
		LEDLINK OPTICS,INC	"	Note 2	293	10,988	-	10,988
		Yeong Guan Energy Technology Group Co., Ltd	"	Note 3	766	58,567	-	58,567
		Straight Construction	"	Note 1	1	304,010	10	304,010
		FSITC Global High Yield Bond A	"	Note 2	3,307	41,276	-	41,276
		Teco Image Systems Co., Ltd	Related party in substance	Note 1	200	2,743	0.20	2,743
		Dynacomware Corporation	None	"	31	47	1.43	47
		Fubon Multimedia	"	"	1,228	136,345	0.96	136,345
(13)Sankyo (14)Kuen Ling Refrigerating	Common stock	Fubon Multimedia	"	"	1,496	170,215	1.17	170,215
		Fubon Multimedia	"	"	620	69,437	0.49	69,437
		Teco Image Systems Co., Ltd	Related party in substance	Note 1	81	719	0.07	719
		FSITC Money Market	None	Note 2	202	35,138	-	35,138
		Business Breakthrough Inc.	"	"	-	6,429	0.54	6,429
(13)Sankyo (14)Kuen Ling Refrigerating	Common stock	FULL OCEAN TRADING LIMITED	"	Note 1	1,000	15,983	9	15,983
		Feng Hou Inc.	"	"	-	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

E.Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None

F. Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital: None.

G. Disposal of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital: None

H. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Except for transactions between the investees and the Company(please refer to the Company's financial statements), please refer to the following:

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable(payable)	
			Purchases(sales)	Amount	Percentage of total purchases(sales)	Credit term	Unit price	Balance	Percentage of total notes/accounts receivable(payable)
Tecom	Asia Pacific Telecom	Related party in substance	Sales	(\$ 1,469,250)	(23%)	60	Note	\$ 230,936	29%

Note: Transacted in accordance with the terms negotiated by both sides.

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

Creditor	Counterparty	Relationship with the counterparty	Balance at December 31, 2013	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Wuxi Teco	The Company	An investee accounted for under the equity method	\$ 790,090	2.14	\$ -	-	\$ 1,824	\$ -
Teco Suzhou	"	"	112,368	4.03	-	-	1,794	-
Kuen Ling	"	"	118,309	2.38	-	-	48,957	-
Tecom	Asia Pacific Telecom	Related party in substance	230,936	4.47	-	-	224,367	-
U.V.G.	Teco Netherlands	An investee accounted for under the equity method	287,630	-	-	-	-	-

J. Derivative financial instruments undertaken during the year ended December 31, 2013: None

(3) Information on investments in Mainland China

A. Basic information (Note 6):

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China on January 1, 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2013		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2013	Net income of investee as of December 31, 2013	Ownership held by the Company (direct or indirect) (%)	Investment income (loss) recognised by the Company for the year ended December 31, 2013	Book value of investments in Mainland China as of December 31, 2013	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2013	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Teco (Dong Guang) Suzhou Teco	Manufacturing and sales of air-conditioning mechanical equipment	\$ 268,799	Note 1	\$ 188,139	-	-	\$ 188,139	\$ 43,936	100	\$ 43,936	\$ 165,224	\$ -	Note 3
	Manufacturing and sales of single and three phase induction motors	143,255	Note 1	143,255	-	-	143,255	24,567	100	24,567	247,441	-	Note 3
Kuen Ling (Shanghai) Wuxi Teco	Manufacturing and sales of central chiller and packaged air conditioner and its peripherals	181,713	Note 1	39,525	-	-	39,525	62,177	17	10,570	48,231	6,538	Note 4
	Manufacturing and sales of polyphase induction motors	977,616	Note 1	768,259	-	-	768,259	261,052	82.35	214,976	1,673,900	-	Note 3
Tai-An (Wuxi)	Manufacturing and sales of fiber, electric equipment, distribution cabinets and electronic	495,213	Note 2	205,551	-	-	205,551	112,869	100	112,869	1,155,040	-	Note 3
Nanchang Teco	Sales of drying machines, television, refrigerators and home appliances	456,293	Note 1	456,293	-	-	456,293	(13,432)	100	(13,432)	4,685	-	Note 3
Hang Zhou Xizi-luk	Design, manufacturing and managing of mechanical parking equipment	129,840	Note 1	19,117	-	-	19,117	140,453	15	-	17,883	-	None
Jiangxi Teco	Manufacturing and sales of wound motors and hydraulic motors	290,172	Note 1	192,256	-	-	192,256	1,526	91.67	1,399	451,907	-	Note 3
Qingdao Teco Precision Mechatronics Co., Ltd.	Manufacturing and sales of fine blanking tooling, precision cavity mold, standard mold and new type of electromechanical components	1,764,453	Note 1	1,505,255	-	-	1,505,255	(278,018)	85.31	(237,177)	632,200	-	Note 3
Xiamen Teco	Research, import and export of various control equipment for electrics and peripherals	20,590	Note 1	20,590	-	-	20,590	555	100	555	25,097	-	Note 3
Kuen Yuan (Suzhou)	Manufacturing and sales of air-conditioning mechanical equipment	196,972	Note 1	12,012	-	-	12,012	(1,946)	17	(331)	38,807	-	Note 4

