TECO ELECTRIC & MACHINERY CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2014 AND 2013

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries as of September 30, 2014 and 2013, and the related consolidated statements of comprehensive income for the three-month periods ended September 30, 2014 and 2013 and the nine-month periods ended September 30, 2014 and 2013, of changes in stockholders' equity and of cash flows for the nine-month periods ended September 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

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

As described in Note 4(3) to the consolidated financial statements and investments accounted for under equity method, we did not review the financial statements of certain consolidated subsidiaries and investees accounted for under equity method which statements reflect total assets (including investments accounted for under the equity method) of $33,366,336,000 and $25,190,220,000, constituting 42% and 33% of total consolidated assets as of September 30, 2014 and 2013, respectively, total liabilities (including credit balance of investments accounted for under equity method) of $4,494,439,000 and $4,804,158,000, both constituting 15% of total consolidated liabilities as of September 30, 2014 and 2013, and comprehensive income (including share of profit or loss and share of other comprehensive income of associates and joint ventures accounted for under the equity method) of $333,069,000 and $453,037,000, constituting 33% and 45% of the consolidated comprehensive income for the three-month periods then ended, respectively, and $916,617,000 and $839,847,000, constituting 16% and 24% of the consolidated comprehensive income for the nine-month periods then ended, respectively. These amounts and the related information disclosed in Note 13 were based on the unreviewed financial statements of such consolidated subsidiaries and investee companies.

Based on our reviews, except for the effect on the consolidated financial statements and related disclosures of such adjustments, if any, as might have been determined to be necessary had the financial statements of these consolidated subsidiaries and investee companies been reviewed by independent accountants as explained in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Accounting Standard No. 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

November 14, 2014

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2014, DECEMBER 31, 2013, AND SEPTEMBER 30, 2013
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2014 and 2013 are reviewed, but unaudited)

			September 30, 2014		December 31, 2013		September 30, 2013	
	Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1) and 8	$ 15,844,900	20	$ 14,908,571	19	$ 14,356,932	19
1110	Financial assets at fair value through profit or loss - current	6(2)	422,370	1	348,455	-	315,913	1
1125	Available-for-sale financial assets - current	6(3) and 8	1,135,472	1	984,570	1	858,261	1
1147	Bond investments without active markets - current	6(4)	119,641	-	106,630	-	146,830	-
1150	Notes receivable, net	6(5)(6) and 8	1,091,176	1	1,124,336	2	1,174,813	2
1160	Notes receivable - related parties	7	43,186	-	38,865	-	9,341	-
1170	Accounts receivable, net	6(6) and 8	8,779,113	11	8,695,223	11	8,656,348	11
1180	Accounts receivable - related parties	7	639,195	1	575,626	1	873,404	1
1190	Receivables from customers on construction contracts	6(8)	915,686	1	879,132	1	990,015	1
1200	Other receivables		223,428	-	203,041	-	238,469	-
1210	Other receivables - related parties	7	432,216	1	397,370	1	382,980	1
130X	Inventories	6(7) and 8	11,490,739	14	11,193,424	15	11,334,128	15
1410	Prepayments		470,454	1	369,807	1	519,629	1
1460	Non-current assets held for sale - net	6(9)	-	-	58,662	-	74,877	-
1470	Other current assets	6(1) and 8	930,128	1	959,643	1	765,865	1
11XX	**Total current assets**		42,537,704	53	40,843,355	53	40,697,805	54
	Non-current assets							
1523	Available-for-sale financial assets - non-current	6(3) and 8	12,359,618	16	10,779,025	14	10,635,308	14
1550	Investments accounted for under the equity method	6(10) and 8	5,147,037	7	5,019,511	7	4,751,457	6
1600	Property, plant and equipment	6(12) and 8	14,573,067	18	15,132,587	20	15,349,657	20
1760	Investment property - net	6(13)	2,530,567	3	2,299,151	3	2,141,362	3
1780	Intangible assets	6(35)	170,000	-	320,236	-	95,960	-
1840	Deferred income tax assets	6(33)	1,107,417	1	1,358,641	2	1,219,078	2
1900	Other non-current assets	6(14) and 8	1,437,550	2	1,137,547	1	1,088,338	1
15XX	**Total non-current assets**		37,325,256	47	36,046,698	47	35,281,160	46
1XXX	**Total assets**		$ 79,862,960	100	$ 76,890,053	100	$ 75,978,965	100

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TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2014, DECEMBER 31, 2013, AND SEPTEMBER 30, 2013
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2014 and 2013 are reviewed, but unaudited)

			September 30, 2014		December 31, 2013		September 30, 2013	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(15) and 8	$ 2,773,703	4	$ 2,916,614	4	$ 2,724,716	4
2120	Financial liabilities at fair value through profit or loss - current	6(16)	196	-	1,476	-	2,170	-
2150	Notes payable		195,826	-	352,872	1	178,169	-
2160	Notes payable - related parties	7	2,814	-	16,923	-	11,543	-
2170	Accounts payable		8,142,088	10	7,558,564	10	8,347,065	11
2180	Accounts payable - related parties	7	109,861	-	79,410	-	133,642	-
2190	Payables to customers on construction contracts	6(8)	430,938	1	243,436	-	312,258	-
2200	Other payables	6(17)	4,485,196	6	4,639,317	6	4,239,181	6
2230	Current income tax liabilities	6(33)	279,849	-	510,856	1	393,467	-
2250	Provisions for liabilities - current		240,510	-	274,428	-	262,254	-
2300	Other current liabilities	6(19)(20)	2,637,048	3	3,389,880	4	2,852,737	4
21XX	**Total current liabilities**		19,298,029	24	19,983,776	26	19,457,202	25
	Non-current liabilities							
2530	Corporate bonds payable	6(18)	1,480,200	2	1,475,700	2	2,034,378	3
2540	Long-term borrowings	6(19) and 8	4,667,520	6	4,498,266	6	5,899,813	8
2550	Provisions for liabilities - non-current		176,680	-	165,929	-	101,680	-
2570	Deferred income tax liabilities	6(33)	2,048,459	2	1,911,053	2	1,886,799	2
2600	Other non-current liabilities	6(10)(20)	2,182,957	3	2,131,355	3	2,708,932	4
25XX	**Total non-current liabilities**		10,555,816	13	10,182,303	13	12,631,602	17
2XXX	**Total liabilities**		29,853,845	37	30,166,079	39	32,088,804	42
	Equity attributable to owners of parent							
	Share capital	6(23)						
3110	Common stock		20,026,929	25	19,646,374	26	18,936,796	25
3140	Advance receipts for share capital		-	-	380,555	-	759,918	1
	Capital surplus	6(24)						
3200	Capital surplus		7,611,546	9	7,493,180	9	7,097,606	9
	Retained earnings	6(25)(33)						
3310	Legal reserve		5,005,650	6	4,629,663	6	4,629,663	6
3320	Special reserve		3,737,786	5	3,737,786	5	3,737,786	5
3350	Unappropriated retained earnings		9,025,596	11	8,238,933	11	7,375,473	10
	Other equity interest	6(26)						
3400	Other equity interest		1,123,141	2	(941,494)	(1)	(1,439,253)	(2)
3500	Treasury stocks	6(23) and 8	(321,563)	-	(321,563)	-	(321,563)	-
31XX	**Equity attributable to owners of the parent**		46,209,085	58	42,863,434	56	40,776,426	54
36XX	**Non-controlling interest**		3,800,030	5	3,860,540	5	3,113,735	4
3XXX	**Total equity**		50,009,115	63	46,723,974	61	43,890,161	58
	Commitments and contingent liabilities	9						
	Subsequent events	11						
	Total liabilities and equity		$ 79,862,960	100	$ 76,890,053	100	$ 75,978,965	100

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 14, 2014.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
(UNAUDITED)

			Three months ended September 30				Nine months ended September 30			
			2014		2013		2014		2013	
Items		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(27) and 7	$ 13,449,780	100	$ 14,562,674	100	$ 41,224,290	100	$ 42,851,076	100
5000	**Operating costs**	6(7)(21)(31)(32) and 7	(10,053,284)	(75)	(11,115,111)	(76)	(30,950,010)	(75)	(32,762,396)	(77)
5900	**Net operating margin**		3,396,496	25	3,447,563	24	10,274,280	25	10,088,680	23
5910	Unrealized profit from sales		(523)	-	(2,244)	-	(9,459)	-	(13,787)	-
5920	Realized profit from sales		-	-	-	-	10,330	-	14,439	-
5950	**Net operating margin**		3,395,973	25	3,445,319	24	10,275,151	25	10,089,332	23
	Operating expenses	6(21)(31)(32)								
6100	Selling expenses		(1,107,054)	(8)	(1,137,475)	(8)	(3,243,244)	(8)	(3,159,666)	(7)
6200	General and administrative expenses		(787,722)	(6)	(756,417)	(5)	(2,234,656)	(5)	(2,219,359)	(5)
6300	Research and development expenses		(415,822)	(3)	(391,703)	(3)	(1,180,297)	(3)	(1,138,023)	(3)
6000	**Total operating expenses**		(2,310,598)	(17)	(2,285,595)	(16)	(6,658,197)	(16)	(6,517,048)	(15)
6900	**Operating profit**		1,085,375	8	1,159,724	8	3,616,954	9	3,572,284	8
	Non-operating income and expenses									
7010	Other income	6(4)(13)(28) and 7	415,262	3	303,172	2	766,385	2	588,254	1
7020	Other gains and losses	6(2)(13)(16)(29)	(128,749)	(1)	(101,147)	(1)	293,356	1	60,452	-
7050	Finance costs	6(12)(30)	(58,543)	-	(65,386)	-	(179,596)	(1)	(191,161)	-
7060	Share of profit of associates and joint ventures accounted for under the equity method	6(10)	106,184	1	54,755	-	249,870	1	118,520	-
7000	**Total non-operating income and expenses**		334,154	3	191,394	1	1,130,015	3	576,065	1
7900	**Profit before income tax**		1,419,529	11	1,351,118	9	4,746,969	12	4,148,349	9
7950	Income tax expense	6(33)	(293,360)	(2)	(212,501)	(1)	(1,101,775)	(3)	(982,560)	(2)
8200	**Profit for the period**		$ 1,126,169	9	$ 1,138,617	8	$ 3,645,194	9	$ 3,165,789	7

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TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
(UNAUDITED)

			Three months ended September 30				Nine months ended September 30			
			2014		2013		2014		2013	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Other comprehensive income									
8310	Currency translation differences of foreign operations	6(26)	$ 202,425	1	($ 257,161)	(2)	$ 209,682	-	$ 37,023	-
8325	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(26)	(283,651)	(2)	96,317	1	2,019,940	5	230,230	1
8370	Share of other comprehensive income of associates and joint ventures accounted for under the equity method		(7,643)	-	(423)	-	(4,576)	-	697	-
8399	Income tax relating to the components of other comprehensive income	6(33)	(14,452)	-	23,990	-	(18,621)	-	(5,331)	-
8300	**Other comprehensive income for the period**		($ 103,321)	(1)	($ 137,277)	(1)	$ 2,206,425	5	$ 262,619	1
8500	**Total comprehensive income for the period**		$ 1,022,848	8	$ 1,001,340	7	$ 5,851,619	14	$ 3,428,408	8
	Profit attributable to:									
8610	Owners of the parent		$ 1,034,208	8	$ 1,038,580	7	$ 3,365,612	8	$ 2,897,475	7
8620	Non-controlling interest		91,961	1	100,037	1	279,582	1	268,314	-
			$ 1,126,169	9	$ 1,138,617	8	$ 3,645,194	9	$ 3,165,789	7
	Comprehensive income attributable to:									
8710	Owners of the parent		$ 889,993	7	$ 910,860	6	$ 5,430,247	13	$ 3,104,182	7
8720	Non-controlling interest		132,855	1	90,480	1	421,372	1	324,226	1
			$ 1,022,848	8	$ 1,001,340	7	$ 5,851,619	14	$ 3,428,408	8
	Earnings per share (in dollars)	6(34)								
9750	**Basic earnings per share**		$ 0.53		$ 0.56		$ 1.71		$ 1.57	
		6(34)								
9850	**Diluted earnings per share**		$ 0.52		$ 0.55		$ 1.70		$ 1.56	

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 14, 2014.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

		Equity attributable to owners of the parent											
		Capital			Retained Earnings			Other equity interest					
	Notes	Share capital - common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
For the nine-month period ended September 30, 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	$ 2,111,001	$ 39,285,690
Appropriations of 2012 net income	6(25)												
Legal reserve		-	-	-	296,470	-	(296,470)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,922,095)	-	-	-	(1,922,095)	-	(1,922,095)
Exercise of employee stock options	6(22)(23)	69,030	2,510	14,364	-	-	-	-	-	-	85,904	-	85,904
Converted from corporate bonds		396,557	737,648	1,201,247	-	-	-	-	-	-	2,335,452	-	2,335,452
Actuarial gains and losses of post-employment benefits		-	-	-	-	-	(982)	-	-	-	(982)	-	(982)
Treasury stock acquired through acquisition of subsidiaries	6(17)	-	-	-	-	-	-	-	-	(724)	(724)	-	(724)
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	-	678,508	678,508
Other comprehensive income for the period	6(26)	-	-	-	-	-	-	28,426	178,281	-	206,707	55,912	262,619
Profit for the period	6(25)	-	-	-	-	-	2,897,475	-	-	-	2,897,475	268,314	3,165,789
Balance at September 30, 2013		$ 18,936,796	$759,918	$ 7,097,606	$ 4,629,663	$ 3,737,786	$ 7,375,473	($ 337,781)	($ 1,101,472)	($321,563)	$ 40,776,426	$ 3,113,735	$ 43,890,161
For the nine-month period ended September 30, 2014													
Balance at January 1, 2014		$ 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	$ 3,860,540	$ 46,723,974
Appropriations of 2013 net income	6(25)												
Legal reserve		-	-	-	375,987	-	(375,987)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(2,202,962)	-	-	-	(2,202,962)	-	(2,202,962)
Transferred from advance receipts for share capital		380,555	(380,555)	-	-	-	-	-	-	-	-	-	-
Difference between the price for acquisition or disposal of subsidiaries and carrying amount		-	-	78,443	-	-	-	-	-	-	78,443	-	78,443
Effect of changes in net equity of associates and joint ventures amount for under the equity method		-	-	39,923	-	-	-	-	-	-	39,923	-	39,923
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	-	(481,882)	(481,882)
Other comprehensive income for the period	6(26)	-	-	-	-	-	-	182,694	1,881,941	-	2,064,635	141,790	2,206,425
Profit for the period	6(25)	-	-	-	-	-	3,365,612	-	-	-	3,365,612	279,582	3,645,194
Balance at September 30, 2014		$ 20,026,929	$ -	$ 7,611,546	$ 5,005,650	$ 3,737,786	$ 9,025,596	($ 129,447)	$ 1,252,588	($321,563)	$ 46,209,085	$ 3,800,030	$ 50,009,115

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 14, 2014.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the nine-month periods ended September 30 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the period		$ 4,746,969	$ 4,148,349
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)(29)	(33,751)	(21,684)
Net gain on financial liabilities at fair value through profit or loss	6(16)(29)	(1,280)	(686)
Provision (reversal of allowance) for doubtful accounts	6(6)	13,470	(8,810)
(Reversal of) provision for decline in value of inventories	6(7)	(114,507)	94,387
Interest income	6(28)	(116,384)	(75,191)
Dividend income	6(28)	(385,227)	(331,161)
Interest expense	6(30)	179,596	191,161
Depreciation and amortization	6(12)(13)(31)	983,320	1,065,013
Gain on disposal of investments	6(27)(29)	(59,463)	(345,131)
(Gain) loss on disposal of property, plant and equipment	6(12)(29)	(798,117)	2,876
Impairment loss	6(12)	218,128	-
Share of profit of associates and joint ventures accounted for under the equity method	6(10)	(249,870)	(118,520)
Foreign currency exchange loss of bonds payable		4,500	-
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)	(40,164)	(141,347)
Notes receivable	6(5)	33,148	(12,833)
Notes receivable - related parties	7	(4,321)	(2,213)
Accounts receivable	6(6)	(99,271)	(667,576)
Accounts receivable - related parties	7	(63,569)	(96,774)
Receivables from customers on construction contracts	6(8)	(36,554)	75,828
Other receivables		(20,387)	5,825
Other receivables - related parties	7	(34,846)	(1,830)
Inventories	6(7)	(182,808)	(281,677)
Prepayments		(100,647)	(193,316)
Other current assets		55,460	82,694
Net changes in liabilities relating to operating activities			
Notes payable		(157,046)	(189,619)
Notes payable - related parties	7	(14,109)	10,363
Accounts payable		583,524	834,328
Accounts payable - related parties	7	30,451	(73,069)
Payables to customers on construction contracts	6(8)	187,502	(1,452)
Other payables		(184,846)	(55,277)
Provisions for liabilities		(23,167)	171,210
Other current liabilities	6(20)	(29,428)	548,241
Other non-current liabilities	6(20)	51,602	25,954
Cash generated from operations		4,337,908	4,638,063
Interest received	6(28)	116,384	75,191
Dividend received	6(28)	551,460	428,521
Interest paid	6(30)	(179,596)	(191,837)
Income tax paid	6(33)	(962,773)	(895,147)
Net cash provided by operating activities		3,863,383	4,054,791

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TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the nine-month periods ended September 30 2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in available-for-sale financial assets - current	6(3)	($ 92,210)	($ 165,717)
(Increase) decrease in bond investments without active market	6(4)	(13,011)	134,100
Increase in pledged demand and fixed deposits	8	(25,945)	(185,217)
Proceeds from disposal of available-for-sale financial assets - non-current	6(3)	754,053	850,112
Acquisition of available-for-sale financial assets - non-current	6(3)	(451,358)	(693,511)
Increase in investments accounted for under the equity method	6(10)	(32,559)	(49,200)
Acquisition of property, plant and equipment	6(12)(36)	(1,741,148)	(628,060)
Proceeds from disposal of property, plant and equipment	6(12)	1,266,804	37,455
Acquisition of intangible assets		(50,266)	(33,590)
Decrease in restricted assets	8	10,622	98,825
Increase in other non-current assets	6(14)	(310,625)	(203,145)
Net cash inflow from acquisitions of subsidiaries		-	46,290
Net cash used in investing activities		(685,643)	(791,658)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term loans	6(15)	(142,911)	(320,570)
Payments of long-term loans	6(19)	(2,330,746)	(3,294,741)
Proceeds from long-term loans	6(19)	2,500,000	1,200,000
Exercise of employee stock options	6(22)	-	85,904
Issuance of bonds payable		-	1,457,100
Cash dividends paid		(2,202,962)	(1,922,095)
Net cash used in financing activities		(2,176,619)	(2,794,402)
Exchange rate effect		(64,792)	709,426
Increase in cash and cash equivalents		936,329	1,178,157
Cash and cash equivalents at beginning of period		14,908,571	13,178,775
Cash and cash equivalents at end of period		$ 15,844,900	$ 14,356,932

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 14, 2014.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 14, 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 ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

None.

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments' but including the "Regulations Governing the Preparation of Financial Reports by Secunties Issuers" effective January 1, 2015) as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures－Transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures－Offsetting financial assets and financial liabilities	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, ‘Joint arrangements’	January 1, 2013
IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendment to IAS 12)	January 1, 2012
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27, ‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’(as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009－2011	January 1, 2013

Based on the Group’s assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except the following:

A.IAS 19 (revised), ‘Employee benefits’

The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service cost 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. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows.

B.IFRS 10, 'Consolidated financial statements'

The standard replaces the requirements relating to consolidated financial statements in IAS 27, 'Consolidated and separate financial statements' and IAS 27 therefore is renamed 'Separate financial statements'; the standard also supersedes requirements in SIC-12, 'Consolidation-special purpose entities'. The standard defines the principle of control that an investor controls an investee if and only if the investor has all three elements of control.