A-1. Basic information (Note 6) (continued):

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China on January 1, 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2013		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2013	Net income of investee as of December 31, 2013	Ownership held by the Company (direct or indirect) (%)	Investment income (loss) recognised by the Company for the year ended December 31, 2013	Book value of investments in Mainland China as of December 31, 2013	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2013	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Xiamen An-Tai	Distribution of LCD	\$ 678,681	Note 1	\$ 467,577	\$ -	\$ -	\$ 467,577	\$ 40,677	100	(\$ 40,667)	\$ 436,528	-	Note 3
Teco Han Zou	Development and consulting of device products	9,837	Note 1	9,837	-	-	9,837	4,920	100	4,920	19,463	-	Note 3
Nanchang Dong-Huan	Business management consulting	3,222	Note 1	3,222	-	-	3,222	(918)	100	(918)	(7,328)	-	Note 4
Teco Century	Manufacturing and sales of compressor	680,938	Note 1	340,469	-	-	340,469	(76,738)	50	(38,369)	150,311	-	Note 3
Fujian Teco	Manufacturing and sales of electric components	391,843	Note 1	391,843	-	-	391,843	(41,863)	100	(41,863)	177,923	-	Note 3
Ecoelectric International	Distribution of air conditions	24,004	Note 2	-	-	-	-	(10,342)	39.90	(4,126)	6,389	-	Note 4
Teco (Tiaujin)	Central China area Operation centre	15,990	Note 2	15,990	-	-	15,990	622	100	622	14,459	-	Note 3
Teco (Jiang Xi)	Manufacturing and sales of air-conditioning mechanical equipment	79,813	Note 2	79,813	-	-	79,813	12,668	100	12,668	118,726	-	Note 3
Teco Sichuan Trading	Central Sichuan Operation centre	26,522	Note 1	-	-	-	-	477	100	477	17,198	-	Note 3
Jiangxi Teco-Lead	Manufacturing and sales of wind generator	141,079	Note 1	62,865	-	-	62,865	(25,456)	45	(11,455)	32,528	-	Note 3
Qingdao Teco	Science Park development and business operation consulting services	59,444	Note 2	59,444	-	-	59,444	51,241	100	51,241	62,289	-	Note 3
Shanghai Teco	Central Shanghai Operation centre	23,829	Note 1	23,829	-	-	23,829	(25,962)	100	(25,962)	(10,470)	-	Note 3
Hunan TECO Wind Energy Limited	Manufacturing, sale and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components	47,808	Note 2	-	47,808	-	47,808	(3,619)	100	(3,619)	44,903	-	Note 3

A-2. Basic information (Note 6) (continued):

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2013 (Note 6)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (Note 6)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 7)
Teco (Dong Guan)	\$ 188,139	\$ 287,275	\$ 28,034,384
Suzhou Teco	143,255	143,255	28,034,384
Kuen Ling (Shanghai)	39,525	43,127	28,034,384
Wuxi Teco	768,259	793,904	28,034,384
Taian (Wuxi)	205,551	495,213	28,034,384
Tai-An (Shanghai)	6,324	6,951	28,034,384
Nanchang Teco	456,293	478,430	28,034,384
Hang Zhou Xizi-luk	19,117	20,190	28,034,384
Jiangxi Teco	192,256	325,832	28,034,384
QingDao Teco	1,505,255	1,643,047	28,034,384
Xiamen Teco	20,590	20,590	28,034,384
Sichuan Teco	121,980	121,980	28,034,384
Xiamen An-Tai	467,577	678,681	28,034,384
Teco Han Zou	9,837	9,837	28,034,384
Nanchang Dong-Huan	3,222	3,222	28,034,384
Teco Century	340,469	340,469	28,034,384
Fujian Teco	391,843	391,843	28,034,384
Teco (Tianjin) innovation	15,990	15,990	28,034,384
Teco (Jiang Xi)	79,813	79,813	28,034,384
Jiangxi Teco-Lead	62,865	62,865	28,034,384
Shanghai Teco	23,829	23,829	28,034,384
Hunan TECO Wind Energy Limited	47,808	47,808	28,034,384

Note 1: Invest in the new company in Mainland China through a holding company registered 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 recognised was based on the financial statements audited and attested by R.O.C. parent company's CPA.

Note 4: The amount recognised was based on the financial statements audited and attested by other independent accountants.

Note 5: The total assets, operating net income and profit/ loss of the current period in the company's financial statements have not reached the materiality amount, thus, these were not audited by the independent accountant and were recognised based on unaudited financial statements.

Note 6: The accounts of the Company are maintained in New Taiwan dollars. Income statement accounts denominated in foreign currencies are translated into New Taiwan dollars at the weighted average exchange rates and balance sheet accounts at spot exchange rates prevailing at the transaction dates.

Note 7: 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 7.

Name of investee in Mainland China	Sales (Purchases)		Property transactions		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			
	Amount	%	Amount	%	Balance at December 31, 2013	%	Balance at December 31, 2013	Purpose	Maximum balance during the year ended December 31, 2013	Balance at December 31, 2013	Interest rate	Interest during the year ended December 31, 2013
Suzhou Teco	\$ 6,347	-	\$ -	-	\$ 2,059	-	\$ -	-	\$ -	-	-	\$ -
Kuen Ling (Shanghai)	5,934	-	-	-	598	-	-	-	-	-	-	-
Suzhou Kuen Yuan	167	-	-	-	-	-	-	-	-	-	-	-
Wuxi Teco	96,265	-	-	-	21,504	-	-	-	-	-	-	-
Taian (Wuxi)	85,514	-	-	-	23,324	-	-	-	-	-	-	-
Jiangxi Teco	81,970	-	-	-	6,601	-	-	-	-	-	-	-
QingDao Teco	1,805	-	-	-	1,185	-	-	-	-	-	-	-
Xiamen Teco	143	-	-	-	-	-	-	-	-	-	-	-
Xiamen An-Tai	871	-	-	-	2,689	-	-	-	-	-	-	-
Suzhou Teco	(416,313)	(2%)	-	-	(112,368)	(2%)	-	-	-	-	-	-
Kuen Ling (Shanghai)	(5,333)	-	-	-	(820)	-	-	-	-	-	-	-
Suzhou Kuen Yuan	(78,212)	-	-	-	(7,555)	-	-	-	-	-	-	-
Wuxi Teco	(1,510,170)	(7%)	-	-	(790,090)	(15%)	-	-	-	-	-	-
Taian (Wuxi)	(369,096)	(2%)	-	-	(66,681)	(1%)	-	-	-	-	-	-
Jiangxi Teco	(156,977)	(1%)	-	-	(45,749)	(1%)	-	-	-	-	-	-
QingDao Teco	(76,164)	-	-	-	(15,319)	-	-	-	-	-	-	-
Xiamen An-Tai	(155,947)	(1%)	-	-	(6,026)	-	-	-	-	-	-	-
Teco Hang Zhou	(927)	-	-	-	-	-	-	-	-	-	-	-
Fujian Teco	(53,864)	-	-	-	(4,338)	-	-	-	-	-	-	-
Teco (Jiang Xi)	(21,773)	-	-	-	(2,244)	-	-	-	-	-	-	-

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

1. SEGMENT FINANCIAL INFORMATION

Not applicable.

2. INITIAL APPLICATION OF IFRSs

These non-consolidated financial statements are the first non-consolidated financial statements prepared by the Company in accordance with the IFRSs. The Company 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 Company, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Company'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 Company

A. Business combinations

The Company 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 Company's previous acquisitions of investments in associates and joint ventures.