C.IFRS 11, 'Joint arrangements'

The standard replaces IAS 31, 'Interests in joint ventures' and eliminates the policy choice of proportionate consolidation for joint ventures. When deciding the types of joint arrangements－joint operations or joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only.

D.IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

E.IFRS 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

F.IFRS 13, 'Fair value measurement'

The standard defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

G.Disclosures－Transfers of financial assets (amendments 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.

Based on the Group's assessment, the adoption of the amendment will require the Group to include qualitative and quantitative disclosures for all transferred financial assets.

For the above items, the Group is assessing their impact on the consolidated financial statements and will disclose the affected amounts accordingly.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

New Standards, Interpretations and Amendments	IASB Effective Date
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Services related contributions from employees or third parties (amendments to IAS 19)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group 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 consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

(2) Basis of preparation

A.Except for the following items, the 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 less present value of defined benefit obligation.

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

(3) Basis of consolidation

A.Basis for preparation of consolidated financial statements:

(a)All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(b)Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c)Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d)Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e)When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. Conversely, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be transferred directly to retained earnings, if such gains or losses would be transferred directly to retained earnings when the related assets or liabilities are disposed of.

B.Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
Teco Electric & Machinery Co., Ltd.	Teco Holding USA Inc.	Holding company	100	100	100	
Teco Electric & Machinery Co., Ltd.	United View Global Investment Co., Ltd.	Holding company	100	100	100	
Teco Electric & Machinery Co., Ltd.	Tesen Electric & Machinery Co., Ltd.	Manufacturing and sales of home appliances	100	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Tong-An Assets Management & Development Co., Ltd.	Real estate business	100	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Electric Europe Limited	Distribution of motors	100	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Electric & Machinery (Pte) Ltd.	Distribution of motors	100	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Tong Dai Co., Ltd.	Distribution of motors	92.63	92.63	92.63	Note 1
Teco Electric & Machinery Co., Ltd.	Tong Tai Jung Co., Ltd.	Distribution of motors	60	60	60	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Electro Devices Co., Ltd.	Manufacturing and sales of motors	64.08	64.08	64.08	Note 1
Teco Electric & Machinery Co., Ltd.	Yatec Engineering Corporation	Development and maintenance of various electric appliances	64.95	64.95	64.95	Note 1
Teco Electric & Machinery Co., Ltd.	Taian (Subic) Electric Co., Inc.	Manufacturing and sales of switches	76.7	76.7	76.7	Note 1
Teco Electric & Machinery Co., Ltd.	Taian-Etacom Technology Co., Ltd.	Manufacturing of busway and related components	84.73	84.73	84.73	Note 1
Teco Electric & Machinery Co., Ltd.	Taian (Malaysia) Electric Sdn. Bhd.	Manufacturing of switches	76.85	76.85	76.85	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
Teco Electric & Machinery Co., Ltd.	Micropac Worldwide (BVI)	International trading	100	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	E-Joy International Co., Ltd.	Wholesale and retail of electric appliances	95.24	95.24	95.24	Note 1
Teco Electric & Machinery Co., Ltd.	A-Ok Technical Co., Ltd.	Repair of electric appliances	86.67	86.67	86.67	Note 1
Teco Electric & Machinery Co., Ltd.	Tecom Co., Ltd.	Touch-tone phone system and billing box	63.52	63.52	63.52	
Teco Electric & Machinery Co., Ltd.	Information Technology Total Services Co., Ltd.	E-business service, mailing and data management	71.3	71.3	71.3	Note 1
Teco Electric & Machinery Co., Ltd.	GD Teco Taiwan Co., Ltd.	Manufacturing of IC projects	100	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco International Investment Co., Ltd.	Various investments	100	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Tong-An Investment Co., Ltd.	Various investments	100	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Tecnos International Consultant Co., Ltd.	Business management consulting	73.54	73.54	73.54	Note 1
Teco Electric & Machinery Co., Ltd.	An-Tai International Investment Co., Ltd.	Various investments	100	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Taiwan Pelican Express Co., Ltd.	Delivery and logistic services	33.42	35.58	40.11	Note 2

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
Teco Electric & Machinery Co., Ltd.	Teco Technology (Vietnam) Co., Ltd.	Manufacturing and sales of motors	100	100	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco Nanotech Co., Ltd.	Manufacturing and sales of nanotech material	86.83	86.83	86.83	Note 1
Teco Electric & Machinery Co., Ltd.	Kuen Ling Machinery Refrigerating Co., Ltd.	Manufacturing, installation, repair, domestic and export sales and leasing of condenser, water cooling, water-cooled chiller and freezer	19.98	19.98	20.16	Note 4
Teco Holding USA Inc.	Teco Westinghouse Motor Company	Manufacturing and sales of motors and generators	100	100	100	
Teco Holding USA Inc.	Teco Westinghouse Motor Industrial Canada	Manufacturing and sales of motors and generators	100	100	100	
United View Global Investment Co., Ltd.	Great Teco Motor (Pte) Ltd.	Holding company	100	100	100	Note 1
United View Global Investment Co., Ltd.	Asia Air Tech Industrial (Pte) Ltd.	Holding company	100	100	100	Note 1
United View Global Investment Co., Ltd.	Teco Australia Pty. Ltd.	Manufacturing and sales of motors and home appliances	99.99	99.99	99.99	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
United View Global Investment Co., Ltd.	P.T Teco Elektro Indonesia	Manufacturing and sales of motors and home appliances	100	100	100	Note 1
United View Global Investment Co., Ltd.	Teco Industrial (Malaysia) Sdn. Bhd.	Manufacturing and sales of motors	100	100	100	Note 1
United View Global Investment Co., Ltd.	Tecoson Industrial Development (Pte) Ltd.	Investment in South-East Asia and Hong Kong	100	100	100	Note 1
United View Global Investment Co., Ltd.	Asia Electric & Machinery (Pte) Ltd.	Holding company	100	100	100	Note 1
United View Global Investment Co., Ltd.	Great Teco, S.L.	Distribution of home appliances	100	100	100	Note 1
United View Global Investment Co., Ltd.	Teco Electric & Machinery B.V.	Distribution of home appliances	100	100	100	Note 1
United View Global Investment Co., Ltd.	Teco Elektrik Turkey A.S.	Sales of motors and home appliances	100	100	100	Note 1
Teco Electric & Machinery (Pte) Ltd.	P.T Teco Multiguna Electro	Sales of motors in Singapore	87.5	87.5	87.5	Note 1
Teco Electric & Machinery (Pte) Ltd.	Teco (Thai) Co.	Sales of motors in Singapore	55	55	55	Note 1
Teco Electric & Machinery (Pte) Ltd.	Teco Electric & Machinery Sdn. Bhd.	Sales of motors in Singapore	100	100	100	Note 1
Teco Electric & Machinery (Pte) Ltd.	Teco (Vietnam) Electric & Machinery Company Ltd.	Manufacturing of motors	60	60	60	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
Teco Electric & Machinery (Pte) Ltd.	TYM Electric and Machinery Sdn. Bhd.	Distribution of motors	100	100	100	Note 1
Tong Dai Co., Ltd.	Top-Tower Enterprises Co., Ltd.	Manufacturing of motors	40	40	40	Notes 1 and 4
Teco Electro Devices Co., Ltd.	Teco Electro Devices Co., Ltd.	Trading and various investments	100	100	100	Note 1
Micropac Worldwide (BVI)	An-Tai International Investment (Singapore) Co., Ltd.	Investment holdings	100	100	100	Note 1
Teco International Investment Co., Ltd.	Tasia (Pte) Ltd.	Various investments	100	100	100	Note 1
Tong-An Investment Co., Ltd.	Jack Property Service & Management Company	Building management servicing	50	50	50	Notes 1 and 4
Tong-An Investment Co., Ltd.	Tecocapital Investment (Samoa) Co., Ltd.	Holding company	100	100	100	Note 1
Tong-An Investment Co., Ltd.	Tecocapital Investment Co., Ltd.	Holding company	100	100	100	Note 1
Taiwan Pelican Express Co., Ltd.	Pelecanus Express Pte. Ltd.	Holding company	100	100	100	Note 1
Teco Westinghouse Motor Company	Teco Westinghouse Motor Company S. A. de C.V.	Manufacturing and sales of motors and generators	100	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
Tecom Co., Ltd.	Tecom International Investment Co., Ltd.	Investment in various undertakings	100	100	100	Note 1
Tecom Co., Ltd.	Baycom Opto-Electronics Technology Co., Ltd.	Manufacturing of fiber optic communications products, providing a full range of fiber optical cables, interconnect, Transceiver/ Media converter, patch cord, LC connectors and adapter.	51.19	51.19	51.19	Note 1
Tecom Co., Ltd.	Tecom Global Tech Investment (B.V.I.) Limited	Investment in various undertakings	100	100	100	Note 1
Tecom Co., Ltd.	Tecom Global Tech Investment Pte Limited	Investment in various undertakings	100	100	100	Note 1
Tecom Co., Ltd.	Tecom Tech Investment (B.V.I.) Limited	Investment in various undertakings	100	100	100	Note 1
Kuen Ling Machinery Refrigerating Co., Ltd.	Ching Chi International Limited	Investment in other areas	100	100	100	Notes 1 and 4
Kuen Ling Machinery Refrigerating Co., Ltd.	K.A. Corp.	Commodity sales and trading business	100	100	100	Notes 1 and 4

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
Kuen Ling Machinery Refrigerating Co., Ltd.	I Chi Industrial Co., Ltd.	General manufacturing	70	70	70	Notes 1 and 4
Kuen Ling Machinery Refrigerating Co., Ltd.	Cozy Air-Conditioning Co., Ltd.	General manufacturing	100	100	100	Notes 1 and 4
Great Teco Motor (Pte) Ltd.	Suzhou Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors and generators	100	100	100	Note 1
Great Teco Motor (Pte) Ltd.	Wuxi Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors and generators	82.35	82.35	82.35	Note 1
Great Teco Motor (Pte) Ltd.	Jiangxi Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of motors	98.07	91.67	91.67	Note 1
Great Teco Motor (Pte) Ltd.	Qingdao Teco Precision Mechatronics Co., Ltd.	Manufacturing and sales of motors	85.31	85.31	85.31	Note 1
Great Teco Motor (Pte) Ltd.	Fujian Teco Precision Co., Ltd.	Manufacturing and sales of electric components	100	100	100	Note 1
Great Teco Motor (Pte) Ltd.	Shanghai Teco Electric & Machinery Co., Ltd.	Agents and sales of motors	100	100	100	Note 1
Asia Air Tech Industrial (Pte) Ltd.	Teco (Dong Guang) Air Conditioning Equipment Co., Ltd.	Manufacturing and sales of air-conditioning mechanical equipment	100	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
Teco Australia Pty. Ltd.	Teco (New Zealand) Limited	Manufacturing and sales of motors and home appliances	100	100	100	Note 1
Tecoson Industrial Development (Pte) Ltd.	Tecoson HK Co., Ltd.	Various investments	100	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Nanchang Teco Electric & Machinery Co., Ltd.	Manufacturing and sales of home appliances	100	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Xiamen Teco Technology Co., Ltd.	Distribution of motors and home appliances	100	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Asia Innovative Technology Co., Ltd.	Distribution of home appliances	100	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Qingdao Teco Century Advanced High-tech Mechatronics Co., Ltd.	Manufacturing and sales of centrifugal compressor and centrifugal chiller	50	50	50	Notes 1 and 3
Asia Electric & Machinery (Pte) Ltd.	Tianjin Teco Technology Co., Ltd.	Operations center in Central China	100	100	100	Note 1
Asia Electric & Machinery (Pte) Ltd.	Jiangxi TECO Air Conditioning Equipment Co., Ltd.	Manufacturing and sales of various air-conditioning units	100	100	100	Note 1
Teco Electric & Machinery B.V.	Teco Electric & Machinery GmbH.	Manufacturing and sales of motors	100	100	100	Note 1

			Ownership (%)			
Name of Investor	Name of Subsidiary	Main Business Activities	September 30, 2014	December 31, 2013	September 30, 2013	Description
Teco Electro Devices Co., Ltd.	Taichang Teco Electro Devices Co.	Manufacturing and sales of motors	100	100	100	Note 1
Teco Westinghouse Motor Company	Jiangxi TECO Westinghouse Motor Coil	Manufacturing and sales of motors, winding and related parts	100	-	-	Note 1
An-Tai International Investment (Singapore) Co., Ltd.	Tai-An Technology (Wuxi) Co., Ltd.	Manufacturing and sales of fiber electric equipment	100	100	100	Note 1
An-Tai International Investment (Singapore) Co., Ltd.	Hunan TECO Wind Energy Limited	Manufacturing, sale and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components	100	100	100	Note 1
Tecom International Investment Co., Ltd.	WondaLink Inc.	Wired communication equipment and apparatus, manufacturing, telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing	73.56	80	80	Note 1
Tecom International Investment Co., Ltd.	MOCET Networks Inc.	Sale of phones and their peripherals	100	100	-	Note 1
Tecom Global Tech Investment (B.V.I.) Limited	Wuhan Tecom Co., Ltd.	Communication network information technology development, sales and technology services business	100	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
Tecom Global Tech Investment Pte Limited	Tecom Tech (Wuxi) Co., Ltd.	R & D, manufacture of broadband access network communication system equipment, asynchronous transfer mode, IP data communication systems, mobile communication handsets, base stations, switching equipment and digital trunking system equipment, high-end routers, Gigabit switch for the above network, program-controlled switchboards; sale of products to provide technology services	100	100	100	Note 1
Tecom Tech Investment (B.V.I.) Limited	Tecom Tech Investment (BVI) Limited	Flat panel displays, IT products, printed circuit board assembly, manufacture, testing and communication products and equipment R & D reproduction	100	100	100	Note 1
Tecom Tech Investment (B.V.I.) Limited	Beijing Tecom Innovation Technology Co., Ltd.	Intelligent home systems and spare parts of the Internet, fixed-line mobile phone multi-network integration of family related systems and spare parts, the broadband access network communication system hardware, software and accessories, wireless network communication system hardware and software, and zero communication system hardware and software and spare parts business communications telephone system, batch systems and spare parts and spare parts wholesale, import and export of goods and technology import and export, import and export agency, to provide technical advice, technical training, technology services	100	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
Tasia (Pte) Ltd.	Sankyo Co., Ltd.	Sales of home appliances	100	100	100	Note 1
Tecocapital Investment (Samoa) Co., Ltd.	Qingdao TECO Innovation Co., Ltd.	Science Park development and business operations consulting services	100	100	100	Note 1
Tecocapital Investment Co., Ltd.	Technical Information International Co., Ltd.	Development and sales of software	70	70	70	Note 1
Pelecanus Express Pte. Ltd.	Beijing Pelican Express Co., Ltd.	Storage services	100	100	100	Note 1
Ching Chi International Limited	Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd.	Manufacturing and sales of water-cooled chiller etc.	100	100	100	Note 1
Ching Chi International Limited	Suzhou KuenYuan Refrigerating Equipment Co., Ltd.	General manufacturing	100	100	100	Note 1
K.A. Corp.	Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd.	General manufacturing	100	100	100	Note 1
Tai-An Technology (Wuxi) Co., Ltd.	Teco Sichuan Trading Co., Ltd.	Sales of motors and home appliances	100	100	100	Note 1

Note 1：The financial statements as of September 30, 2014 and 2013 of the subsidiary were not reviewed because it is not a significant subsidiary of the Company.

Note 2：The Company sold part of its ownership in Taiwan Pelican Express Co., Ltd. in August 2012, and accordingly, its ownership does not reach 50% of the voting shares of Taiwan Pelican Express Co., Ltd.. However, the Company still has control over the finance, operations and personnel affairs of Taiwan Pelican Express Co., Ltd., so Taiwan Pelican Express Co., Ltd. continues to be included in the consolidated entities.

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

Note 4：The company has control over the board of directors of the subsidiary, and has absolute control over the subsidiary. Thus, the subsidiary was included in the consolidated entities.

We did not review the financial statements of certain consolidated subsidiaries which statements reflect total assets of $33,366,336 and $25,190,220 as of September 30, 2014 and 2013, respectively, total liabilities of $4,494,439 and $4,804,158 as of September 30, 2014 and 2013, respectively, and total comprehensive income (including share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method) of $333,069, $453,037, $916,617 and $839,847 for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively.

C.Subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	Ownership (%) December 31, 2013	Ownership (%) September 30, 2013	Description
Teco Electric & Machinery Co., Ltd.	Teco Appliance (HK) Co., Ltd.	Sales of home appliances	99.99	99.99	99.99	Note 1
Teco Electric & Machinery Co., Ltd.	Taian Electric Co., Ltd.	Manufacturing and sales of switches	100	100	100	Note 1
Tong-An Investment Co., Ltd.	Taiwan Pei Li Tone Co., Ltd.	Transportation delivery	-	-	68.03	Note 1
Teco Electric & Machinery Co., Ltd.	An-Sheng Travel Co., Ltd.	Travel agency	96	96	96	Note 1
Teco Electric & Machinery Co., Ltd.	Taian-Jaya Electric Sdn. Bhd.	Manufacturing and sales of home appliances	95	95	95	Note 1
Teco Electric & Machinery Co., Ltd.	Teco (Philipines) 3C & Appliances, Inc.	Sales of air conditioning and electrical appliances	60	60	60	Note 1
Great Teco Motor (Pte) Ltd.	Teco Group Science-Technology (Hang Zhou) Co., Ltd.	Electrical and automatic control technology development and consultation service	100	100	100	Note 1
Great Teco Motor (Pte) Ltd.	Nanchang Dong-Huan Management & Consulting Co., Ltd.	Various investments	100	100	100	Note 1

			Ownership (%)			
Name of Investor	Name of Subsidiary	Main Business Activities	September 30, 2014	December 31, 2013	September 30, 2013	Description
An-Tai International Investment Co., Ltd.	Hubbell-Taian Co., Ltd.	Import, export and sales of electric wiring devices, lighting, explosion proofing and other accessory products	49.99	49.99	49.99	Note 1
An-Tai International Investment Co., Ltd.	Antech Automation Corp.	Sale of automatically controlled products and construction	-	-	100	Note 1
Hubbell-Taian Co., Ltd.	Hubbell-Anmex International (s) Pte. Ltd.	Distribution of electronic products	100	100	100	Note 1
Information Technology Total Services Co., Ltd.	Information Technology Total Service (BVI) Co., Ltd.	Holding company	100	100	100	Note 1
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Engaged in various business documents management, printing and other mail services	100	100	100	Note 1
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Engaged in services related to information software, data processing and electronic information supply	100	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	Ownership (%) December 31, 2013	Ownership (%) September 30, 2013	Description
Information Technology Total Service (BVI) Co., Ltd.	Information Technology Total Service (Hang Zhou) Co., Ltd.	Engaged in services related to information software, data processing and electronic information supply	100	100	100	Note 1
Information Technology Total Service (BVI) Co., Ltd.	Information Technology (Wuxi) Co., Ltd.	Engaged in services related to information software, data processing and electronic information supply	100	100	100	Note 1
Information Technology (Wuxi) Co., Ltd.	Information Technology Total Service (Xiamen) Co, Ltd.	Engaged in services related to information software, data processing and electronic information supply	100	100	100	Note 1
Tong-An Assets Management & Development Co., Ltd.	Grey Back International Property Inc.	Real estate management and development	54.83	54.83	54.83	Note 1
Teco (Dong Guan) Air Conditioning Co., Ltd.	Ecolectric International Co., Ltd.	Responsible for sales of air conditioning products in Shanghai, Zhejiang, Dong guan Dongcheng District	39.9	39.9	50	Notes 1 and 2
Tasia (Pte) Ltd.	TTMC Co., Ltd.	Engaged in a variety of investment business	100	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2014	December 31, 2013	September 30, 2013	Description
Jack Property Service & Management Company	Qingdao Jie Zheng Property Service & Management Company	Property management and related services	100	100	100	Note 1

Note 1：The above subsidiaries were not included in the consolidated financial statements as their respective total assets and operating revenues did not exceed the materiality threshold of the Company's total assets and operating revenues.