B. Share-based payment transactions

The Company 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 Company 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 Company 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 Company 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 Company has elected to designate investments amounting to \$6,257,817, which were

originally measured at cost, as 'available-for-sale financial assets' at the transition date. The fair value of investments was \$4,128,749 at the transition date.

G. Borrowing costs

The Company 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 for hedge accounting to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Company, 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.

- (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	\$ 2,613,623	\$ -	\$ 2,613,623	
Financial assets at fair value through profit or loss - current	1,818	-	1,818	
Notes receivable, net (including related parties)	920,982	-	920,982	
Accounts receivable, net (including related parties)	4,462,267	-	4,462,267	
Receivables from customers on construction contracts	1,758,997	-	1,758,997	
Other receivables (including related parties)	848,702	-	848,702	
Inventories	3,842,917	-	3,842,917	
Prepayments	44,848	-	44,848	
Deferred income tax assets - current	316,500	(316,500)	-	(2)
Other current assets	267,811	-	267,811	
Total current assets	<u>15,078,465</u>	<u>(316,500)</u>	<u>14,761,965</u>	
<u>Non-current assets</u>				
Available-for-sale financial assets - noncurrent	1,217,016	4,128,749	5,345,765	(1)
Financial assets measured at cost – non-current	6,257,817	(6,257,817)	-	(1)
Investments accounted for under equity method	31,457,747	1,151,207	32,608,954	(3)(15)
Property, plant and equipment	3,539,116	95,938	3,635,054	(4)(17)
Investment property - net	-	2,016,873	2,016,873	(4)
Intangible assets	36,131	(36,131)	-	(3)
Deferred income tax assets	-	1,017,723	1,017,723	(2)(5)(6)(7)
Other non-current assets	2,296,432	(2,112,811)	183,621	(4)(17)
Total non-current assets	<u>44,804,259</u>	<u>3,731</u>	<u>44,807,990</u>	
Total assets	<u>\$ 59,882,724</u>	<u>(\$ 312,769)</u>	<u>\$ 59,569,955</u>	

		Effect of transition from R.O.C. GAAP to IFRSs			
	R.O.C. GAAP		IFRSs		Remark
<u>Current liabilities</u>					
Short-term borrowings	\$ 39,060	\$ -	\$ 39,060		
Financial liabilities at fair value through profit or loss - current	661	-	661		
Notes payable (including related parties)	264,020	-	264,020		
Accounts payable (including related parties)	5,247,742	-	5,247,742		
Payables to customers on construction contracts	1,063,010	-	1,063,010		
Other payables (including related parties)	2,103,180	32,234	2,135,414	(5)(12)	
Current income tax liabilities	156	-	156		
Provisions for liabilities - current	-	53,701	53,701		
Other current liabilities	624,012	(406,574)	217,438	(12)	
Total current liabilities	9,341,841	(320,639)	9,021,202		
<u>Non-current liabilities</u>					
Long-term borrowings	11,948,671	-	11,948,671		
Reserve for land revaluation increment tax	106,179	(106,179)	-	(11)	
Deferred income tax liabilities	89,530	662,029	751,559	(11)(14)	
Other non-current liabilities	1,315,737	442,085	1,757,822	(3)(6)	
Total non-current liabilities	13,460,117	997,935	14,458,052		
Total liabilities	22,801,958	677,296	23,479,254		
<u>Equity</u>					
Share capital					
Common stock	18,375,519	-	18,375,519		
Advance receipts for share capital	12,500	-	12,500		
Capital surplus	5,764,454	(18,293)	5,746,161	(14)	
Retained earnings					
Legal reserve	4,054,872	-	4,054,872		
Special reserve	-	3,737,786	3,737,786	(16)	
Unappropriated retained earnings	6,357,696	(593,235)	5,764,461	(5)(6)(7) (8)(9)(10) (13)(14)(15) (16)(18)(19)	
Other equity interest	2,862,637	(4,142,396)	(1,279,759)	(1)(3)(10)(15)	
Treasury stocks	(346,912)	26,073	(320,839)	(13)	
Total equity	37,080,766	(990,065)	36,090,701		
Total liabilities and equity	\$ 59,882,724	\$ 312,769	\$ 59,569,955		

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	\$ 2,792,719	\$ -	\$ 2,792,719	
Financial assets at fair value through profit or loss - current	9,713	-	9,713	
Notes receivable, net (including related parties)	816,885	-	816,885	
Accounts receivable, net (including related parties)	3,681,865	-	3,681,865	
Receivables from customers on construction contracts	1,012,848	-	1,012,848	
Other receivables (including related parties)	877,173	-	877,173	
Inventories	3,492,637	-	3,492,637	
Prepayments	35,336	-	35,336	
Deferred income tax assets - current	275,260	(275,260)	-	(2)
Other current assets	226,943	-	226,943	
Total current assets	13,221,379	(275,260)	12,946,119	
<u>Non-current assets</u>				
Available-for-sale financial assets - noncurrent	1,214,986	4,738,557	5,953,543	(1)
Financial assets measured at cost -- non-current	6,328,849	(6,328,849)	-	(1)
Investments accounted for under equity method	32,119,509	213,514	32,333,023	(3)(15)
Property, plant and equipment	3,495,068	105,682	3,600,750	(4)(17)
Investment property - net	-	1,957,648	1,957,648	(4)
Intangible assets	-	893,558	893,558	(2)(5)(6)
Deferred income tax assets	-	-	-	(7)(8)
Other non-current assets	2,286,752	(2,063,330)	223,422	(4)(17)
Total non-current assets	45,445,164	(483,220)	44,961,944	
Total non-current assets	\$ 58,666,543	(\$ 758,480)	\$ 57,908,063	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current liabilities</u>				
Financial liabilities at fair value through profit or loss - current	\$ 2,212	\$ -	\$ 2,212	
Notes payable (including related parties)	221,550	-	221,550	
Accounts payable (including related parties)	4,795,455	-	4,795,455	
Payables to customers on construction contracts	277,275	-	277,275	
Other payables (including related parties)	2,394,567	(1,973)	2,392,594	(5)(12)
Current income tax liabilities	156,002	-	156,002	
Provisions for liabilities - current	-	87,752	87,752	
Other current liabilities	663,537	(475,515)	188,022	(12)
Total current liabilities	8,510,598	(389,736)	8,120,862	
<u>Non-current liabilities</u>				
Corporate bond payable	2,902,653	-	2,902,653	
Long-term borrowings	7,198,924	-	7,198,924	
Reserve for land revaluation increment tax	106,179	(106,179)	-	(11)
Deferred income tax liabilities	180,487	581,790	762,277	(11)(14)
Other non-current liabilities	1,547,587	201,071	1,748,658	(3)(6)(7)(12)
Total non-current liabilities	11,935,830	676,682	12,612,512	
Total liabilities	20,446,428	286,946	20,733,374	
<u>Equity</u>				
Share capital				
Common stock	18,471,209	-	18,471,209	
Advance receipts for share capital	19,760	-	19,760	
Capital surplus	5,919,258	(37,263)	5,881,995	(14)
Retained earnings				
Legal reserve	4,333,193	-	4,333,193	
Special reserve	-	3,737,786	3,737,786	(16)
Unappropriated retained earnings	7,201,110	(503,565)	6,697,545	(5)(6)(8) (10)(13) (15)(16) (18)
Other equity interest	2,622,497	(4,268,457)	(1,645,960)	(1)(3)(9) (15)
Treasury stocks	(346,912)	26,073	(320,839)	(13)
Total equity	38,220,115	(1,045,426)	37,174,689	
Total liabilities and equity	\$ 58,666,543	(\$ 758,480)	\$ 57,908,063	

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

	Effect of transition from R.O.C.			
	R.O.C. GAAP	GAAP to IFRSs	IFRSs	Remark
Sales revenue	\$ 25,461,139	\$ -	\$ 25,461,139	
Operating costs	(20,270,824)	29,562	(20,241,262)	(5)(7)
Net operating margin	5,190,315	29,562	5,219,877	
Operating expenses				
Selling expenses	(2,077,623)	22,567	(2,055,056)	(5)(6)(7)
General & administrative expenses	(555,757)	4,792	(550,965)	(5)(6)(7)
Research and development expenses	(802,687)	11,198	(791,489)	(5)(6)(7)
Operating profit	<u>1,754,248</u>	<u>68,119</u>	<u>1,822,367</u>	
Non-operating income and expenses				
Other income	392,843	-	392,843	
Other gains and losses	(55,114)	15,745	(39,369)	(14)
Finance costs	(124,492)	-	(124,492)	
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	<u>1,346,315</u>	<u>30,698</u>	<u>1,377,013</u>	(15)
Profit before income tax	3,313,800	114,562	3,428,362	
Income tax expense	(349,099)	539	(348,560)	(5)(6)(7)(8)
Profit for the year	<u>2,964,701</u>	<u>115,101</u>	<u>3,079,802</u>	
Other comprehensive income				
Currency translation differences of foreign operations	-	(404,833)	(404,833)	
Unrealized gain on valuation of available-for-sale financial assets	-	794,746	794,746	
Total share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method	-	(794,740)	(794,740)	
Income tax relating to the components of other comprehensive income	<u>-</u>	<u>38,626</u>	<u>38,626</u>	
Other comprehensive income for the year (after tax)	<u>-</u>	<u>(366,201)</u>	<u>(366,201)</u>	
Total comprehensive income for the year	<u>\$ 2,964,701</u>	<u>(\$ 251,100)</u>	<u>\$ 2,713,601</u>	