Note 2：The Company's shareholding ratio decreased to 39.9% after Ecolectric International Co., Ltd. increased its capital in September 2013.

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

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

(4) Foreign currency translation

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

A.Foreign currency transactions and balances

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

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

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

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

B.Translation of foreign operations

(a)The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

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

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

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

(5) <u>Classification of current and non-current items</u>

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

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

(b)Assets held mainly for trading purposes;

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

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

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

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

(b)Liabilities arising mainly from trading activities;

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

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

(6) Cash and cash equivalents

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

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

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

B.On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

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

(8) Available-for-sale financial assets

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

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

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

(9) Loans and receivables

A.Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

B.Bond investments without active market

(a)Bond investments without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

i. Not designated on initial recognition as at fair value through profit or loss;

ii. Not designated on initial recognition as available-for-sale;

iii. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(b)On a regular way purchase or sale basis, bond investments without active market are recognised and derecognised using trade date accounting.

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

(d)Bond investments without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(a)Financial assets measured at amortised cost

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

(11) Derecognition of financial assets

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

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

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

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

(12) Inventories

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

(13) Construction contracts

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

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

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

(14) Non-current assets held for sale

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

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

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

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

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

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

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

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

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

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

(16) Joint ventures－Jointly controlled entities

The Group accounts for its interest in joint ventures by proportionately consolidating its share of joint ventures' assets, liabilities, revenue/income and expenses/losses to the similar items in the consolidated financial statements, respectively. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group continues recognising its share of further losses.

(17) Property, plant and equipment

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

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

C.Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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
Leasehold assets	30 years

(18) Leased assets/leases (lessee)

A.Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a)A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b)The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c)Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

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

(19) Investment property

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

(20) Intangible assets

A.Goodwill arises in a business combination accounted for by applying the acquisition method.

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

(21) Impairment of non-financial assets

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

(22) Borrowings

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

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

(23) Notes and accounts payable

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

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

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

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

(25) Derecognition of financial liabilities

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

(26) Offsetting financial instruments

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

(27) Financial liabilities and equity instruments

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

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

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

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

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

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

B.Ordinary corporate bonds issued by the Group 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.

(28) Financial guarantee contracts

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

(29) Provisions for other liabilities

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

(30) Employee benefits

A.Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be 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 recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b)Defined benefit plans

i.Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior 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 Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognised in 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.

iv. Any transaction cost directly attributed to the issuance of convertible corporate bonds and allocated to the liability and component in proportion to the allocation of proceeds.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

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

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

(31) Employee share-based payment

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

(32) Income tax

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

B.The current income tax 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 tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred 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 tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred 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 tax asset is realised or the deferred tax liability is settled.

D.Deferred 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 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 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.The income tax expense of the interim period is counted by using the income before tax of interim period with estimated annual effective tax rate, and matched aforementioned related policy.

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

(33) Share capital

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

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

(34) Dividends

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

(35) Revenue recognition

A.Sales of goods

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

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

B.Sales of services

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

C.Construction contract

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

D.A sale agreement comprising of multiple components

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

(36) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(37) Business combinations

A.The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

(38) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

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

A.Financial assets—impairment of equity investments

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

B.Investment property

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

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

a. The Group has primary responsibilities for the goods or services it provides;
b. The Group bears inventory risk;
c. The Group has the latitude in establishing prices for the goods or services, either directly or indirectly.
d. The Group bears credit risk of customers.

(2) Critical accounting estimates and assumptions

A.Revenue recognition

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

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

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future. As of September 30, 2014, the Group recognised equipment, net of impairment loss, amounting to $1,995,972.

C.Impairment assessment of goodwill

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

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

The Group assesses the impairment of an investment accounted for under the equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recoverable. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

E.Realisability of deferred tax assets

Deferred 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 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 tax assets.

As of September 30, 2014, the Group recognised deferred tax assets amounting to $1,107,417.

F.Evaluation of inventories

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

As of September 30, 2014, the carrying amount of inventories was $11,490,739.

G.Calculation of accrued pension obligations

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

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

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent fund 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 September 30, 2014, the carrying amount of unlisted stocks was $1,683,808.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	September 30, 2014	December 31, 2013	September 30, 2013
Cash on hand and revolving funds	$ 14,003	$ 17,496	$ 24,123
Checking accounts and demand deposits	9,750,106	9,137,320	8,962,102
Cash equivalents	6,080,791	5,753,755	5,370,707
	$ 15,844,900	$ 14,908,571	$ 14,356,932

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

B.As of September 30, 2014, cash and cash equivalents amounting to $264,495 as purchase loans were pledged to others as collateral (listed as other current assets). Please refer to Note 8.

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

Items	September 30, 2014	December 31, 2013	September 30, 2013
Current items:			
Financial assets held for trading			
Listed and OTC stocks	$ 244,064	$ 123,406	$ 124,331
Beneficiary certificates	143,904	207,144	186,611
Non-hedging derivatives	19,031	5,355	2,760
	406,999	335,905	313,702
Valuation adjustment of financial assets held for trading	15,371	12,550	2,211
	$ 422,370	$ 348,455	$ 315,913

A.The Group recognised net gain (loss) of $31,389, ($5,546), $33,751 and $21,684 on financial assets held for trading for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively.

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

	September 30, 2014			
Nature	Contract period	Contract amount (Notional amount)		Fair value
Forward exchange:				
SELL EUR/BUY USD	Nov.17, 2014~Dec. 31, 2014	EUR	8,000,000	$ 7,691
BUY USD/SELL JPY	Oct. 31, 2014~Dec. 29, 2014	JPY	600,000,000	8,176
SELL AUD/BUY USD	Oct. 31, 2014~Nov. 10, 2014	AUD	2,000	3,164
				$ 19,031

Nature	Contract period	Contract amount (Notional amount)		December 31, 2013 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
				$	5,355

Nature	Contract period	Contract amount (Notional amount)		September 30, 2013 Fair value	
Forward exchange:					
SELL USD/BUY TWD	Oct. 4, 2013~Nov. 6, 2013	USD	19,000,000	$	1,997
BUY USD/SELL JPY	Oct. 23, 2013~Nov. 29, 2013	JPY	300,000,000		458
SELL TWD/BUY JPY	Dec. 10, 2013	JPY	59,160,000		305
				$	2,760

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

D.Due to the global financial crisis in year 2008, listed stocks amounting to $110,010 that were initially classified as 'financial assets at fair value through profit or loss' were reclassified to available-for-sale financial assets on July 1, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:

(a)The above reclassified assets that have not yet been disposed of are as follows:

	September 30, 2014 Book value/ Fair value	December 31, 2013 Book value/ Fair value	September 30, 2013 Book value/ Fair value
Listed and OTC stocks	$ 2,933	$ 2,743	$ 1,962

(b)The changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income were $0 and $190, respectively, for the nine-month period ended September 30, 2014, and were $0 and ($240), respectively, for the nine-month period ended September 30, 2013. The accumulated total changes in fair value of the above listed stocks that were recognised in profit or loss and other comprehensive income before January 1, 2013 were $11,102 and ($749), respectively.

(c)If the above listed stocks had not been reclassified to available-for-sale financial assets on July 1, 2008, the gain from changes in fair value of these assets that should have been recognized in profit or loss is as follows:

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Listed and OTC stocks	$ 190	($ 240)

(3)Available-for-sale financial assets

Items	September 30, 2014	December 31, 2013	September 30, 2013
Current items:			
Listed and OTC stocks	$ 969,000	$ 934,127	$ 924,451
Emerging stocks	18,494	5,001	-
Beneficiary certificates	85,191	41,347	60,371
	1,072,685	980,475	984,822
Valuation adjustment of available-for-sale financial assets	62,787	4,095	(126,561)
	$ 1,135,472	$ 984,570	$ 858,261
Non-current items:			
Listed and OTC stocks	$ 3,036,317	$ 3,912,674	$ 3,509,742
Emerging stocks	6,886,768	6,028,409	6,038,761
Unlisted stocks	1,368,273	2,184,622	2,288,517
	11,291,358	12,125,705	11,837,020
Valuation adjustment of available-for-sale financial assets	1,068,260	(1,346,680)	(1,201,712)
	$ 12,359,618	$ 10,779,025	$ 10,635,308

A.The Group recognised ($307,114), ($306,856), $1,886,517 and $177,584 in other comprehensive income for fair value change for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively.

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

(4)Investments in bonds without active markets

Items	September 30, 2014	December 31, 2013	September 30, 2013
Current item:			
Fixed deposit	$ 119,641	$ 106,630	$ 146,830

A.The Group recognised interest income of $477, $342, $989 and $1,288 in profit or loss as amortised cost for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively.

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

C.As of September 30, 2014, December 31, 2013 and September 30, 2013, no investments in bonds without active markets held by the Group were pledged to others.

(5)Notes receivable

	September 30, 2014	December 31, 2013	September 30, 2013
Notes receivable	$ 1,094,962	$ 1,128,110	$ 1,179,306
Less: allowance for bad debts	(3,786)	(3,774)	(4,493)
	$ 1,091,176	$ 1,124,336	$ 1,174,813

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

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

(6)Accounts receivable

	September 30, 2014	December 31, 2013	September 30, 2013
Accounts receivable	$ 9,007,512	$ 8,939,293	$ 8,969,198
Less: allowance for bad debts	(228,399)	(244,070)	(312,850)
	$ 8,779,113	$ 8,695,223	$ 8,656,348

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

	September 30, 2014	December 31, 2013	September 30, 2013
Group 1	$ 3,763,635	$ 3,455,732	$ 3,623,064
Group 2	1,540,372	1,863,523	2,064,871
Group 3	1,266,746	972,873	860,227
Group 4	446,111	250,886	346,593
Group 5	660,418	845,113	838,475
	$ 7,677,282	$ 7,388,127	$ 7,733,230

Note:

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

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

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

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

Group 5: Clients, which are not operating well and their management shall be improved.

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

	September 30, 2014	December 31, 2013	September 30, 2013
Up to 30 days	$ 865,654	$ 1,148,573	$ 1,045,240
31 to 90 days	605,260	891,547	707,672
91 to 180 days	291,601	320,376	223,551
Over 180 days	430,492	70,936	121,468
	$ 2,193,007	$ 2,431,432	$ 2,097,931

The above ageing analysis was based on past due date.

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

(a) As of September 30, 2014, December 31, 2013 and September 30, 2013, the amounts of the Group's accounts receivable that were impaired were $232,185, $247,844 and $317,343, respectively.

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

	Nine-month period ended September 30, 2014		
	Individual provision	Group provision	Total
At January 1	$ 42,946	$ 204,898	$ 247,844
Provision for impairment	1,776	11,694	13,470
Write-offs during the period	(12,968)	(18,084)	(31,052)
Translation adjustment of foreign exchange	(111)	2,034	1,923
At September 30	$ 31,643	$ 200,542	$ 232,185

	Nine-month period ended September 30, 2013		
	Individual provision	Group provision	Total
At January 1	$ 21,202	$ 250,822	$ 272,024
Reversal of impairment	(3,411)	(5,399)	(8,810)
Write-offs duning the period	-	(9,159)	(9,159)
Effects of consolidation	-	72,378	72,378
Translation adjustment of foreign exchange	-	(9,090)	(9,090)
At September 30	$ 17,791	$ 299,552	$ 317,343

D.The maximum exposure to credit risk at September 30, 2014, December 31, 2013 and September 30, 2013 was the carrying amount of each class of accounts receivable.

E.The Group holds land, buildings, time deposits, letters of guarantee and letters of quality guarantee collateral as security for accounts receivable.

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

(7)Inventories

	September 30, 2014		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,213,009	($ 470,230)	$ 2,742,779
Work in process	1,441,458	(73,338)	1,368,120
Finished goods	6,312,121	(342,141)	5,969,980
Inventory in transit	998,377	-	998,377
Merchandise inventories	422,207	(10,724)	411,483
	$ 12,387,172	($ 896,433)	$ 11,490,739

	December 31, 2013		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,354,713	($ 562,332)	$ 2,792,381
Work in process	1,454,054	(104,101)	1,349,953
Finished goods	6,341,491	(335,222)	6,006,269
Inventory in transit	739,048	-	739,048
Merchandise inventories	340,249	(34,476)	305,773
	$ 12,229,555	($ 1,036,131)	$ 11,193,424

	September 30, 2013		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,344,105	($ 525,399)	$ 2,818,706
Work in process	1,670,746	(97,965)	1,572,781
Finished goods	6,041,740	(303,784)	5,737,956
Inventory in transit	777,193	-	777,193
Merchandise inventories	463,513	(36,021)	427,492
	$ 12,297,297	($ 963,169)	$ 11,334,128

A. The cost of inventories recognised as expense for the three-month and nine-month periods ended September 30, 2014 and 2013 was $7,944,645, $8,627,068, $24,962,552 and $25,801,134, respectively, including the amounts of ($12,709), ($35,250), ($114,507) and $94,387, respectively, that the Group wrote down or up from cost to net realisable value accounted for as cost of goods sold and for reversal of net present value of inventories caused by the adjustment in sales.

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

(8) Construction in progress

	September 30, 2014	December 31, 2013	September 30, 2013
Aggregate costs incurred plus recognised profit (less recognised losses)	$ 14,060,670	$ 13,494,996	$ 13,243,333
Less: progress billings	(13,575,922)	(12,859,300)	(12,565,576)
Net balance sheet position for construction in progress	$ 484,748	$ 635,696	$ 677,757
Presented as:			
Due from customers for contract work	$ 915,686	$ 879,132	$ 990,015
Due to customers for contract work	(430,938)	(243,436)	(312,258)
	$ 484,748	$ 635,696	$ 677,757

As of September 30, 2014, December 31, 2013 and September 30, 2013, cumulative gain (loss) recognized under the percentage of completion method for major contracts are summarized as follows:

September 30, 2014

Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognised
Construction A	Dec. 2014	$ 2,242,567	$ 2,123,400	99%	$ 118,710
Construction B	Dec. 2016	1,256,103	1,280,283	92%	(24,180)
Construction C	July 2015	1,140,429	1,087,969	53%	28,040
Construction D	Dec. 2014	1,093,065	994,918	97%	95,649
Construction E	Dec. 2014	1,052,442	967,609	88%	74,527
Construction F	Dec. 2017	941,452	1,536,563	96%	(595,111)
Construction G	Feb. 2018	899,048	827,124	1%	15
Construction H	Dec. 2015	621,282	674,470	99%	(53,188)
Construction I	Dec. 2014	600,432	584,464	99%	15,930
Construction J	Mar.2015	569,115	576,996	87%	(7,881)
Construction K	Apr.2015	561,905	522,571	6%	2,343

December 31, 2013

Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognised
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	Apr. 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)

September 30, 2013

Construction	Expected completion date	Contract price	Estimated contract cost	Percentage of completion	Cumulative gain (loss) recognised
Construction A	Dec. 2013	$ 2,237,039	$ 2,146,199	98%	$ 89,200
Construction B	Dec. 2016	1,241,394	1,280,283	91%	(38,889)
Construction C	July 2015	1,140,429	1,087,969	14%	7,557
Construction D	June 2014	1,093,065	994,918	92%	90,627
Construction E	Dec. 2014	1,012,982	931,561	88%	71,583
Construction F	Dec. 2013	941,452	1,528,827	96%	(587,375)
Construction G	Dec. 2013	621,282	674,470	98%	(53,188)
Construction H	Dec. 2013	591,800	580,999	98%	10,570
Construction I	June 2014	569,115	576,996	39%	(7,881)

(9)Non-current assets held for sale

The subsidiary - Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. signed a real estate sale contract on November 15, 2012 and the transaction was realised in January, 2014. As of September 30, 2014, December 31, 2013 and September 30, 2013, the major types of assets that meet the criteria of disposal groups held for sale are as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Property, plant and equipment			
Buildings and equipment	$ -	$ 55,443	$ 52,106
Machinery	-	1,070	1,023
Miscellaneous equipment	-	2,149	1,861
Other assets			
Land use right	-	-	18,365
Other	-	-	1,522
	$ -	$ 58,662	$ 74,877

(10)Investments accounted for under the equity method

	September 30, 2014	December 31, 2013	September 30, 2013
Tung Pei Industrial Co., Ltd.	$ 1,940,993	$ 1,912,083	$ 1,837,393
Creative Sensor Inc.	409,543	417,133	364,359
Lien Chang Electronic Enterprise Co., Ltd.	560,350	517,660	501,067
Century Development Corporation	1,471,433	1,408,617	1,382,004
Others	764,718	764,018	666,634
	5,147,037	5,019,511	4,751,457
Less: credit balance of long-term investments (gross amount before offset of notes receivable-related parties, accounts receivable-related parties and other receivables-related parties)	(47,454)	(47,090)	(51,072)
	$ 5,099,583	$ 4,972,421	$ 4,700,385

The share of profit/loss of associates and joint ventures accounted for under the equity method for the three-month and nine-month periods ended September 30, 2014 and 2013 are as follows:

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Tung Pei Industrial Co., Ltd.	$ 52,484	$ 38,787
Creative Sensor Inc.	10,403	8,940
Lien Chang Electronic Enterprise Co., Ltd.	27,871	10,300
Century Development Corporation	23,301	21,571
Others	(7,875)	(24,843)
	$ 106,184	$ 54,755

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Tung Pei Industrial Co., Ltd.	$ 146,345	$ 109,719
Creative Sensor Inc.	27,666	14,113
Lien Chang Electronic Enterprise Co., Ltd.	45,410	11,079
Century Development Corporation	75,855	53,591
Others	(45,406)	(69,982)
	$ 249,870	$ 118,520

A. As of September 30, 2014 and 2013, amounts of certain investments accounted for using equity method are based on the subsidiaries' financial statements that were not reviewed by the auditors. Details are provided in Note 4(3).

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

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
September 30, 2014					
Tung Pei Industrial Co., Ltd.	$ 8,575,707	$ 2,343,874	$ 3,741,556	$ 467,612	31.14%
Creative Sensor Inc.	5,175,803	1,642,012	4,248,549	270,849	11.35%
Lien Chang Electronic Enterprise Co., Ltd.	3,140,055	1,484,371	3,112,345	134,174	33.84%
Century Development Corporation	6,747,521	3,174,356	892,237	189,511	39.11%
Others	630,903	419,914	759,729	7,180	
	$ 24,269,989	$ 9,064,527	$ 12,754,416	$ 1,069,326	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
December 31, 2013					
Tung Pei Industrial Co., Ltd.	$ 8,180,086	$ 1,949,953	$ 4,500,396	$ 489,801	31.14%
Creative Sensor Inc.	4,545,850	1,061,641	4,743,841	587,052	11.79%
Lien Chang Electronic Enterprise Co., Ltd.	2,246,631	717,085	2,407,426	127,910	33.84%
Century Development Corporation	6,553,087	3,122,041	664,435	184,156	39.11%
Others	525,593	318,340	206,304	18,598	
	$ 22,051,247	$ 7,169,060	$ 12,522,402	$ 1,407,517	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
September 30, 2013					
Tung Pei Industrial Co., Ltd.	$ 8,053,845	$ 2,152,338	$ 3,322,377	$ 352,408	31.14%
Creative Sensor Inc.	4,814,815	1,551,225	3,467,481	115,285	11.79%
Lien Chang Electronic Enterprise Co., Ltd.	2,480,136	999,618	1,846,895	32,736	33.84%
Century Development Corporation	6,520,471	3,139,558	353,074	120,191	37.80%
Others	1,276,681	1,078,288	204,108	(123,409)	
	$ 23,145,948	$ 8,921,027	$ 9,193,935	$ 497,211	

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

	September 30, 2014	December 31, 2013	September 30, 2013
Lien Chang Electronic Enterprise Co., Ltd.	$ 775,246	$ 664,496	$ 337,879
Creative Sensor Inc.	367,322	321,786	259,099
	$ 1,142,568	$ 986,282	$ 596,978

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

(11)Joint ventures

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

	September 30, 2014	December 31, 2013	September 30, 2013
Assets:			
Current assets	$ 75,914	$ 71,280	$ 78,917
Non-current assets	186,900	203,135	205,410
	262,814	274,415	284,327
Liabilities:			
Current liabilities	137,164	124,104	128,697
Non-current liabilities	-	-	-
	137,164	124,104	128,697
Net assets	$ 125,650	$ 150,311	$ 155,630

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Revenue/income	$ 53,320	$ 65,144
Expenses/losses	(78,191)	(99,377)
Net loss after tax	($ 24,871)	($ 34,233)
Proportionate interest in joint venture's commitments	50%	50%

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

(12)Property, plant and equipment

	Land	Buildings	Machinery equipment	Transportation equipment	Leased assets	Leasehold improvements	Miscellaneous equipment	Rental assets	Total
At January 1, 2014									
Cost	$ 5,757,428	$ 8,204,576	$ 11,737,952	$ 823,820	$ 911,759	$ 527,351	$ 6,987,202	$ 1,126,832	$ 36,076,920
Accumulated depreciation and impairment	(35,000)	(3,915,276)	(9,346,296)	(576,883)	(171,542)	(315,848)	(5,618,849)	(964,639)	(20,944,333)
	$ 5,722,428	$ 4,289,300	$ 2,391,656	$ 246,937	$ 740,217	$ 211,503	$ 1,368,353	$ 162,193	$ 15,132,587
2014									
Opening net book amount	$ 5,722,428	$ 4,289,300	$ 2,391,656	$ 246,937	$ 740,217	$ 211,503	$ 1,368,353	$ 162,193	$ 15,132,587
Additions	295,604	319,938	173,267	23,875	-	19,933	307,489	-	1,140,106
Disposals	(244,681)	(45,450)	(51,068)	(1,708)	-	(2,183)	(29,719)	-	(374,809)
Reclassifications	(68,595)	510,242	(4,157)	-	(716,302)	-	(276)	4,433	(274,655)
Depreciation charge	-	(155,058)	(345,584)	(35,137)	(18,819)	(37,247)	(265,675)	(16,464)	(873,984)
Impairment loss	-	-	(178,715)	-	-	-	(35,413)	-	(214,128)
Net exchange differences	1,390	37,980	10,573	1,342	(5,096)	6,723	(14,962)	-	37,950
Closing net book amount	$ 5,706,146	$ 4,956,952	$ 1,995,972	$ 235,309	$ -	$ 198,729	$ 1,329,797	$ 150,162	$ 14,573,067
At September 30, 2014									
Cost	$ 5,741,146	$ 8,941,688	$ 11,529,748	$ 842,115	$ -	$ 561,491	$ 7,058,951	$ 1,131,024	$ 35,806,163
Accumulated depreciation and impairment	(35,000)	(3,984,736)	(9,533,776)	(606,806)	-	(362,762)	(5,729,154)	(980,862)	(21,233,096)
	$ 5,706,146	$ 4,956,952	$ 1,995,972	$ 235,309	$ -	$ 198,729	$ 1,329,797	$ 150,162	$ 14,573,067

	Land	Buildings	Machinery equipment	Transportation equipment	Leased assets	Leasehold improvements	Miscellaneous equipment	Rental assets	Total
At January 1, 2013									
Cost	$ 5,610,862	$ 7,635,879	$ 11,086,509	$ 667,325	$ 879,321	$ 429,438	$ 6,360,184	$ 788,805	$ 33,458,323
Accumulated depreciation and impairment	(35,000)	(3,635,379)	(8,633,414)	(524,337)	(135,025)	(241,880)	(5,023,546)	(684,802)	(18,913,383)
	$ 5,575,862	$ 4,000,500	$ 2,453,095	$ 142,988	$ 744,296	$ 187,558	$ 1,336,638	$ 104,003	$ 14,544,940
2013									
Opening net book amount	$ 5,575,862	$ 4,000,500	$ 2,453,095	$ 142,988	$ 744,296	$ 187,558	$ 1,336,638	$ 104,003	$ 14,544,940
Additions	-	42,935	218,094	31,328	-	35,651	211,105	-	539,113
Acquired from business combinations	128,194	342,025	102,972	14,967	-	-	21,267	5,763	615,188
Disposals	(123)	(4,925)	(10,239)	(4,871)	-	-	(20,173)	-	(40,331)
Reclassifications	830	211,954	(11,688)	103,123	(13,936)	3,380	22,742	64,410	380,815
Depreciation charge	-	(153,960)	(383,712)	(37,390)	(22,574)	(33,039)	(271,245)	(17,362)	(919,282)
Net exchange differences	17,134	42,445	71,887	3,096	26,714	21,090	38,292	8,556	229,214
Closing net book amount	$ 5,721,897	$ 4,480,974	$ 2,440,409	$ 253,241	$ 734,500	$ 214,640	$ 1,338,626	$ 165,370	$ 15,349,657
At September 30, 2013									
Cost	$ 5,756,897	$ 8,363,552	$ 11,665,152	$ 823,530	$ 895,818	$ 504,622	$ 7,196,905	$ 1,124,023	$ 36,330,499
Accumulated depreciation and impairment	(35,000)	(3,882,578)	(9,224,743)	(570,289)	(161,318)	(289,982)	(5,858,279)	(958,653)	(20,980,842)
	$ 5,721,897	$ 4,480,974	$ 2,440,409	$ 253,241	$ 734,500	$ 214,640	$ 1,338,626	$ 165,370	$ 15,349,657

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:

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Amount capitalised	$ 817	$ 676
Interest rate	0.84%~1.41%	1.12%~1.14%

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

C. The Company has leased land and buildings in Nankang Software Park as offices from Industrial Development Bureau, Ministry of Economic Affairs. As the lease meets the definition of 'Industrial area land lease preferential adjustment measures', the Company can purchase the leased land and buildings, and rental payment made during the lease period can be applied as part of the payment for the selling price. The Company has purchased the aforementioned buildings in the second quarter of 2014 with the total price of $631,721 (less rent paid during the lease period).

D. The Board of Directors of the Company's subsidiary - Tong-An Assets Management & Development Co., Ltd. has resolved to sell lands and buildings in Wugu District to Unity Opto Technology, Ltd.. The Group has therefore recognised gain on disposal of $846,280 (listed as other gains and losses) for the sales price of $1,220,286 (based on appraisal reports), net of the cost of sale and income tax expense.

E. The Company's subsidiary - Qingdao Teco Precision Mechatronics Co., Ltd. has assessed its assets where there is an indication that they are impaired. The Group recognised impairment loss on property, plant and equipment of $199,050 (listed as other gains and losses) in the second quarter of 2014.

F. The Company's subsidiary – Jiangxi Teco Electronic & Machinery Co., Ltd. has negotiated with the lessor during the third quarter of 2014 to pay $617,906 to obtain the ownership of the plant that was originally leased under a finance lease. As of September 30, 2014, the related consideration was fully paid and the Group has reclassified the related leased assets as buildings.

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

(13)Investment property

	Land	Buildings	Total
At January 1, 2014			
Cost	$ 1,227,690	$ 1,899,558	$ 3,127,248
Accumulated depreciation and impairment	-	(828,097)	(828,097)
	$ 1,227,690	$ 1,071,461	$ 2,299,151
2014			
Opening net book amount	$ 1,227,690	$ 1,071,461	$ 2,299,151
Reclassifications	68,595	206,261	274,856
Depreciation charge	-	(37,404)	(37,404)
Net exchange differences	3,763	(9,799)	(6,036)
Closing net book amount	$ 1,300,048	$ 1,230,519	$ 2,530,567
At September 30, 2014			
Cost	$ 1,300,048	$ 2,101,435	$ 3,401,483
Accumulated depreciation and impairment	-	(870,916)	(870,916)
	$ 1,300,048	$ 1,230,519	$ 2,530,567

	Land	Buildings	Total
At January 1, 2013			
Cost	$ 1,223,838	$ 1,992,072	$ 3,215,910
Accumulated depreciation and impairment	-	(1,017,466)	(1,017,466)
	$ 1,223,838	$ 974,606	$ 2,198,444
2013			
Opening net book amount	$ 1,223,838	$ 974,606	$ 2,198,444
Reclassifications	(830)	(26,718)	(27,548)
Depreciation charge	-	(34,106)	(34,106)
Net exchange differences	3,244	1,328	4,572
Closing net book amount	$ 1,226,252	$ 915,110	$ 2,141,362
At September 30, 2013			
Cost	$ 1,226,252	$ 1,723,398	$ 2,949,650
Accumulated depreciation and impairment	-	(808,288)	(808,288)
	$ 1,226,252	$ 915,110	$ 2,141,362

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

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Rental revenue from the lease of the investment property	$ 34,261	$ 20,117
Direct operating expenses arising from the investment property that generated rental income in the period	$ 14,912	$ 11,424
Direct operating expenses arising from the investment property that did not generate rental income in the period	$ -	$ -

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Rental revenue from the lease of the investment property	$ 104,745	$ 86,686
Direct operating expenses arising from the investment property that generated rental income in the period	$ 43,123	$ 34,106
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 Group as at September 30, 2014, December 31, 2013 and September 30, 2013 was $6,101,781, $6,371,329 and $5,617,882 respectively.

(14) Other non-current assets

	September 30, 2014	December 31, 2013	September 30, 2013
Prepayment for equipment	$ 391,339	$ 370,116	$ 315,197
Long-term prepaid rent	568,224	274,495	241,321
Refundable deposits	214,238	193,722	199,674
Deferred expenses	175,151	199,822	230,466
Other assets	88,598	99,392	101,680
	$ 1,437,550	$ 1,137,547	$ 1,088,338

A. The Group signed a land use right contract for the use of land. The Group recognised rental expenses of $1,472, $1,002, $3,478 and $2,699 for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively.

B. The Company's subsidiary – Jiangxi Teco Electronic & Machinery Co., Ltd. has acquired land use right of $284,723 from Nanchang Hi-Tech Industrial Development Zone Administration Commission during the third quarter of 2014. The amortisation period is 50 years.

(15)Short-term borrowings

Type of borrowings	September 30, 2014	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 662,785	1.51%～6.9%	Available-for-sale financial assets, notes receivable, accounts receivable, investments accounted for under the equity method, land, buildings, treasury stocks
Unsecured borrowings	2,110,918	0.95%～6.9%	None
	$ 2,773,703		

Type of borrowings	December 31, 2013	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 429,453	1.66%～6.9%	Available-for-sale financial assets, notes receivable, accounts receivable, investments accounted for under the equity method, land, buildings, treasury stocks
Unsecured borrowings	2,487,161	1.11%～6.9%	None
	$ 2,916,614		

Type of borrowings	September 30, 2013	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 297,173	1.11%～7%	Available-for-sale financial assets, notes receivable, accounts receivable, demand deposit, time deposits, inventories, investments accounted for under the equity method, land, buildings, treasury stocks
Unsecured borrowings	2,427,543	0.95%～7%	None
	$ 2,724,716		

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

Items	September 30, 2014	December 31, 2013	September 30, 2013
Current items:			
Financial liabilities held for Non-hedging derivatives	$ 196	$ 1,476	$ 2,170

A.The Group recognised net gain (loss) of $337, ($1,026), $1,280 and $686 on financial liabilities held for trading for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively.

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

	September 30, 2014		
Nature	Contract period	Contract Amount (Notional Principal)	Fair value
Forward exchange			
BUY USD /SELL JPY	Nov. 10, 2014	JPY 64,990,550	($ 196)

	December 31, 2013		
Nature	Contract period	Contract Amount (Notional Principal)	Fair value
Forward exchange			
SELL EUR /BUY USD	Jan. 29, 2014~Apr. 30, 2014	EUR 6,500,000	($ 1,011)
SELL EUR/BUY TWD	Feb. 25, 2014	EUR 825,000	(152)
BUY JPY/SELL TWD	Feb. 5, 2014~Feb. 27, 2014	JPY 65,995	(313)
			($ 1,476)

	September 30, 2013		
Nature	Contract period	Contract Amount (Notional Principal)	Fair value
Forward exchange			
SELL EUR/BUY USD	Oct. 1, 2013～Nov 29, 2013	EUR 3,000,000	($ 1,126)
BUY USD/SELL TWD	Oct. 4, 2013~Nov. 6, 2013	USD 19,000,000	(1,044)
			($ 2,170)

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

(17)Other payables

	September 30, 2014	December 31, 2013	September 30, 2013
Payable on salary and wages	$ 1,722,820	$ 1,957,858	$ 1,618,820
Payable on employees' bonus	621,859	510,616	505,480
Payable on dealers' bonus commission	256,255	128,944	156,242
Payable on equipment	248,985	218,260	187,228
Payable on directors' and supervisors' remuneration	147,693	168,194	126,684
Others	1,487,584	1,655,445	1,644,727
	$ 4,485,196	$ 4,639,317	$ 4,239,181

(18)Bonds payable

	September 30, 2014	December 31, 2013	September 30, 2013
Issuance of bonds payable	$ 1,457,100	$ 1,457,100	$ 2,048,100
Add: foreign exchange gain, net	23,100	18,600	-
Less: discount on bonds	-	-	(13,722)
	$ 1,480,200	$ 1,475,700	$ 2,034,378

A. Domestic unsecured convertible bonds - 3

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

i. On July 2012, the Company issued 0% coupon, 3-year unsecured convertible bonds (July 12, 2012 - July 12, 2015) 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 occur 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 September 30, 2014, the book value of convertible bonds amounting to $3,000,000 have been converted into common stocks to 142,319,000 shares. 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% of 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.

(19)Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2014
Long-term bank borrowings				
Hua Nan Bank	Borrowing period is from July 16, 2014 to July 16, 2016; due for repayment	1.23%~1.3%	None	$ 380,000
Far Eastern International Bank	Borrowing period is from Apr. 22, 2014 to Apr. 22, 2016; due for repayment	1.3%~1.35%	None	500,000
Bank of Taiwan	Borrowing period is from Nov. 15, 2013 to Nov. 15, 2015; due for repayment	1.33%	None	400,000
Taishin International Bank	Borrowing period is from Oct. 9, 2014 to Oct. 9, 2017; due for repayment	1.35%	None	1,000,000
Guaranteed syndicated loans	Borrowing period is from June 27, 2014 to Dec. 28, 2014; due for repaymentk; Interest is payable monthly; principal is repayable in 4 installments, starting from June 18, 2013	2.997%	Note	490,000
First Commercial Bank, etc.	Borrowing period is from Jan. 2007 to Sep. 2018; due for repayment	1.85%~3.39%	Note	119,736
Industrial Bank of Taiwan, etc.	Borrowing period is from Sep. 2011 to Sep. 2016; due for repayment	1.88%~2.19%	None	19,733
				2,909,469
Less: current portion (listed as other current liabilities)				(531,589)
				2,377,880
Commercial papers payable				
China Bills Finance Corporation	Borrowing period is from Mar. 12, 2014 to Mar. 11, 2016; due for repayment	0.77%~0.83%	None	500,000
International Bills Finance Corporation	Borrowing period is from Apr. 16, 2014 to Apr. 16, 2016; due for repayment	0.9%~0.91%	None	500,000
Mega Bills Finance Corporation	Borrowing period is from Mar. 9, 2014 to Mar. 8, 2016; due for repayment	0.72%~0.78%	None	700,000
Grand Bills Finance Corporation	Borrowing period is from Jan. 15, 2014 to Jan. 14, 2016; due for repayment	0.81%~0.9%	None	390,000
Taiwan Finance Corporation	Borrowing period is from May 27, 2014 to May 26, 2016; due for repayment	0.95%~0.98%	None	200,000
				2,290,000
Less: unamortised discount				(360)
				2,289,640
				$ 4,667,520

Note: Details of the Group’s pledged assets are provided in Note 8.

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2013
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
Guaranteed syndicated loans	Borrowing period is from Dec. 28, 2011 to Dec. 28, 2014; due for repayment	3%	Note	577,500
First Commercial Bank	Borrowing period is from July 17, 2013 to July 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
First Commercial Bank, etc.	Borrowing period is from Jan. 2007 to Sep. 2018; due for repayment	1.85%	Note	98,292
Industrial Bank of Taiwan, etc.	Borrowing period is from Sep. 2011 to Sep. 2016; due for repayment	1.88%~2.19%	None	44,323
First Commercial Bank syndicated loans	Borrowing period is from Dec. 15, 2010 to Dec. 14, 2015; due for repayment	1.417%~1.435%	None	-
				4,070,115
Less: current portion (listed as other current liabilities)				(621,435)
				3,448,680
Commercial papers payable				
China Bills Finance Corporation	Borrowing period is from Mar. 1, 2013 to Feb. 28, 2015; due for repayment	0.72%~0.78%	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	200,000
				1,050,000
Less: unamortised discount				(414)
				1,049,586
				$ 4,498,266

Note: Details of the Group’s pledged assets are provided in Note 8.

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2013
Long-term bank borrowings				
Taiwan Cooperative Bank	Borrowing period is from May 2, 2013 to May 2, 2015; due for repayment	1.231%~1.286%	None	$ 900,000
Mega International Commercial Bank	Borrowing period is from Aug. 18, 2013 to Aug. 17, 2015; due for repayment	1.33%	None	800,000
Hua Nan Bank	Borrowing period is from Aug. 7, 2013 to Aug. 7, 2015; due for repayment	1.22%	None	850,000
Guaranteed syndicated loans	Borrowing period is from December 28, 2011 to December 28, 2014; due for repayment	4.048%	Note	665,000
First Commercial Bank, etc.	Borrowing period is from January 2007 to January 2022; due for repayment	1.85%~3.39%	Note	101,140
Bank of Taiwan	Borrowing period is from Sep. 18, 2012 to Nov. 17, 2014; due for repayment	1.315%~1.32%	None	400,000
Industrial Bank of Taiwan, etc.	Borrowing period is from September 2011 to September 2016; due for repayment.	1.85%~2.1934%	None	58,461
Far Eastern International Bank	Borrowing period is from April 12, 2013 to April 12, 2015; due for repayment	1.35%	None	300,000
				4,074,601
Less: current portion (listed as other current liabilities)				(224,076)
				3,850,525
Commercial papers payable				
China Bills Finance Corporation	Borrowing period is from Mar. 9, 2011 to Mar. 8, 2015; due for repayment	0.95%~0.98%	None	700,000
China Bills Finance Corporation	Borrowing period is from Mar. 1, 2013 to Feb. 28, 2015; due for repayment	0.72%~0.78%	None	500,000
Grand Bills Finance Corporation	Borrowing period is from Jan. 16, 2013 to Jan. 15, 2015; due for repayment	0.81%~0.90%	None	350,000
International Bills Finance Corporation	Borrowing period is from April 15, 2013 to April 15, 2015; due for repayment	0.77%~0.83%	None	500,000
				2,050,000
Less: unamortised discount				(712)
				2,049,288
				$ 5,899,813

Note: Details of the Group's pledged assets are provided in Note 8.

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

B.As of September 30, 2014, December 31, 2013 and September 30, 2013, the Group has undrawn borrowing facilities of $17,494,880, $13,242,886 and $7,544,625, respectively.

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

The Group leases plants under finance lease. Based on the terms of the lease contracts, the Group has the option to obtain free of charge the ownership of a leased plant when the lease expires. Future minimum lease payments and their present values as at September 30, 2014, December 31, 2013 and September 30, 2013 are as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Current	$ -	$ 631,767	$ 97,756
Non-current	-	-	528,010
	$ -	$ 631,767	$ 625,766

The Group has obtained the ownership of the plant from the lessor during the third quarter of 2014. Details are provided in Note 6(12).

(21)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 pension costs under the defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2014 and 2013 were $15,995, $13,539, $48,510 and $44,847, respectively.

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Cost of sales	$ 6,965	$ 5,729
Selling expenses	6,155	4,991
General and administrative expenses	950	1,249
Research and development expenses	1,925	1,570
	$ 15,995	$ 13,539

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Cost of sales	$ 20,544	$ 17,714
Selling expenses	17,744	16,719
General and administrative expenses	4,415	4,636
Research and development expenses	5,807	5,778
	$ 48,510	$ 44,847

(c)Expected contributions to the defined benefit pension plans of the Group within one year from September 30, 2014 amounted to $51,176.