Reasons for reconciliation are outlined below:

- (a) In accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” before amendment on July 7, 2011, unlisted stocks and emerging stocks held by the Company were measured at cost and recognised as ‘Financial assets measured 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 in the range of reasonable fair value estimates is insignificant for that instrument, or the probabilities of the estimates within the range can be reasonably assessed and used in estimating fair value) should be measured at fair value.
- (b) 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 realise 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.
- (c) 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 recognised on the balance sheet (“minimum pension liability”). However, IAS 19, ‘Employee Benefits’, has no regulation regarding the minimum pension liability.
- (d) In accordance with current accounting standards in R.O.C., the Company’s property that is leased to others and the Company’s land that has not decided for its purpose are presented in ‘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’, and property that belongs to other leased assets should be recognised under property, plant and equipment.
- (e) The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Company recognises such costs as expenses upon actual payment. However, IAS 19, ‘Employee Benefits’, requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.
- (f) In accordance with the Company’s accounting policies, unrecognised transitional net benefit obligation should be amortised on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, the transitional provisions in IAS 19 are not applied to the Company as the first-time adopter of IFRSs, so the Company has no unrecognised transitional liabilities. The Company has elected to recognise all cumulative actuarial gains and losses relating to all employee benefit

plans in 'retained earnings' at the transition date.

- (g) 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 at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.
- (h) Regarding tax rates that shall apply to the deferred tax assets or liabilities associated with unrealised gains or losses arising from transactions between parent company and subsidiaries by buyer tax rate or seller tax rate, R.O.C. GAAP does 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 non-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 Company entities' income tax returns. Accordingly, buyer tax rate shall apply to the deferred tax assets or liabilities in the non-consolidated financial statements.
- (i) The current accounting standards in R.O.C. specify that property, plant and equipment are stated at acquisition cost; asset revaluations are permitted based on government regulations. However, in accordance with IAS 16, 'Property, Plant and Equipment', asset revaluation is not applicable to property, plant and equipment that are measured subsequently using the cost model. For property, plant and equipment that were revalued under R.O.C. GAAP before the transition date, the Company 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, and reclassified unrealized revaluation increments amount to the 'Retained earnings' account.
- (j) The Company 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'.
- (k) 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 within the scope of income taxes. Therefore, it should be presented under 'Deferred income tax liabilities'.
- (l) 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.

- (m) 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 recognised 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.
 - (n) In the case that an investee company issues new shares and original shareholders do not subscribe 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 recognised.
 - (o) Transition differences for the investments accounted for using equity method are explained in Items a, e, f, g above.
 - (p) In accordance with the Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, the Company is required to set aside special reserve as it opted to reclassify the transition differences mentioned in items i and j above to the 'Retained earnings' account.
 - (q) 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.
 - (r) Whenever an associate issues new shares and the Company does not purchase or acquire proportionately, which results in change in the Company's ownership percentage of the associate, and the Company 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 using the purchase method of accounting.
 - (s) The Company adjusted profit for the year and related retained earnings in accordance with the above differences.
- D. Major adjustments for the consolidated statements of cash flows for the year ended December 31, 2012:
- (a) Under R.O.C. GAAP, payment of dividend is included in cash flows from financing activities. However, under IFRSs, the Company has elected to classify payment of dividend as cash flows from operating activities.

- (b) The transition from R.O.C. GAAP to IFRSs has no effect on the Company's cash flows reported.
- (c) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Company's cash flows reported.