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

(b)The Company's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on 20%~21.5% of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c)Monthly contributions to an independent fund administered by the local pension managing agency are based on a certain percentage of monthly salaries and wages of the Group's other overseas subsidiaries' employees.

(d)The pension costs under the defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2014 and 2013 were $72,009, $62,298, $258,623 and $225,194, respectively.

(22)Share-based payment

A.For the nine-month periods ended September 30, 2014 and 2013, 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 (Note 2):

December 31, 2013					
Grant date	Grant quantity	Contract period	Vesting conditions	Actual turnover rate	Estimated future turnover rate
Dec. 26, 2007	50,000 units (Note 1)	6 years	2 years service	5%	5%

September 30, 2013					
Grant date	Grant quantity	Contract period	Vesting conditions	Actual turnover rate	Estimated future turnover rate
Dec. 26, 2007	50,000 units (Note 1)	6 years	2 years service	3.5%	5%

Note 1: Each unit of stock option can subscribe for 1,000 shares of common stock.

Note 2: The plan matured in December 2013.

The above share-based payment arrangements are all equity settled.

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

	Nine-month period ended September 30, 2014		Nine-month period ended September 30, 2013	
	No. of shares (in thousands)	Weighted-average exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	-	$ -	9,942	$ 12.10
Options granted	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	(0.40)
Options forfeited	-	-	(768)	-
Options exercised	-	-	(6,903)	-
Options outstanding at end of the period	-	$ -	2,271	$ 11.70
Options exercisable at end of the period	-		2,271	
Options authorized but not granted at end of the period	-		-	
Options revoked	-		-	

C.The weighted-average stock price of stock options at exercise dates for the nine-month periods ended September 30, 2014 and 2013 were both $25.40 (in dollars).

D. As of December 31, 2013 and September 30, 2013, the exercise prices of stock options outstanding were both $11.7 (in dollars).

E.Share-based payment transactions of Wonda Link Inc.:

(a)For the nine-month periods ended September 30, 2014 and 2013, the company's share-based payment arrangements were as follows:

September 30, 2014

Grant date	Grant quantity	Contract period	Vesting conditions	Actual turnover rate	Estimated future turnover rate
July 1, 2013	508,000 units	3 years	Note 3	10.05%	0%

December 31, 2013

Grant date	Grant quantity	Contract period	Vesting conditions	Actual turnover rate	Estimated future turnover rate
July 1, 2013	508,000 units	3 years	Note 3	10.05%	0%

Note 3：Employees can exercise 50% of shares starting from 6 months from the date the employee stock options were granted, and 100% of shares after 1 year from the date of grant.

(b) Details of the share-based payment arrangements are as follows:

	Nine-month period ended September 30, 2014		Nine-month period ended September 30, 2013	
	No. of shares (in thousands)	Weighted-average exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
Options granted	508	$ 10.00	-	$ -
Distribution of stock dividends/ adjustments for number of shares granted for one unit of option	-	-	-	-
Options forfeited	-	-	-	-
Options exercised	-	-	-	-
Options outstanding at end of the period	508	$ 10.00	-	$ -
Options exercisable at end of the period	-		-	
Options authorized but not granted at end of the period	-		-	
Options revoked	-		-	

(23)Share capital

A. As of September 30, 2014, the Company's authorised capital was $30,305,500, consisting of 3,030,550 thousand shares of ordinary stock, including 50 million shares reserved for employee stock options, and the paid-in capital was $20,026,929 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
At January 1	$ 19,646,374	$ 18,471,209
Employee stock options exercised	48,720	69,030
Convertible bonds exercised	331,835	396,557
At September 30	$ 20,026,929	$ 18,936,796

B. On December 17, 1996, the Board of Directors of the Company adopted a resolution that allows certain stockholders to issue 5,540 thousand units of global depository receipts (GDRs), represented by 55,399 thousand shares of common stock. A unit of GDR represents 10 shares of common stock. After obtaining approval from SFB, these GDRs were listed on the Securities Exchange of London, with total proceeds of US$107,644,000. The issuance of

GDRs were presented by issuing common shares, therefore, there is about 7% dilutive effect on the common shares' equity. The main terms and conditions of the GDRs are as follows:

(a)Voting rights

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

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

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

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

GDR holders own the same rights as common shareholders.

(d)There were 515 thousand units of GDRs outstanding, representing 5,157 thousand common shares as of September 30, 2014.

C.All of the shares of the Company held by the Company's subsidiaries—Tong-An Investment Co., Ltd. and An-Tai International Investment Co., Ltd. were bought in or before 2000 for the purpose of general investment. After a regulation of the Company Act was amended in 2000 wherein the shares of the holding company shall not be purchased nor be accepted as a security as pledge by its subsidiary, the two subsidiaries did not acquire additional shares of the Company. In addition, Top-Tower Enterprises Co., Ltd. also held the Company's shares before the Company obtained control of Top-Tower Enterprises Co., Ltd. in August, 2013, and did not acquire additional shares of the Company again after the Company obtained its control. As of September 30, 2014, December 31, 2013 and September 30, 2013, book value of the shares of the Company held by the three subsidiaries amounted to $321,563.

Details are as follows:

	September 30, 2014		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	$ 14.92	$ 31.25
An-Tai International Investment Co., Ltd.	2,826	10.37	31.25
Top-Tower Enterprises Co., Ltd.	77	9.37	31.25
	22,443		

	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
	22,443		

	September 30, 2013		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	$ 14.92	$ 31.30
An-Tai International Investment Co., Ltd.	2,826	10.37	31.30
Top-Tower Enterprises Co., Ltd.	77	9.37	31.30
	$ 22,443		

(24)Capital surplus

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

(25)Retained earnings and legal reserve

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

(a)Payment of taxes and duties.

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

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

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

(e)After deducting items (a) to (d), appropriating 1%~5% of remaining earnings as directors' and supervisors' compensation.

(f)After deducting items (a) to (d), appropriating 1%~10% of remaining earnings as employees' bonuses.

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

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

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

The Company's operating environment is in the stable growth stage. However, investee companies are still in the growth stage. In view of the future plant expansion and investment plans, the appropriations of earnings are based on the distributable earnings and appropriate principally 80% to shareholders as dividends. The proportion of above shareholders dividends 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 $85,324, $87,306 $273,000 and $238,174, and the estimated directors' and supervisors' remuneration was $37,922, $73,621, $121,334 and $105,855, for the three-month and nine-month periods ended September 30, 2014 and 2013, 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 as stipulated by the Company's Articles of Incorporation. Employees' bonus and directors' and supervisors' remuneration for 2012 as resolved by the stockholders were in agreement with those amounts recognised 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.The appropriations of the 2013 and 2012 net income was resolved by the stockholders on June 23, 2014 and June 21, 2013 as follows:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	$ 375,987		$ 296,470	
Cash dividends	2,202,962	$ 1.1	1,922,095	$ 1

(26)Other equity items

	Available-for-sale investment	Currency translation	Total
At January 1, 2014	($ 629,353)	($ 312,141)	($ 941,494)
Unrealised gains and losses on financial assets:			
–Group	1,886,517	-	1,886,517
–Associates	(4,576)	-	(4,576)
Currency translation differences:			
–Group	-	182,694	182,694
At September 30, 2014	$ 1,252,588	($ 129,447)	$ 1,123,141

	Available-for-sale investment	Currency translation	Total
At January 1, 2013	($ 1,279,753)	($ 366,207)	($ 1,645,960)
Unrealised gains and losses on financial assets:			
–Group	177,584	-	177,584
–Associates	697	-	697
Currency translation differences:			
–Group	-	34,260	34,260
–Associates	-	(5,834)	(5,834)
At September 30, 2013	($ 1,101,472)	($ 337,781)	($ 1,439,253)

(27)Operating revenue

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Sales reveue	$ 11,255,841	$ 11,325,891
Service revenue	1,415,378	2,175,338
Construction contract revenue	882,313	1,091,388
Net securities trading revenue (loss)	(103,752)	(29,943)
	$ 13,449,780	$ 14,562,674

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Sales revenue	$ 34,453,307	$ 34,833,609
Service revenue	4,391,777	5,127,822
Construction contract revenue	2,312,075	2,807,097
Net securities trading revenue (loss)	67,131	82,548
	$ 41,224,290	$ 42,851,076

(28)Other income

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Rental revenue	$ 45,211	$ 33,661
Dividend income	283,943	218,698
Interest income:		
Interest income from bank deposits	31,801	34,153
Other interest income	263	566
Other non-operating income	54,044	16,094
	$ 415,262	$ 303,172

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Rental revenue	$ 118,187	$ 100,338
Dividend income	385,227	311,161
Interest income:		
Interest income from bank deposits	115,702	74,206
Other interest income	682	985
Other non-operating income	146,587	101,564
	$ 766,385	$ 588,254

(29)Other gains and losses

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Net gain (loss) on financial liabilities at fair value through profit or loss	$ 337	($ 1,026)
Net gain (loss) on financial assets at fair value through profit or loss	31,389	(5,546)
Net currency exchange loss	(54,910)	(45,840)
Gain (loss) on disposal of property, plant and equipment	(11,341)	4,003
Loss on disposal of investments	(8,337)	(48,007)
Impairment loss	(15,078)	
Non-operating expenses	(70,809)	(4,731)
	($ 128,749)	($ 101,147)

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Net gain on financial liabilities at fair value through profit or loss	$ 1,280	$ 686
Net gain on financial assets at fair value through profit or loss	33,751	21,684
Net currency exchange loss	(12,512)	(49,751)
Gain (loss) on disposal of property, plant and equipment	798,117	(2,876)
Gain (loss) on disposal of investments	(7,668)	262,583
Impairment loss	(218,128)	-
Non-operating expenses	(301,484)	(171,874)
	$ 293,356	$ 60,452

(30)Finance costs

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Interest expense:		
Bank borrowings	$ 55,259	$ 60,732
Less: capitalisation of qualifying assets	(309)	(194)
	54,950	60,538
Finance expenses	3,593	4,848
Finance costs	$ 58,543	$ 65,386

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Interest expense:		
Bank borrowings	$ 168,960	$ 178,426
Less: capitalisation of qualifying assets	(817)	(676)
	168,143	177,750
Financial expenses	11,453	13,411
Finance costs	$ 179,596	$ 191,161

(31)Expenses by nature

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Employee benefit expense	$ 2,472,582	$ 2,450,844
Depreciation charges on property, plant and equipment	252,161	337,297
Amortisation charges on intangible assets	24,338	38,454
	$ 2,749,081	$ 2,826,595

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Employee benefit expense	$ 7,483,976	$ 7,134,055
Depreciation charges on property, plant and equipment	911,388	953,388
Amortisation charges on intangible assets	71,932	111,625
	$ 8,467,296	$ 8,199,068

(32)Employee benefit expense

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Wages and salaries	$ 2,029,781	$ 2,018,225
Employees' bonus	66,614	140,571
Labor and health insurance fees	215,636	141,963
Pension costs	88,004	75,837
Other personnel expenses	72,547	74,248
	$ 2,472,582	$ 2,450,844

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Wages and salaries	$ 6,051,262	$ 5,872,481
Employees' bonus	308,448	291,439
Labor and health insurance fees	581,811	489,171
Pension costs	307,133	270,041
Other personnel expenses	235,322	210,923
	$ 7,483,976	$ 7,134,055

(33)Income tax

A.Income tax expense

(a)Components of income tax expense:

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Current tax:		
Current tax on profits for the period	$ 150,282	$ 338,103
Adjustments in respect of prior years	(11,398)	-
Total current tax	138,884	338,103
Deferred tax:		
Origination and reversal of temporary differences	154,476	(125,602)
Income tax expense	$ 293,360	$ 212,501

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Current tax:		
Current tax on profits for the period	$ 727,997	$ 893,264
Adjustments in respect of prior years	3,769	3,753
Total current tax	731,766	897,017
Deferred tax:		
Origination and reversal of temporary differences	370,009	85,543
Income tax expense	$ 1,101,775	$ 982,560

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

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Currency translation differences	($ 14,452)	$ 23,990

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Currency translation differences	($ 18,621)	($ 5,331)

B.As of September 30, 2014, the Company and its subsidiaries' income tax returns through 2012 have been assessed and approved by the Tax Authority.

C.Unappropriated retained earnings:

	September 30, 2014	December 31, 2013	September 30, 2013
Earnings generated in and before 1997	$ 684,024	$ 684,024	$ 684,024
Earnings generated in and after 1998	8,341,572	7,554,909	6,691,449
	$ 9,025,596	$ 8,238,933	$ 7,375,473

D.As of September 30, 2014, December 31, 2013 and September 30, 2013, the balance of the imputation tax credit account was $586,343, $483,021 and $438,410, respectively. The creditable tax rate was 9.53% for 2013 and is estimated to be 9.07% for 2014.

(34)Earnings per share

	Three-month period ended September 30, 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,034,208	1,965,616	$ 0.53
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	8,736	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,034,208	1,974,352	$ 0.52

	Three-month period ended September 30, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,038,580	1,848,059	$ 0.56
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	1,315	
Employees' bonus	-	7,609	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,038,580	1,856,983	$ 0.55

	Nine-month period ended September 30, 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,365,612	1,965,616	$ 1.71
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	8,736	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,365,612	1,974,352	$ 1.70

	Nine-month period ended September 30, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 2,897,475	1,848,059	$ 1.57
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	1,315	
Employees' bonus	-	7,609	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 2,897,475	1,856,983	$ 1.56

(35)Business combinations

A.(a)During the period of January to April, 2012, the Group acquired 17.99% of the share capital of Kuen Ling Machinery Refrigerating Co., Ltd. (Kuen Ling) for $249,606. Including the original 2.17% of share capital held by the Group in previous year, the Group's stock ownership in Kuen Ling was 20.16%. The extraordinary shareholders' meeting was convened by Kuen Ling to elect directors on April 8, 2013. The Group owns over half of the board seats of Kuen Ling and has control power over the company. As of

September 30, 2014, as the holders of convertible corporate bonds issued by Kuen Ling have exercised the conversion right to issue new stocks, the Company held 19.98% stockholding of Kuen Ling's common stock. Therefore, Kuen Ling was included in the consolidated financial statements effective on that day.

(b)The following table summarizes the consideration paid for Kuen Ling and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in Kuen Ling:

		April 8, 2013
Purchase consideration		
Cash paid	$	249,606
Fair value of interest in Kuen Ling on the acquisition date that had been owned prior to the acquisition		33,831
Fair value of the non-controlling interest		1,002,748
		1,286,185
Fair value of the identifiable assets acquired and liabilities assumed		
Cash		361,795
Notes and accounts receivable		483,090
Inventories		352,743
Other current assets		59,623
Financial assets carried at cost		24,703
Property, plant and equipment		587,592
Other non-current assets		95,546
Bank borrowings	(	238,305)
Notes and accounts payable	(	205,246)
Other current liabilities	(	266,937)
Other non-current liabilities	(	76,218)
Total identifiable net assets		1,178,386
Goodwill (listed as Intangible assets)	$	107,799

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

(d)Had Kuen Ling been consolidated from January 1, 2013, the consolidated statement of comprehensive income would show operating revenue of $43,229,249 and profit before income tax of $4,158,461.

B.(a)The Group acquired 40% of the share capital of Top-Tower Enterprises Co., Ltd. (Top-Tower) for $26,000 in August 2013, and then half of the board seats in Top-Tower's Board of Directors were elected and assigned the general manager of Top-Tower. Thus, the Group obtained the control of Top-Tower. Top-Tower conducts manufacturing of motors in Taiwan. The Group expects the acquisition can strengthen its position in the market, further expanding the scale of the Group's marketing.

(b)The following table summarizes the consideration paid for Top-Tower and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in Top-Tower:

	August 31, 2013
Purchase consideration-cash	$ 26,000
Fair value of the non-controlling interest	39,000
	65,000
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	6,498
Available-for-sale financial assets	1,822
Notes and accounts receivable	116,124
Inventories	32,658
Other current assets	2,820
Property, plant and equipment	32,090
Other non-current assets	6,510
Notes and accounts payable	(120,422)
Other current liabilities	(8,421)
Other non-current liabilities	(4,679)
Total identifiable net assets	65,000
Differences	$ -

(36)Non-cash transaction

A.Investing activities with partial cash payments:

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Acquisition of property, plant and equipment	$ 1,140,106	$ 539,113
Add:		
Payables at beginning of the period	218,260	299,844
Rent payable at beginning of the period	631,767	602,097
Less:		
Payables at end of the period	(248,985)	(187,228)
Rent payable at end of the period	-	(625,766)
Cash paid	$ 1,741,148	$ 628,060

B.The book value of the assets and liabilities of the consolidated subsidiaries for the period is as follows:

	September 30, 2014	September 30, 2013
Cash and cash equivalents	$ -	$ 368,293
Other current assets	-	1,048,880
Available-for-sale financial assets – non-current	-	24,703
Property, plant and equipment	-	619,682
Other assets	-	96,196
Other current liabilities	-	(943,074)
Other liabilities	-	(79,755)
Non-controlling interest	-	(117,889)
	$ -	$ 1,017,036
Proceeds from acquisition of subsidiaries	$ -	$ 322,003
Cash balance of subsidiaries	-	(368,293)
Net cash effect of consolidated subsidiaries	$ -	($ 46,290)

7. RELATED PARTY TRANSACTIONS

(1)Significant related party transactions and balances

A.Sales revenue:

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Sales of goods:		
Associates	$ 168,131	$ 166,311
Other related parties	301,072	280,436
	$ 469,203	$ 446,747

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Sales of goods:		
Associates	$ 569,784	$ 564,955
Other related parties	916,120	1,186,968
	$ 1,485,904	$ 1,751,923

The sales terms, including pricing and collection, were negotiated in consideration of cost, market, competitors and other factors.

B.Purchases:

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Purchases of goods:		
Associates	$ 81,901	$ 68,524
Other related parties	4,094	2,191
	$ 85,995	$ 70,715

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Purchases of goods:		
Associates	$ 232,327	$ 349,359
Other related parties	13,253	6,879
	$ 245,580	$ 356,238

Goods and services are purchased from associates and other related parties on normal commercial terms and conditions.

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

C.Receivables from related parties:

		September 30, 2014		December 31, 2013		September 30, 2013
Receivables from related parties:						
Associates	$	464,778	$	311,706	$	542,285
Other related parties		253,149		324,039		352,969
		717,927		635,745		895,254
Less: recorded as other receivables	(	35,546)	(	21,254)	(	12,509)
	$	682,381	$	614,491	$	882,745

(a) The receivables from related parties arise mainly from sale transactions. The receivables are due 30 to 90 days after the date of sale, unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

(b) The aforementioned accounts receivable that were past due were $35,546, $21,254 and $12,509 as of September 30, 2014, December 31, 2013 and September 30, 2013, respectively. The ageing of the past due accounts receivable is beyond 90 days.

D.Payables to related parties:

		September 30, 2014		December 31, 2013		September 30, 2013
Payables to related parties:						
Associates	$	111,867	$	95,543	$	144,329
Other related parties		808		790		856
	$	112,675	$	96,333	$	145,185

The payables to related parties arise mainly from purchase transactions and are due 180 days after the date of purchase. The payables bear no interest.

E.Loans to related parties:

(a)Receivables from related parties

		September 30, 2014		December 31, 2013		September 30, 2013
Associates	$	33,500	$	33,500	$	33,500

(b)Interest income

		Three-month period ended September 30, 2014		Three-month period ended September 30, 2013
Associates	$	209	$	209

		Nine-month period ended September 30, 2014		Nine-month period ended September 30, 2013
Associates	$	628	$	628

The loans to associates are payable monthly over 2 years and carry interest at 2.5% per annum for the three-month and nine-month periods ended September 30, 2014 and 2013, respectively.

F.Other receivables:

(a)Transfer of accounts receivable that were past due

	September 30, 2014	December 31, 2013	September 30, 2013
Other related parties	$ 35,546	$ 21,254	$ 12,509

(b)Other

	September 30, 2014	December 31, 2013	September 30, 2013
Associates	$ 359,040	$ 342,616	$ 336,971
Other related parties	4,130	-	-
	$ 363,170	$ 342,616	$ 336,971

The above represents other receivables for rental.

G.Endorsements and guarantees provided to related parties:

	September 30, 2014	December 31, 2013	September 30, 2013
Associates	$ 223,314	$ 98,679	$ 203,016

(2)Key management compensation

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Salaries and other short-term employee benefits	$ 141,067	$ 101,751
Post-employment benefits	775	1,051
	$ 141,842	$ 102,802

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Salaries and other short-term employee benefits	$ 398,224	$ 305,671
Post-employment benefits	2,115	2,087
Other long-term benefits	-	6
	$ 400,339	$ 307,764

8. PLEDGED ASSETS

Pledged asset	Book value September 30, 2014	Book value December 31, 2013	Purpose
Available-for-sale financial assets-current			
Innolux Corporation	$ 13,747	$ 14,844	Commercial papers payable and short-term loans
Notes receivable	41,780	13,507	Short-term loans
Accounts receivable	925,735	985,889	Short-term loans
Inventories	515,715	623,446	Short-term loans
Other financial assets-current			
Demand deposits	189,867	166,974	Merchandise loans, provisional seizure guarantee of compensation, short-term loans, exercise guarantee for construction, warranty margin, engineering bond, and tariff guarantee
Time deposits	73,628	64,950	Short-term loans, engineering guarantees, customs security deposit, warranty margin and exercise guarantee for construction
Certificate of deposits	1,000	6,626	Exercise guarantee for construction
Available-for-sale financial assets-non-current Teco Image System Co., Ltd.	17,580	16,440	Commercial papers payable and short-term loans
Far Eastone Telecommunications Co., Ltd.	174,900	196,500	Commercial papers payable and short-term loans
Innolux Corporation	28,605	24,689	Long-term loans
Taiwan High Speed Rail Corporation	173,982	220,620	Long-term loans

Pledged asset	Book value September 30, 2014	Book value December 31, 2013	Purpose
Investments accounted for under the equity method			
Creative Sensor Inc.	$ 141,864	$ 146,029	Short-term loans
Century Development Corporation	98,651	94,462	Short-term loans
Property, plant, and equipment			
Land	154,169	137,268	Long-term loans, short-term loans
Buildings	406,905	404,912	Long-term loans, short-term loans
Other non-current assets			
Refundable deposits	59,506	64,455	Exercise guarantee for construction and customs security deposit and warranty margin
Restricted assets	294	5,967	False compensation seizure guarantee, sinking fund
Long-term prepaid rents	18,054	18,100	Short-term loans, long-term loans and endorsements and guarantees to others
Treasury stock	247,091	247,091	Short-term loans and Quality assurance for product sales
	$ 3,283,073	$ 3,452,769	

Pledged asset	Book value September 30, 2013		Purpose
Available-for-sale financial assets-current			
Innolux Corporation	$	14,844	Commercial papers payable and short-term loans
Notes receivable		13,507	Short-term loans
Accounts receivable		1,063,021	Short-term loans
Inventories		447,770	Short-term loans
Other financial assets-current			
Demand deposits		64,442	Merchandise loans, provisional seizure guarantee of compensation, short-term loans, exercise guarantee for construction, warranty margin, engineering bond, and tariff guarantee
Time deposits		234,123	Long-and short-term loans, engineering guarantees, customs security deposit, warranty margin and exercise guarantee for construction
Certificate of deposits		6,626	Exercise guarantee for construction
Available-for-sale financial assets-non-current			
Teco Image System Co., Ltd.		11,760	Commercial papers payable and short-term loans
Far Eastone Telecommunications Co.,		221,100	Commercial papers payable and short-term loans
Innolux Corporation		30,889	Long-term loans
Taiwan High Speed Rail Corporation		224,676	Long-term loans
Investments accounted for under the equity method			
Creative Sensor Inc.		96,245	Short-term loans
Century Development		91,699	Short-term loans
Property, plant, and equipment			
Land		134,906	Long-term loans, short-term loans
Buildings		408,613	Long-term loans, short-term loans
Other non-current assets			
Refundable deposits		29,818	Exercise guarantee for construction and customs security deposit and warranty
Restricted assets		19,753	False compensation seizure guarantee
Long-term prepaid rents		18,061	Short-term loans, long-term loans and endorsements and guarantees to others
Treasury stock		247,091	Short-term loans and quality assurance for product sales
	$	3,378,944	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1)Contingencies

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

(2)Commitments

A.Capital commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Property, plant and equipment	$ 79,298	$ 154,299	$ 276,607

B.Operating lease commitments

The Company leases offices, factory and warehouse under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Not later than one year	$ 256,382	$ 319,914	$ 322,895
Later than one year but not later than five years	745,455	901,964	701,974
	$ 1,001,837	$ 1,221,878	$ 1,024,869

C.As of September 30, 2014, the outstanding usance L/C used for acquiring raw materials and equipment was $686,800.

D.On September 30, 2011, the Company's subsidiary—Tecom Co., Ltd. (Tecom) applied with the court for a provisional seizure on the property of PointRed Limited ("PointRed") within a limit of $30,000, because PointRed failed to fulfill the payment for its purchase of radio frequency remote equipment from Tecom. Subsequently, the application was approved by the court. In addition, Tecom filed a lawsuit on December 19, 2011 requesting for a compensation of US$7,238,270 from PointRed for this case. However, the compensation had been revised to US$5,637,909 after the court had formulated the issues, and both the plaintiff and defendant had presented their evidences. As of November 14, 2014, these two cases are still pending in court.

E.The Company's subsidiary—Tecom International had filed a lawsuit against Vee Telecom Multimedia Co., Ltd. ("Vee Telecom") with the Taiwan Taoyuan District Court on July 26, 2012 for Vee Telecom's failure to fulfill a purchase contract and a supplement contract by paying the last payment of $16,352 to Tecom International for the sale of VMAX Telecom Inc.. As of November 14, 2014, the above case is still pending in court.

F.Vee Telecom had also filed a lawsuit against the Company's subsidiary—Tecom Co., Ltd.

(Tecom) with the Taiwan Taoyuan District Court on July 10, 2013 alleging that Tecom International failed to fulfill a purchase contract on shares of Vmax Telecom Co., Ltd. and request for a compensation of $3,674. As of November 14, 2014, the case is still pending in court.

G. In August, 2012, Rullingnet Corporation Limited ("Rullingnet") filed a lawsuit against Tecom with the court requesting for termination of all the purchase contracts of certain products signed with Tecom and a compensation of $50,492, since the products it commissioned Tecom to design and manufacture were defective and Tecom did not fulfill its obligations to fix the defects. As of November 14, 2014, this case is still pending in court.

H. On September 12, 2012, the Company's indirect subsidiary—Baycom Opto-Electronics Technology Company Limited received a notice from Taiwan Hsinchu District Court regarding a claim by UPC Cablecom Holdings GmbH for selling defective optical fiber from the Swedish Supplies Windsor Co., Ltd. on September 29, 2000. The court has judged this case as 'format problem' on January 14, 2014 and appointed experts from Yen Tjing Ling Industrial Research Institute to give opinion. On June 30, 2014, Taiwan Hsinchu District Court has ruled that Baycom Opto-Electronics Technology Company Limited won the case. However, UPC Cablecom Holdings GmbH disagreed with the verdict and filed an appeal on July 22, 2014.

I. Intel Capital Corporation ("Intel") has acquired the amount of $386 million of Vmax Telecom Co., Ltd. ("Vmax Telecom") when Vmax Telecom increased its capital. Vmax Telecom, VIBO Telecom Inc. and Tecom International have signed investment agreement that under certain circumstances, Intel has to dispose its shares in Vmax Telecom, or acquire back shares when Vmax Telecom dissolves. If Intel cannot compensate the loss incurred when disposing shares, contracting companies including Tecom International shall be liable jointly and severally for the loss. Furthermore, Vee Telecom Multimedia Co., Ltd. ("Vee Telecom") plans to acquire Vmax Telecom, and in accordance with the co-sale in the investment agreement, Tecom International has signed a share transfer contract with Vee Telecom to sell all its shares in Vmax Telecom in September 2011, and has signed a supplementary agreement to have Vee Telecom to complete the acquisition of Intel's shareholding in February 2012. Intel has also a share transfer contract with Vee Telecom in October 2011. However, Vee Telecom did not complete the acquisition. In accordance with the contract, VIBO Telecom Inc.'s appointed lawyers have sent out letters to summon Vee Telecom to perform its duty and Intel shall actively negotiate with Vee Telecom to complete the abovementioned transactions. If Intel claimed for compensation from Tecom International in accordance with investment agreement, Tecom International could ask Vee Telecom for the compensation according to the supplementary agreement. As of November 14, 2014, as the above cases were not filed under formal legal procedures, the Company could not reasonably assess the impact to Tecom International's financial position and operations.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A.Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, bond investments without active market, notes receivable, accounts receivable, other receivables, short-term loans, 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).

	September 30, 2014	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	$ 15,844,900	$ 15,844,900
Investments in bonds without active markets	119,641	119,641
Notes receivable	1,134,362	1,134,362
Accounts receivable	9,418,308	9,418,308
Other receivables	655,644	655,644
	$ 27,172,855	$ 27,172,855

	December 31, 2013	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	$ 14,908,571	$ 14,908,571
Investments in bonds without active markets	106,630	106,630
Notes receivable	1,163,201	1,163,201
Accounts receivable	9,270,849	9,270,849
Other receivables	600,411	600,411
	$ 26,049,662	$ 26,049,662

	September 30, 2013	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	$ 14,356,932	$ 14,356,932
Investments in bonds without active markets	146,830	146,830
Notes receivable	1,184,154	1,184,154
Accounts receivable	9,529,752	9,529,752
Other receivables	621,449	621,449
	$ 25,839,117	$ 25,839,117

	September 30, 2014	
	Book value	Fair value
Financial liabilities:		
Short-term borrowings	$ 2,773,703	$ 2,773,703
Notes payable	198,640	198,640
Accounts payable	8,251,949	8,251,949
Other payables	4,485,196	4,485,196
Bonds payable	1,480,200	1,480,200
Long-term borrowings (including current portion)	5,199,109	5,199,109
	$ 22,388,797	$ 22,388,797

	December 31, 2013	
	Book value	Fair value
Financial liabilities:		
Short-term borrowings	$ 2,916,614	$ 2,916,614
Notes payable	369,795	369,795
Accounts payable	7,637,974	7,637,974
Other payables	4,639,317	4,639,317
Bonds payable	1,475,700	1,475,700
Long-term borrowings (including current portion)	5,119,701	5,119,701
	$ 22,159,101	$ 22,159,101

	September 30, 2013	
	Book value	Fair value
Financial liabilities:		
Short-term borrowings	$ 2,724,716	$ 2,724,716
Notes payable	189,712	189,712
Accounts payable	8,480,707	8,480,707
Other payables	4,239,181	4,239,181
Bonds payable	2,034,378	2,034,378
Long-term borrowings (including current portion)	6,123,889	6,123,889
	$ 23,792,583	$ 23,792,583

B.Financial risk management policies

(a)The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(16)).

(b)Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C.Significant financial risks and degrees of financial risks

(a)Market risk

Foreign exchange risk

i.The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii.Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii.The Group uses forward exchange contracts / forward exchange traded derivatives transactions that hedge the recognised foreign asset or liability due to exchange rate fluctuations.

iv.The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
		September 30, 2014			Sensitivity Analysis		
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD:NTD	USD	107,103	30.4200	$ 3,258,073	1%	$ 32,581	$ -
USD:RMB	USD	44,707	6.1654	1,359,987	1%	13,600	-
CAD:USD	CAD	22,128	0.8971	603,873	1%	6,039	-
RMB:NTD	RMB	106,821	4.9340	527,055	1%	5,271	-
EUR:NTD	EUR	12,073	38.5900	465,897	1%	4,659	-
USD:SGD	USD	10,156	1.2728	308,946	1%	3,089	-
JPY:NTD	JPY	1,037,849	0.2780	288,552	1%	2,886	-
EUR:USD	EUR	7,177	1.2686	276,960	1%	2,770	-
RMB:USD	RMB	45,297	0.1622	223,495	1%	2,235	-
Non-monetary items							
USD:NTD	USD	584,924	30.4200	17,793,388			
SGD:NTD	SGD	114,858	23.9000	2,745,106			
VND:NTD	VND	99,191,591	0.0014	138,868			
MYR:NTD	MYR	14,089	9.2813	130,764			
Financial liabilities							
Monetary items							
USD:NTD	USD	84,530	30.4200	2,571,403	1%	25,714	-
USD:RMB	USD	10,500	6.1654	319,410	1%	3,194	-
USD:NTD	USD	9,120	38.5900	351,941	1%	3,519	-
EUR:SGD	EUR	6,876	1.2728	265,345	1%	2,653	-

		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
		December 31, 2013			Sensitivity Analysis		
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD:NTD	USD	176,406	29.8050	$ 5,257,791	1%	$ 52,578	$ -
USD:RMB	USD	49,587	6.0592	1,477,927	1%	14,779	-
CAD:USD	CAD	7,910	0.9398	221,570	1%	2,216	-
RMB:NTD	RMB	346,348	4.9190	1,703,684	1%	17,037	-
EUR:NTD	EUR	17,075	41.0900	701,610	1%	7,016	-
USD:SGD	USD	12,380	1.2640	368,992	1%	3,690	-
JPY:NTD	JPY	1,555,003	0.2839	441,465	1%	4,415	-
EUR:USD	EUR	7,128	1.3786	292,905	1%	2,929	-
RMB:USD	RMB	12,046	0.1650	59,256	1%	593	-
Non-monetary items							
USD:NTD	USD	520,159	29.8050	15,503,339			
SGD:NTD	SGD	102,837	23.5800	2,424,896			
VND:NTD	VND	100,651,302	0.0014	140,912			
MYR:NTD	MYR	12,577	9.0899	114,324			
Financial liabilities							
Monetary items							
USD:NTD	USD	56,641	29.8050	1,688,174	1%	16,882	-
USD:RMB	USD	29,049	6.0592	865,807	1%	8,658	-
EUR:NTD	EUR	1	41.09	42	1%	-	-
USD:SGD	USD	10,716	1.2640	319,396	1%	3,194	-

(Foreign currency: functional currency)		Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or Loss	Effect on other comprehensive income
		September 30, 2013			Sensitivity Analysis		
Financial assets							
Monetary items							
USD:NTD	USD	110,882	29.5700	$ 3,278,768	1%	$ 32,788	$ -
USD:RMB	USD	21,700	6.1184	641,655	1%	6,417	-
CAD:USD	CAD	8,778	0.9699	251,744	1%	2,517	-
RMB:NTD	RMB	41,445	4.8330	1,745,755	1%	17,458	-
EUR:NTD	EUR	12,186	39.9200	486,462	1%	4,865	-
USD:SGD	USD	10,386	1.2562	307,118	1%	3,071	-
JPY:NTD	JPY	1,505,411	0.3021	454,785	1%	4,548	-
EUR:USD	EUR	2	1.3500	84	1%	1	-
RMB:USD	RMB	4,037	0.1634	19,512	1%	195	-
Non-monetary items							
USD:NTD	USD	512,365	29.5700	15,150,620			
SGD:NTD	SGD	99,985	23.5400	2,353,651			
VND:NTD	VND	101,346,610	0.0014	141,885			
MYR:NTD	MYR	12,711	9.0816	115,433			
Financial liabilities							
Monetary items							
USD:NTD	USD	81,085	29.5700	2,397,689	1%	23,977	-
USD:RMB	USD	26,566	6.1184	785,557	1%	7,856	-
EUR:NTD	EUR	21,837	39.9200	871,721	1%	8,717	-
USD:SGD	USD	12,807	1.2562	378,707	1%	3,787	-

Price risk

i.The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii.The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the nine-month periods ended September 30, 2014 and 2013 would have increased/decreased by $20,167 and $15,658, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $674,754 and $574,678 as of September 30, 2014 and 2013, respectively a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

i.The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is floating rate. During the nine-month periods ended September 30, 2014 and 2013, the Group's borrowings at variable rates were denominated in the NTD, USD and RMB.

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

iii.At September 30, 2014 and 2013, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, post-tax profit for the nine-month periods ended September 30, 2014 and 2013 would have been $11,580 and $13,422 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b)Credit risk

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

ii.No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii.The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6(6).

(c)Liquidity risk

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

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

Non-derivative financial liabilities:

September 30, 2014	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 2,773,703	$ -	$ -	$ -	$ -
Notes payable	198,640	-	-	-	-
Accounts payable	8,251,949	-	-	-	-
Other payables	4,485,196	-	-	-	-
Bonds payable	-	1,480,200	-	-	-
Long-term borrowings (including current portion)	5,101,229	-	97,880	-	-

December 31, 2013	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 2,916,614	$ -	$ -	$ -	$ -
Notes payable	369,795	-	-	-	-
Accounts payable	7,637,974	-	-	-	-
Other payables	4,639,317	-	-	-	-
Bonds payable	-	-	1,581,699	-	-
Long-term borrowings (including current portion)	5,021,021	388	98,292	-	-

September 30, 2013	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 2,724,716	$ -	$ -	$ -	$ -
Notes payable	189,712	-	-	-	-
Accounts payable	8,480,707	-	-	-	-
Other payables	4,239,181	-	-	-	-
Bonds payable	-	-	1,449,900	-	-
Long-term borrowings (including current portion)	2,449,288	3,515,000	58,461	-	101,140

iii. As of September 30, 2014, December 31, 2013 and September 30, 2013, the derivative financial liabilities which are executed by the Group were all due within one year.

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at September 30, 2014, December 31, 2013 and September 30, 2013.

September 30, 2014	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	$ 403,340	$ -	$ -	$ 403,340
Forward exchange contracts	-	19,031	-	19,031
Available-for-sale financial assets				
Equity securities	11,811,281	-	1,683,808	13,495,089
	$ 12,214,621	$ 19,031	$ 1,683,808	$ 13,917,460
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 196	$ -	$ 196

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	$ 343,100	$ -	$ -	$ 343,100
Forward exchange contracts	-	5,355	-	5,355
Available-for-sale financial assets				
Equity securities	7,827,397	-	3,936,198	11,763,595
	$ 8,170,497	$ 5,355	$ 3,936,198	$ 12,112,050
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 1,476	$ -	$ 1,476

September 30, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	$ 313,153	$ -	$ -	$ 313,153
Forward exchange contracts	-	2,760	-	2,760
Available-for-sale financial assets				
Equity securities	8,154,651	-	3,338,918	11,493,569
	$ 8,467,804	$ 2,760	$ 3,338,918	$ 11,809,482
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 2,170	$ -	$ 2,170

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

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

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

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

(a)Quoted market prices or dealer quotes for similar instruments.

(b)The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

(c)Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

F.The following table presents the changes in level 3 instruments as at September 30, 2014, December 31, 2013 and September 30, 2013.

	Equity securities	
	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Beginning balance	$ 3,936,198	$ 2,098,215
Gain and loss recognised in other comprehensive income	1,418,580	(535,820)
Acquired in the period	48,925	-
Disposed of in the period	(53,167)	-
Transfers into level 3	-	1,776,523
Transfers out from level 3	(3,666,728)	-
Ending balance	$ 1,683,808	$ 3,338,918

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others:

Number (Note 1)	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the nine-month period ended September 30, 2014	Balance at September 30, 2014 (Note 3)	Actual amount drawn down	Interest rate (%)	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
0	The Company	Xiamen An-Tai	Other receivables	Yes	$ 121,880	$ 121,880	$ 120,512	3.25	Short-term financing	$ -	For operating capital purposes	$ -	-	$ -	$ 1,386,273	$ 4,620,909	

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

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

Note 3: The amount passed by the Board of Directors.

B. Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount during the nine-month period ended September 30, 2014	Outstanding endorsement/ guarantee amount at September 30, 2014	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	$ 9,241,817	$ 100,000	$ 100,000	$ 100,000	$ -	0.22	$ 27,725,451	Y	N	N	
		Teco International	1	9,241,817	100,000	100,000	100,000	-	0.22	27,725,451	Y	N	N	
		Straits	3	9,241,817	406,940	406,272	406,272	-	0.88	27,725,451	N	N	N	
		Others	1,2,4	9,241,817	230,397	157,262	157,262	-	0.34	27,725,451	Y	N	N	
						$ 763,534								

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following four categories:

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

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

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

Number 4 represents the Company has common investment relationship with the party.

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

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

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2014				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stock 1	None	Available-for-sale financial assets - non-current	13,897	$ 175,106	0.11	$ 175,106	None
	Stock 5	〃	〃	16,200	213,032	0.16	213,032	None
	Stock 6	The Company is a supervisor of the investee	〃	11,527	254,756	1.96	254,756	None
	Stock 7	The Company is a director of the investee	〃	475,151	2,028,897	4.51	2,028,897	None
	Stock 9	None	〃	51,924	356,198	2.17	356,198	None
	Stock 10	The Company is a director of the investee	〃	24,715	437,456	0.64	437,456	None
	Stock 11	〃		70,907	308,552	10.99	308,552	None
	Stock 12	None		7,500	314,775	5.00	314,775	None
	Stock 13, ect.	The Company is a director of the investee	〃	-	481,908	-	481,908	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 during the nine-month period ended September 30, 2014: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
The Company	Land and building	April 24, 2014	$ 631,721	Paid	Industial Development Bureau, Ministry of Economic Affairs	None	Not applicable	Not applicable	Not applicable	Not applicable	In accordance with appraisal report	Used in operations	None

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

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Tesen	An investee accounted for under the equity method	Purchases	$ 1,754,344	6%	30 days	Note	Note	($ 75,803)	(1%)	
	Kuen Ling	〃	〃	186,569	1%	〃	〃	〃	(181,206)	(2%)	
	Taian (Subic)	〃	〃	144,396	-	〃			(79,929)	(1%)	
	Wuxi Teco	An indirect investee accounted for under the equity method	〃	1,059,967	3%	75 days	〃	〃	(746,077)	(9%)	
	Shzhou Teco	〃	〃	296,093	1%	〃	〃	〃	(87,214)	(1%)	
	Teco Malaysia	〃	〃	320,935	1%	〃	〃	〃	(73,098)	(1%)	
	Tai-An Wuxi	〃	〃	361,948	1%	〃	〃	〃	(57,873)	(1%)	
	Jiangxi Teco	〃	〃	106,605	-	〃			(53,232)	(1%)	
	Teco Singapore	An investee accounted for under the equity method	Sales	(731,822)	(2%)	90 days	〃	〃	166,648	2%	
	Tong Dai	〃	〃	(686,276)	(2%)	〃	〃	〃	257,008	2%	
	Tong Tai Jung	〃	〃	(563,694)	(1%)	〃	〃	〃	232,817	2%	
	Taian Shen	〃	〃	(163,403)	-	〃	〃	〃	20,638	-	
	Yaskawa	〃	〃	(223,040)	(1%)	〃	〃	〃	24,784	-	
	TecoWestinghouse	An indirect investee accounted for under the equity method	〃	(2,913,725)	(7%)	〃	〃	〃	686,434	7%	
	Teco Australia	〃	〃	(820,018)	(2%)	〃	〃	〃	207,637	2%	
	TecoWestinghouse Canada	〃	〃	(869,750)	(2%)	〃	〃	〃	212,495	2%	
	Teco Netherlands	〃	〃	(523,545)	(1%)	〃	〃	〃	268,168	3%	
	Top-Tower	〃	〃	(395,295)	(1%)	〃	〃	〃	110,831	1%	
	Sankyo	〃	〃	(207,097)	(1%)	〃	〃	〃	57,772	-	
	TWMM	〃	〃	(107,317)	-	〃	〃	〃	38,529	-	

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

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

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2014		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
						Amount	Action taken		
The Company	Tong Tai Jung	An investee accounted for under the equity method	Notes receivable and accounts receivable	$ 232,817	3.49	$ -	-	$ 232,811	
	Tong Dai	〃	〃	257,008	3.81	-	-	240,869	
	Teco Singapore	〃	Accounts receivable	166,648	5.40	-	-	4,689	
	Xiamen An-Tai	An indirect investee accounted for under the equity method	Accounts receivable and other receivables	142,291	0.01	-	-	-	
	Sankyo	〃	〃	257,057	1.05	191,485	In the process of collection	-	
	Teco Netherlands	〃	〃	400,348	1.75	132,180	〃	51,545	
	Teco Australia	〃	Accounts receivable	207,637	4.57	-	-	42,890	
	Teco Westinghouse	〃	〃	686,434	5.83	-	-	346,257	
	Teco Westinghouse Canada	〃	〃	212,495	6.48	-	-	109,397	
	Top-Tower	〃	Notes receivable, accounts receivable and other receivables	110,993	4.30	-	-	74,686	Total amount was $13,349

I. Derivative financial instruments undertaken during the nine-month period ended Sepetmber 30, 2014: Please refer to Notes 6(2) and 6(16).

J. Significant inter-company transactions during the nine-month period ended September 30, 2014:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	Tong Tai Jung	1	Notes receivable and accounts receivable	$ 232,817	Note 4	-
0	"	Tong Dai	"	"	257,008	"	-
0	"	Top-Tower	"	Notes receivable, accounts receivable and other receivables	110,993	"	-
0	"	Teco Singapore	"	Accounts receivable	166,648	"	-
0	"	Teco Westinghouse Canada	"	"	212,495	"	-
0	"	TecoWestinghouse	"	"	686,434	"	1%
0	"	Teco Australia	"	"	207,637	"	-
0	"	Teco Netherlands	"	Accounts receivable and other receivables	400,348	"	1%
0	"	Xiamen An-Tai	"	"	142,291	"	-
0	"	Sankyo	"	"	257,057	"	-
1	Wuxi Teco	The Company	2	Accounts receivable	746,077	"	1%
2	Kuen Ling	"	"	Notes receivable and accounts receivable	181,206	"	-
3	U.V.G.	"	"	Other receivables	363,480	"	-
3	"	Teco Netherlands	3	"	270,130	"	-
0	The Company	Teco Singapore	1	Sales	731,822	"	2%
0	"	Tong Dai	"	"	686,276	"	2%
0	"	Tong Tai Jung	"	"	563,694	"	1%
0	"	TecoWestinghouse	"	"	2,913,725	"	7%
0	"	Teco Australia	"	"	820,018	"	2%
0	"	TWMM	"	"	107,317	"	-
0	"	Teco Westinghouse Canada	"	"	869,750	"	2%
0	"	Teco Netherlands	"	"	523,545	"	1%
0	"	Top-Tower	"	"	395,295	"	1%
0	"	Sankyo	"	"	207,097	"	1%
4	Tesen	The Company	2	"	1,754,344	"	4%
5	Taian(Subiz)	"	"	"	144,396		-
2	Kuen Ling	"	"	"	186,569	"	-
1	Wuxi Teco	"	"	"	1,059,967	"	3%
6	Teco Malaysia	"	"	"	320,935	"	1%
7	Shzhou Teco	"	"	"	296,093	"	1%
8	Tai-An Wuxi	"	"	"	361,948	"	1%
9	Jiangxi Teco	"	"	"	106,605	"	-

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

(a) The parent company is numbered “0”.

(b) The subsidiaries are numbered starting from “1”.

Note 2: Relationship with the transaction company:

(1)The parent company to the subsidiary

(2)The subsidiary to the parent company.

(3)The subsidiary to the subsidiary.

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

Note 4: Because there is no transaction in same type which can be compared with, it is based on the condition and the period of both side’s agreement.

(2) Information on investees

A. Information of investee companies (not including investees in Mainland China):

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at September 30, 2014	Initial investment amount: Balance as at December 31, 2013	Shares held as at September 30, 2014: Number of shares	Shares held as at September 30, 2014: Ownership (%)	Shares held as at September 30, 2014: Book value	Net profit (loss) of the investee for the nine-month period ended September 30, 2014	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2014	Footnote
The Company	Tung Pei	Taiwan	Manufacturing of bearings	$ 12,293	$ 12,293	39,145,044	31.14	$ 1,940,992	$ 469,814	$ 146,345	None
	Tecom	Taiwan	Manufacturing of key telephone system and non-key service unit telephone system	631,410	631,410	400,602,050	63.52	127,387	(40,251)	(25,247)	None
	Teco International	Taiwan	Investment holdings	100,013	100,013	50,562,000	100	1,079,639	19,062	19,062	None
	Teco Holding and its subsidiaries	U.S.A	Manufacturing and distribution of motors and generators, and investment and trading in USA	726,428	726,428	1,680	100	7,829,892	780,336	781,936	None
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore	112,985	112,985	7,200,000	90	2,735,556	158,006	142,205	None
	Tong-An	Taiwan	Investment holdings	2,490,000	2,490,000	396,200,007	99.6	8,304,094	205,154	204,333	None
	Teco Electro	Taiwan	Manufacturing of Stepping motors	128,496	128,496	15,386,949	62.57	248,868	6,305	4,054	None
	UVG and its subsidiaries	Cayman Islands	Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings	8,505,434	7,306,526	265,778,948	100	8,332,730	(219,431)	(221,467)	None
	Information Technology Total Services	Taiwan	E-business service, mailing and data management	121,232	121,232	12,123,248	60.62	143,682	30,161	18,283	None
	Tesen	Taiwan	Manufacturing and sales of home appliances	200,000	200,000	20,000,000	100	195,743	26,369	23,153	None

A-1. Information of investee companies (not including investees in Mainland China):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2014			Net profit (loss) of the investee for the nine-month period ended September 30, 2014	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2014	Footnote
				Balance as at September 30, 2014	Balance as at December 31, 2013	Number of shares	Ownership (%)	Book value			
The Company	Lien Chang	Taiwan	Manufacturing of color flybacks transformers, mono flyback transformers and mono deflection yokes	$ 117,744	$ 117,744	37,542,159	33.84	$ 560,350	$ 134,174	$ 45,410	None
	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	22,444	22,444	5,290,800	92.63	206,882	61,820	57,262	None
	Teco Vietnam	Vietnam	Manufacturing and sales of motors	264,111	264,111	13,772,799	100	138,868	(2,025)	(1,984)	None
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,799,996	64.95	158,114	26,590	17,322	None
	Tong-An Assets	Taiwan	Real estate business	2,111,889	2,111,889	107,203,907	100	5,605,488	886,564	886,564	None
	Taian Subic	Philippines	Manufacturing and sales of switches	165,819	165,819	17,131,155	76.7	141,276	1,825	705	None
	Micropac and its subsidiaries	British Virgin Islands	International trading	454,923	262,276	14,883,591	100	1,486,435	95,213	93,071	None
	Century Development	Taiwan	Development and management of industrial park	673,801	673,801	58,241,447	21.39	864,506	189,511	52,828	None
	An-Tai International	Taiwan	Investment holdings	150,000	150,000	17,877,750	100	438,898	31,065	31,065	None
	Pelican	Taiwan	Logistics and distribution services	255,116	255,116	24,121,700	25.27	415,647	98,571	24,906	None
	Kuen Ling	Taiwan	Manufacturing, installation, repair, domestic and export sales and leasing of condenser, water cooling, water-cooled chiller and freezer	296,003	296,003	15,218,642	19.98	310,143	138,086	27,596	None
Tung Pei	Tung Pei (SAMOA) Industrial Co., Ltd.	Samoa	Investment holdings	646,343	646,343	23,031,065	100	1,548,095	48,064	47,400	None

A-2. Information of investee companies (not including investees in Mainland China):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2014			Net profit (loss) of the investee for the nine-month period ended September 30, 2014	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2014	Footnote
				Balance as at September 30, 2014	Balance as at December 31, 2013	Number of shares	Ownership (%)	Book value			
Tecom	Tecom International	Taiwan	Investment holdings	$ 100,000	$ 100,000	12,000,000	100	$ 251,976	$ 35,406	$ 35,406	None
	Baycom	Taiwan	Manufacturing and sales of optical telecom products	359,656	359,656	12,483,600	28.64	166,987	74,797	21,420	None
Tong-An	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	87,464	87,464	7,913,310	6.23	216,960	270,849	16,874	None
	Century Development	Taiwan	Development and management of industrial park	371,107	371,107	31,730,966	11.66	409,899	189,511	22,097	None
	Pelican	Taiwan	Logistics and distribution services	76,949	118,718	7,304,468	7.65	123,427	98,571	7,541	None
Lien Chang	Gen Mao International Corp.	Taiwan	Investment holdings	92,000	92,000	11,720,000	100	110,883	17,469	17,469	None
	Gen Mao (Singapore)	Singapore	Investment holdings	582,246	582,246	27,502,354	84.97	589,355	116,039	99,061	None
Century Development	Centurytech Construction and Management Corp.	Taiwan	Construction and sales of related raw materials	98,170	98,170	10,000,000	100	163,163	9,597	10,561	None
Teco Electro	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100	192,424	(23,643)	(23,643)	None
Teco Singapore	Century Development	Taiwan	Development and management of industrial park	179,222	179,222	16,498,992	6.06	197,029	189,511	11,484	None
Teco International	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	48,950	60,794	4,188,477	3.3	108,886	270,849	8,938	None
Kuen Ling	Ching Chi	British Virgin Islands	Investment in other area	201,467	201,467	6,200,000	83	428,897	6,917	6,367	None

B. Loans granted during the nine-month period ended September 30, 2014:

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum balance amount	Balance at September 30, 2014 (Note 10)	Actual amount drawn down	Interest rate (%)	Nature	Amount of transactions with borrowers	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Tong-An Investment	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 9
2	U.V.G.	Teco Netherlands	〃	〃	293,510	293,510	270,130	1.54	Short-term financing	-	Additional operating capital	-	-	-	500,074	833,457	Note 2
2	U.V.G.	Teco Century	〃	〃	55,071	55,071	54,452	7	Short-term financing	-	Additional operating capital	-	-	-	500,074	833,457	Note 2
2	U.V.G.	The Company	〃	〃	363,480	363,480	363,480	1.05	Short-term financing	-	Additional operating capital	-	-	-	500,074	833,457	Note 2
3	Teco Singapore	Teco Vietnam	〃	〃	4,960	-	-	2.35	Short-term financing	-	Additional operating capital	-	-	-	182,370	303,951	Note 3
4	Tai-An Wuxi	Fujian Teco	〃	〃	46,784	46,784	46,784	5.6	Short-term financing	-	Additional operating capital	-	-	-	63,128	126,256	Note 4
5	Teco Westinghouse	TWMM	〃	〃	76,623	16,445	16,445	2.55~3.68	Short-term financing	-	Additional operating capital	-	-	-	572,091	1,144,181	Note 5
6	Tong-An Assets	The Company	"	"	280,000	280,000	-	1.05	Short-term financing	-	Additional operating capital	-	-	-	560,549	560,549	Note 6

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum balance amount	Balance at September 30, 2014 (Note 10)	Actual amount drawn down	Interest rate (%)	Nature	Amount of transactions with borrowers	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to single party	Ceiling on total loans granted	Footnote
													Item	Value			
6	Tong-An Assets	Le-Li Co., Ltd.	Other receivable	Yes	$ 183,000	$ 183,000	$ -	1.3	Short-term financing	$ -	Additional operating capital	$ -	Commercial paper	$ 183,000	$ 560,549	$ 560,549	Note 6
7	Kuen Ling	Kuen Ling (Vietnam)	〃	〃	36,564	36,564	12,148	3.86	Short-term financing	-	Additional operating capital	-	-	-	118,384	473,535	Note 7
7	Kuen Ling	K.A. Corp.	〃	〃	30,470	30,470	13,667	2.75	Short-term financing	-	Additional operating capital	-	-	-	118,384	473,535	Note 7
8	Kuen Ling (Shanghai)	Kuen Yuan (Suzhou)	〃	〃	24,815	24,815	-	6.65	Short-term financing	-	Additional operating capital	-	-	-	49,801	49,801	Note 8

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

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

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

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

Note 5:In accordance with Teco Westinghouse’s policy, the total guarantee amount shall not exceed 20% of Teco Westinghouse’s net assets, and the guarantee to a single party shall not exceed 10% of Teco Westinghouse’s net assets.

Note 6: In accordance with Tong-An Assets’ policy, the total guarantee amount shall not exceed 10% of Tong-An Assets’ net assets, and the guarantee to a single party shall not exceed 10% of Tong-An Assets’ net assets.

Note 7: In accordance with the KUEN LING’s policy, the total guarantee amount shall not exceed 40% of the KUEN LING’s net assets and the guarantee to a single party or group shall not exceed 10% of the KUEN LING’s net assets, where an inter-company or inter-firm financing facility is necessary provided that the amount of such financing facility.

Note 8: According to the policy of the KUEN LING’s subsidiaries, the guarantee to a single party or group and the total guarantee amount shall not exceed 20% of the KUEN LING’s net assets.

Note 9: In accordance with Tong-an Investment’s policy, the total guarantee amount shalll not exceed $200 million, and the guarantee to a single party shall not exceed $50 million.

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

C. Endorsements and guarantees provided during the nine-month period ended September 30, 2014:

Guarantor: Number (Note 1)	Guarantor: Name	Parties being guaranteed: Name	Parties being guaranteed: Relationship with the endorser/ guarantor	Limit of guarantee for such party	Maximum outstanding guarantee amount	Outstanding guarantee amount at September 30, 2014	Actual amount	Guarantee amount with collateral placed	Ratio of accumulated guarantee amount to net value (%)	Ceiling of the outstanding guarantee to the respective party	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
1	Tong-An Assets	GREYBACK INTERNATIONAL	Note 2	$ 560,549	$ 15,235	$ 11,864	$ 11,864	$ -	0.2	$ 1,121,098	Y	N	N	
2	Teco Westinghouse	TWMM	Note 2	572,091	89,037	39,200	39,200	-	0.7	1,144,181	Y	N	N	
3	Teco Australia	Ejoy Australia	Note 2	296,650	1,329	1,179	1,179	-	0.1	889,951	N	N	N	
3	Teco Australia	MOS Burger Australia Pty Ltd.	Note 2	296,650	1,723	1,529	1,529	-	0.1	889,951	N	N	N	
4	Tong-An	TG Teco Vacuum Insulated Glass Corp.	Note 3	126,000	126,000	126,000	126,000	-	2.3	200,000	N	N	N	
5	Tecom	Tecom International	Note 2	33,668	50,000	-	-	-	-	67,336	Y	N	N	
5	Tecom	A-Tel Inc.	Note 3	33,668	-	-	-	Note 10	-	67,336	N	N	N	
6	Kuen Ling	KuenYuan (Suzhou)	Note 2	355,151	59,840	-	-	-	-	473,535	Y	N	Y	
6	Kuen Ling	Kuen Ling (Vietnam)	Note 2	355,151	59,720	-	-	-	-	473,535	Y	N	N	
6	Kuen Ling	I Chi Industrial	Note 2	355,151	8,000	8,000	6,000	-	0.7	473,535	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:An investee accounted for under the equity method, and the shareholder provides endorsements and guarantees in accordance with the proportion of shares by each shareholder.

Note 4: In accordance with Tong-An Assets' policy, the total guarantee amount shall not exceed 20% of Tong-An Assets' net assets, and the guarantee to a single party shall not exceed 10% of Tong-An Assets' net assets.

Note 5:In accordance with TecoWestinghouse's policy, the total guarantee amount shall not exceed 20% of the TecoWestinghouse's net assets, and the guarantee to a single party shall not exceed 10% of the TecoWestinghouse's net assets.

Note 6: In accordance with Teco Australia's policy, the total guarantee amount shall not exceed 60% of the Teco Australia's net assets, and the guarantee to a single party shall not exceed 20% of the Teco Australia's net assets.

Note 7: 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 8: In accordance with Tecom's policy, the total guarantee amount shall not exceed 30% of the Tecom's net assets, and the guarantee to a single party shall not exceed 15% of the Tecom's net assets.

Note 9: In accordance with KUEN LING's policy, the total guarantee amount shall not exceed 40% of the KUEN LING's net assets, and the guarantee to a single party shall not exceed 30% of KUEN LING's net assets.

Note 10: Tecom Investment A-Tel Inc.'s common stock 339,659 shares accounted for under the equity method. The guarantee use for the company as a financing and endorsement. Tecom has revoked the guarantee during the first quarter of 2014.

D. Marketable securities held by the Company at September 30, 2014 (not including subsidiaries, associates and joint ventures):

Name of investor	Type of marketable securities	Name of marketable securities	Relationship with the security issuers	General ledger account	September 30, 2014				
					Number of shares (in thousands)	Book value	Percentage (%)	Fair value	Remark
(1)Teco International	Common Stock	Stock 14	Related party in substance	Note 1	6,377	$ 93,424	5.67	$ 93,424	
		Stock 21	None	〃	693	165,627	0.54	165,627	
		Stock 15, etc.	〃	〃	13,593	314,326	-	314,326	
		Stock 16, etc.	〃	Note 3	4,012	285,034	-	285,034	
		Stock 32, etc	〃	Note 2	1,761	71,059	-	71,059	
(2) Tong-An	Common Stock	Stock 18	Subsidiary of the Company	Note 1	19,540	610,627	0.98	610,627	
		Stock 14	Related party in substance	〃	9,197	134,729	8.17	134,729	
		Stock 3	None	〃	11,927	695,342	0.37	695,342	
		Stock 19	〃	〃	3,480	321,204	0.10	321,204	
		Stock 20, etc.	Related party in substance	〃	25,028	426,855	-	426,855	
		Stock 21	None	〃	16,076	3,842,164	12.57	3,842,164	
		Stock 10	Related party in substance	〃	4,411	78,075	0.11	78,075	
		Stock 22	〃	〃	1,950	58,403	13	58,403	
		Stock 32, etc	None	Note 2	3,552	175,773	-	175,773	
		Stock 5, etc.	〃	Note 3	11,771	624,386	-	624,386	
	Beneficiary Certificates	Fund 1, etc.	〃	〃	7,353	84,578	-	84,578	
		Fund 2	〃	Note 1	1,911	61,380	-	61,380	
(3)UVG	Common Stock	Stock 23, etc.	〃	〃	118	6,852	-	6,852	

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.

D-1. Marketable securities held by the Company at September 30, 2014 (not including subsidiaries, associates and joint ventures):

Name of investor	Type of marketable securities	Name of marketable securities	Relationship with the security issuers	General ledger account	September 30, 2014				Remark
					Number of shares (in thousands)	Book value	Percentage (%)	Fair value	
(4) An-Tai International	Common Stock	Stock 18	Subsidiary of the Company	Note 1	2,826	$ 88,305	0.14	$ 88,305	
		Stock 14	Related party in substance	〃	1,232	18,051	1.09	18,051	
		Stock 20	〃	〃	2,938	197,706	9.07	197,706	
		Stock 24, etc.	None	〃	415	6,263	-	6,263	
		Stock 17, etc.	〃	Note 2	292	13,259	-	13,259	
		Stock 16, etc.	〃	Note 3	1,344	99,590	-	99,590	
(5) Tong-An Assets	Capital distribution	Stock 27	〃	Note 1	1	304,010	10	304,010	
(6) Jack Property	Beneficiary Certificates	Fund 3, etc.	〃	Note 2	2,687	32,882	-	32,882	
(7) Teco Electro	Common Stock	Stock 14	Related party in substance	Note 1	200	2,933	0.18	2,933	
(8) ITTS	Common Stock	Stock 28	None	〃	31	47	1.43	47	
(9) Teco Singapore	Common Stock	Stock 21	〃	〃	1,228	293,396	0.96	293,396	
(10) Taiwan Pelican Express	Common Stock	Stock 21	〃	〃	1,496	357,544	1.17	357,544	
(11) Teco Australia	Common Stock	Stock 21	〃	〃	620	148,276	0.49	148,276	

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.

D-2. Marketable securities held by the Company at September 30, 2014 (not including subsidiaries, associates and joint ventures):

Name of investor	Type of marketable securities	Name of marketable securities	Relationship with the security issuers	General ledger account	September 30, 2014				Remark
					Number of shares (in thousands)	Book value	Percentage (%)	Fair value	
(12)Teco Nanotech	Common Stock	Stock 14	Related party in substance	Note 1	81	$ 1,180	0.07	$ 1,180	
	Beneficiary Certificates	Fund 4	None	Note 2	212	37,123	-	37,123	
(13) Sankyo	Common Stock	Stock 29	〃	Note 1	-	5,766	0.54	5,766	
(14) KUEN LING REFRIGERATING	Common Stock	Stock 30	〃	〃	1,000	11,983	9	11,983	
	Capital contribution	Stock 31	〃	〃	-	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 disposal of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s capital during the nine-month period ended September 30, 2014: None.

F. Acquisition of real estate properties exceeding $300 million or 20% of the Company’s capital during the nine-month period ended September 30, 2014: None.

G. Disposal of real estate properties exceeding $300 million or 20% of the Company’s capital during the nine-month period ended September 30, 2014:

Real estate disposed by	Real estate	Transaction date or Date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
Tong-An Assets Management & Development Co., Ltd.	Land and buildings in Wugu district, New Taipei City	2014.4.24	1993.9.9	$ 289,746	$ 1,136,026 (Note)	Collected	$ 846,280	Unity Opto Technology Co., Ltd.	None	Additional operating capital	Market price and valuation information from valuation institutes	None

Note: Cost of sales and necessary income tax expense were deducted from the sale price.

H. Purchases from or sales to related parties exceeding $100,000 or 20% of the Company’s capital during the nine-month period ended September 30, 2014: except the transaction with the Company (Please refer to the Company’s information).

Purchaser/seller	Counterparty	Relationship with the Company	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	
			Nature	Amount	Ratio of total purchase (sales)	Credit term	Unit price	Credit period	Balance	Percentage of total notes/accounts receivable (payable)
Tecom	Asia Pacific Telecom	Related party in substance	Sales	($ 809,834)	(19%)	60	Note	Note	$ 148,595	22%

Note : The terms are determined in accordance with mutual agreement.

I. Receivable from related parties exceeding $100,000 or 20% of the Company's capital at September 30, 2014:

Creditor	Counterparty	Relationship with the Company	Balance as at September 30, 2014		Turnover rate (times)	Overdue receivable		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
						Amount	Action adopted		
Wuxi Teco	The Company	Subsidiary of the Company	Accounts receivable	$ 746,077	1.84	$ -	-	$ 98,809	$ -
Kuen Ling	〃	〃	Notes receivable and Accounts neceivable	181,206	1.69	-	-	-	-
U.V.G.	〃	〃	Other receivables	363,480	-	-	-	-	-
〃	Teco Netherlands	An investee accounted for under the equity method	〃	270,130	-	-	-	-	-
Tecom	Asia Pacific Telecom	Related party in substance	Accounts receivable	148,595	5.69	-	-	56,766	-

J.Derivative financial instruments undertaken during the nine-month period ended September 30, 2014: Please refer to Notes 6(2) and 6(16).

(3) Information on investments in Mainland China

A.Basic information (Note 5):

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine-month period ended September 30, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2014	Net income of investee as of September 30, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2014	Book value of investments in Mainland China as of September 30, 2014	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2014	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Teco (Dong Guan)	Manufacturing and sales of air conditioners mechanical equipment	$ 268,799	Note 1	$ 188,139	$ -	$ -	$ 188,139	$ 13,353	100	$ 13,353	$ 179,215	$ -	Note 4
Suzhou Teco	Manufacturing and sales of motors	143,255	Note 1	143,255	-	-	143,255	8,397	100	8,397	256,676	-	Note 3
Kuen Ling (Shanghai)	Manufacturing of air conditioners	181,713	Note 1	39,525	-	-	39,525	10,529	17	1,790	42,331	6,538	Note 4
Wuxi Teco	Manufacturing and sales of motors	977,616	Note 1	768,259	-	-	768,259	209,707	82.35	172,694	1,718,039	-	Note 3
Taian (Wuxi)	Manufacturing and sales of optical fiber	495,213	Note 2	205,551	-	-	205,551	102,882	100	102,882	1,262,299	-	Note 4
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 1	456,293	-	-	456,293	(5,833)	100	(5,833)	(1,192)	-	Note 4
Hang Zhou Xizi-Iuk	Manufacturing and sales of parking equipment	129,840	Note 1	19,117	-	-	19,117	31,938	15	-	18,252	-	None
Jiangxi Teco	Manufacturing and sales of motors	1,481,569	Note 1	192,256	1,191,397	-	1,383,653	(28,020)	98.07	(25,686)	1,536,924	-	Note 3

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

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine-month period ended September 30, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2014	Net income of investee as of September 30, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2014	Book value of investments in Mainland China as of September 30, 2014	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2014	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
QingDao Teco	Manufacturing and sales of dyes	$ 1,764,453	Note 1	$ 1,505,255	$ -	$ -	$ 1,505,255	($ 413,491)	85.31	($ 352,749)	$ 277,848	$ -	Note 3
Xiamen Teco	Sales of motors and home appliances	20,590	Note 1	20,590	-	-	20,590	265	100	265	25,442	-	Note 4
Kuen Yuan (Suzhou)	Manufacturing and sales of air-conditioning mechanical equipment	202,252	Note 1	12,012	-	-	12,012	3,887	17	661	39,751	-	Note 4
Xiamen An-Tai	Distribution of LCD	678,681	Note 1	467,577	-	-	467,577	(22,978)	100	(22,978)	414,651	-	Note 3
Teco Han Zou	Development and consulting of device products	9,837	Note 1	9,837	-	-	9,837	3,426	100	3,426	22,983	-	Note 4
Nanchang Dong- Huan	Business management consulting	3,222	Note 1	3,222	-	-	3,222	(234)	100	(234)	(7,586)	-	Note 4
Teco Century	Manufacturing and sales of compressor	680,938	Note 1	340,469	-	-	340,469	(49,742)	50	(24,871)	125,650	-	Note 4

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

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine-month period ended September 30, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2014	Net income of investee as of September 30, 2014	Ownership held by he Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2014	Book value of investments in Mainland China as of September 30, 2014	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2014	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Fujian Teco	Manufacturing and sales of electronic components	$ 391,843	Note 1	$ 391,843	$ -	$ -	$ 391,843	($ 25,424)	100	($ 25,424)	$ 152,787	$ -	Note 4
Ecolectric International	Distribution of air conditioner	24,004	Note 2	-	-	-	-	756	39.90	302	5,418	-	Note 4
Teco (Tianjin) Innovation	Central China area Operation center	15,990	Note 2	15,990	-	-	15,990	398	100	398	14,905	-	Note 4
Teco (Jang Xi)	Manufacturing and sales of air-conditioning mechanical equipment	79,813	Note 2	79,813	-	-	79,813	9,627	100	9,627	128,811	-	Note 4
Teco Sichuan Trading	Sales of home appliances	26,522	Note 1	-	-	-	-	(2,335)	100	(2,335)	14,892	-	Note 4
Jiangxi Teco-Lead	Manufacturing and sales of wind generator	141,079	Note 1	62,865	-	-	62,865	(18,941)	45	(8,524)	24,141	-	Note 4

A-3 Basic information (Note 5) (continued):

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine-month period ended September 30, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2014	Net income of investee as of September 30, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2014	Book value of investments in Mainland China as of September 30, 2014	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2014	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Qingdao Teco Innovation	Science Park development and business operations consulting services	$ 59,444	Note 2	$ 59,444	$ -	$ -	$ 59,444	($ 6,291)	100	($ 6,291)	$ 53,944	$ -	Note 4
Shanghai Teco	Sales of home appliances	23,829	Note 1	23,829	-	-	23,829	488	100	488	(9,969)	-	Note 4
Hunan TECO Wind Energy Limited	Manufacturing, sales and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components	240,818	Note 2	47,808	193,010	-	240,818	(7,610)	100	(7,610)	231,169	-	Note 4
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	Manufactuning and sales of motors, winding and related parts	119,840	Note 2	-	-	-	-	-	100	-	121,733	-	Note 4

A-4.Basic information (Note 5):

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2014 (Note 5)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 5)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 6)
Teco (Dong Guan)	$ 188,139	$ 287,275	$ 30,005,469
Suzhou Teco	143,255	143,255	30,005,469
Kuen Ling (Shanghai)	39,525	43,127	30,005,469
Wuxi Teco	768,259	793,904	30,005,469
Taian (Wuxi)	205,551	495,213	30,005,469
Nanchang Teco	456,293	478,430	30,005,469
Hang Zhou Xizi-Iuk	19,117	20,190	30,005,469
Jiangxi Teco	1,383,653	1,517,229	30,005,469
QingDao Teco	1,505,255	1,643,047	30,005,469
Xiamen Teco	20,590	20,590	30,005,469
Sichuan Teco	121,980	121,980	30,005,469
Xiamen An-Tai	467,577	678,681	30,005,469
Teco Han Zou	9,837	9,837	30,005,469
Nanchang Dong-Huan	3,222	3,222	30,005,469
Teco Century	340,469	340,469	30,005,469
Fujian Teco	391,843	391,843	30,005,469
Teco (Tianjin) Innovation	15,990	15,990	30,005,469
Teco (Jang Xi)	79,813	79,813	30,005,469
Jiangxi Teco-Lead	62,865	62,865	30,005,469
Shanghai Teco	23,829	23,829	30,005,469
Hunan TECO Wind Energy	240,818	240,818	30,005,469
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	-	362,880	30,005,469

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

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

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

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

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

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

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

Accounts receivable and accounts payable arising due to significant transactions with the investee company are listed below. For the detailed information, please see Note 7.

Investee in Mainland China	Sales (Purchases)		Property transaction		Accounts receivable (payable)		Provision of endorsements and guarantees		Financing			
	Amount	%	Amount	%	Balance at September 30, 2014	%	Balance at September 30, 2014	Purpose	Maximum balance during the nine-month period ended September 30, 2014	Balance at September 30, 2014	Interest rate	Interest during the nine-month period ended September 30, 2014
Suzhou Teco	$ 4,379	-	$ -	-	$ 1,223	-	$ -	-	$ -	$ -	-	$ -
Kuen Ling (Shanghai)	828	-	-	-	-	-	-	-	-	-	-	-
Suzhou Kuenyuan	175	-	-	-	-	-	-	-	-	-	-	-
Wuxi Teco	37,806	-	-	-	18,111	-	-	-	-	-	-	-
Taian (Wuxi)	72,617	-	-	-	28,461	-	-	-	-	-	-	-
Jiangxi Teco	33,916	-	-	-	16,048	-	-	-	-	-	-	-
QingDao Teco	656	-	-	-	-	-	-	-	-	-	-	-
Human Teco Wined Energy Limited	2,295	-	-	-	-	-	-	-	-	-	-	-
Xiamen An-Tai	374	-	-	-	21,740	-	-	-	121,880	121,880	3.25%	-
Shanghai Teco	9,889	-	-	-	9,889	-	-	-	-	-	-	-
Jiangxi Teco-Lead	(59)	-	-	-	-	-	-	-	-	-	-	-
Suzhou Teco	(296,093)	(1%)	-	-	(87,214)	(1%)	-	-	-	-	-	-
Kuen Ling (Shanghai)	(2,740)	-	-	-	-	(1%)	-	-	-	-	-	-
Suzhou Kuenyuan	(49,030)	-	-	-	(2,424)	-	-	-	-	-	-	-
Wuxi Teco	(1,059,967)	(3%)	-	-	(746,077)	(9%)	-	-	-	-	-	-
Taian (Wuxi)	(361,948)	(1%)	-	-	(57,873)	(1%)	-	-	-	-	-	-
Jiangxi Teco	(106,605)	-	-	-	(53,232)	(1%)	-	-	-	-	-	-
QingDao Teco	(75,671)	-	-	-	(2,081)	-	-	-	-	-	-	-
Fujian Teco	(84,104)	-	-	-	(16,944)	-	-	-	-	-	-	-
Teco (Jang Xi)	(40,531)	-	-	-	(2,182)	-	-	-	-	-	-	-
Xiamen An-Tai	(76,731)	-	-	-	(27,783)	-	-	-	-	-	-	-

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

14. SEGMENT FINANCIAL INFORMATION

(1)General information

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

The Company’s reportable segments include motor division and the home appliance division. The motor division primarily engages in the manufacturing and sales of motors and generators. The home appliance division primarily engages in the manufacturing, installation, sales and service of home appliances.

(2)Segment performance

The Company uses the operating income as the basis for segment performance assessment. The operating income excludes non-recurring expenditures, unrealised gain or loss on financial instruments, interest income and interest expenses.

(3) Financial information by industry

The segment information of the reportable segments provided to the chief operating decision-maker for the nine-month periods ended September 30, 2014 and 2013 is as follows:

	Nine-month period ended September 30, 2014				
	Motor division	Home electric appliance division	Others	Elimination	Total
Operating revenues					
Operating revenues from external customers	$ 24,979,855	$ 6,663,422	$ 9,581,013	$ -	$ 41,224,290
Operating revenues from internal segments	13,515,012	2,867,708	545,041	(16,927,761)	-
Total operating revenues	$ 38,494,867	$ 9,531,130	$ 10,126,054	($ 16,927,761)	$ 41,224,290
Segment profit	$ 3,633,987	$ 33,006	($ 50,039)	$ -	$ 3,616,954
Segment profit including:					
Depreciation and amortisation	$ 568,401	$ 183,244	$ 231,675	$ -	$ 983,320
Not included in segment profit, but regularly provided to the chief operating decision-maker					
Segment assets					
Identifiable assets	$ 30,447,251	$ 6,555,630	$ 14,328,316	($ 7,604,692)	$ 43,726,505
Capital expenditures	$ 389,194	$ 59,479	$ 691,433	$ -	$ 1,140,106
Segment liabilities	$ 16,577,103	$ 3,731,331	$ 5,382,724	($ 7,618,830)	$ 18,072,328

	Nine-month period ended September 30, 2013				
	Motor division	Home electric appliance division	Others	Elimination	Total
<u>Operating revenues</u>					
Operating revenues from external customers	$ 27,113,704	$ 4,992,428	$ 10,744,944	$ -	$ 42,851,076
Operating revenues from internal segments	12,282,182	2,526,162	516,525	(15,324,869)	-
Total operating revenues	$ 39,395,886	$ 7,518,590	$ 11,261,469	($ 15,324,869)	$ 42,851,076
Segment profit	$ 3,635,980	($ 107,111)	$ 43,415	$ -	$ 3,572,284
Segment profit including:					
Depreciation and amortisation	$ 652,011	$ 107,284	$ 305,718	$ -	$ 1,065,013
Not included in segment profit, but regularly provided to the chief operating decision-maker					
<u>Segment assets</u>					
Identifiable assets	$ 30,503,376	$ 5,194,586	$ 14,082,440	($ 6,085,216)	$ 43,695,186
Capital expenditures	$ 344,201	$ 75,254	$ 119,658	$ -	$ 539,113
<u>Segment liabilities</u>	$ 16,135,855	$ 3,144,679	$ 6,232,684	($ 6,414,836)	$ 19,098,382

(4) Reconciliation for segment profit (loss), assets and liabilities

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the nine-month period ended September 30, 2014 and 2013 is provided as follows:

	Nine-month periods ended September 30,	
	2014	2013
Adjusted operating income of reportable segments	$ 3,666,993	$ 3,528,869
Adjusted operating loss of other operating segments	(50,039)	43,415
Total segments	3,616,954	3,572,284
Interest income	116,384	75,191
Unrealized profit on financial instruments	35,031	22,370
Financial cost	(179,596)	(191,161)
Associates' and joint ventures' profit and loss accounted for under the equity method	249,870	118,520
Others	908,326	551,145
Income before income tax	$ 4,746,969	$ 4,148,349

The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements.