

Stock code: 5536



**Handbook for the 2017  
Annual Meeting of Shareholders**

**MEETING TIME: May 26, 2017**

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# **I. Meeting Procedure**

## **Acter Co., Ltd.**

### **Procedure for the 2017 Annual Meeting of Shareholders**

- 1. Call the Meeting to Order**
- 2. Chairperson Remarks**
- 3. Report Items**
- 4. Proposals**
- 5. Discussion**
- 6. Questions and Motions**
- 7. Adjournment**

## **II. Agenda of Annual Meeting of Shareholders**

# **Acter Co., Ltd.**

## **Year 2017 Agenda of Annual Meeting of Shareholders**

**Time** : 09:00 a.m on Friday, 26 May, 2017

**Place**: B2F, No.201, Sec. 2, Wenxin Rd., Xitun Dist., Taichung City 407, Taiwan  
( SWEETEN PLAZA's international hall )

**Chairperson** : Chairman Liang, Chin-Li

### **1. Call the Meeting to Order**

### **2. Chairperson Remarks**

### **3. Report Items**

- (1) To report the distribution of 2016 employee and director compensation.
- (2) 2016 Business Report.
- (3) Audit Committee's Review Report of 2016 Financial Statements.
- (4) To report the amendment of "Corporate Social Responsibility Best Practice Principles" and the execution of corporate social responsibility.
- (5) To report the execution of the plan that the company proposes to offer to buy within 15% shares of directly or indirectly reinvestment companies by high-performance employees.
- (6) To report the execution of that the company's subsidiary Nova Technology Corp. (Nova) is processing the plan of being a listed company. To meet the related regulations, the company intends to have stockholders' meeting authorize the Board of Directors handle Nova's capital increase by cash and the matters of share release if any within the next one year.

### **4. Proposals**

- (1) Adoption of the 2016 Business Report and Financial Statements.
- (2) Adoption of the Proposal for Distribution of 2016 Profits.

### **5. Discussion**

- (1) Discussion on the proposal to amend "Articles of Incorporation."

(2) Discussion on the proposal to amend “Procedure for Acquisition or Disposal of Assets.”

(3) Discussion on the proposal to amend “Procedures for Election of Directors.”

## **6. Questions and Motions**

## **7. Adjournment**

### **III. Report Items**

**Report No. 1 :** To report the distribution of 2016 employee and director compensation. (Proposed by the Board of Directors)

**Explanation :**

- (1) The Board of Directors resolved that when distributing the surplus profits for each fiscal year, the company shall first offset its losses of previous years and set not less than three percent of the profit before tax excluding the amount of employees' and directors' compensation as compensation to employees; and then set not more than five percent of the profit before tax excluding the amount of employees' and directors' compensation as compensation to directors. Independent directors shall be excluded from distribution.
- (2) The company proposed to allocate 4% for employee compensation (not less than 3%) in the amount of NTD 20,607,630. It also planned to allocate 2% for the remuneration of directors (not higher than 5%) in the amount of NTD 10,303,815.

**Report No. 2 :** 2016 Business Report. (Proposed by the Board of Directors)

**Explanation :** The 2016 Business Report is attached as pp. [12-26], Attachment 1 and Attachment 2.

**Report No. 3 :** Audit Committee's Review Report of 2016 Financial Statements. (Proposed by the Board of Directors)

**Explanation:** The 2016 Audit Committee's Review Report is attached as pp. [27], Attachment 3.



**Report No. 4 :** To report the amendment of “Corporate Social Responsibility Best Practice Principles” and the execution of corporate social responsibility. (Proposed by the Board of Directors)

**Explanation:** In order to conform to the amendments of related commercial laws, the company hereby amended “Corporate Social Responsibility Best Practice Principles.” Please refer to page 28-29 (Attachment 4) for details. The corporate social responsibility reports have been uploaded to the company’s website. Please refer to M.O.P.S website or the company’s website for more information.

**Report No. 5 :** To report the execution of the plan that the company proposes to offer to buy within 15% shares of directly or indirectly reinvestment companies by high-performance employees. (Proposed by the Board of Directors)

**Explanation:** In a board resolution, the company has agreed to release 610,000 shares (approximately 2.41%) of Nova Technology Corp. to its outstanding employees. The share releasing has been completed on Jun. 30, 2016. 584,000 shares were released.

**Report No. 6 :** To report the execution of that the company’s subsidiary Nova Technology Corp. (Nova) is processing the plan of being a listed company. To meet the related regulations, the company intends to have stockholders’ meeting authorize the Board of Directors handle Nova’s capital increase by cash and the matters of share release if any within the next one year. (Proposed by the Board of Directors)

**Explanation:** According to the resolution of Board on Aug. 10, 2016, the company sold 3,000,000 shares of Nova to its shareholders on Sep. 23, 2016. And the company forfeited 3,000,000 shares of Nova’s cash capital increase and transferred the subscription right to its shareholders on Nov. 16, 2016. All shareholders of ACTER

would have priority to subscribe the stocks as mentioned above according to their respective holding as stated in the register of shareholders on the day of record before the share transfer. In addition, according to the resolution of Board on Nov. 8, 2016, the company sold 601,000 shares of Nova on Dec. 20, 2016 to meet the requirements of Nova's application for being emerging stock company.

## **IV. Proposals**

**Proposal No. 1** : Adoption of the 2016 Business Report and Financial Statements. (Proposed by the Board of Directors)

**Explanation :**

- (1) Acter Company's Financial Statements, including the balance sheet, statement of comprehensive income, statement of change in equity, and statement of cash flows, were audited by independent auditors, Chang, Tzu-Hsin CPA and Huang, Hai-Ning CPA of KPMG Firm. Also Business Report and Financial Statements have been approved by the Board held on Feb. 23, 2017 and examined by the Audit Committee of Acter Company.
- (2) The 2016 Business Report, independent auditors' report, and the above-mentioned Financial Statements are attached in the Meeting Agenda as, pp. [12-26], Attachment 1 and Attachment 2.

**Resolution :**

**Proposal No. 2 :** Adoption of the Proposal for Distribution of 2016 Profits.  
(Proposed by the Board of Directors)

**Explanation :**

- (1) Please refer to the 2016 Profit Distribution Table as follows.

**Acter Co., Ltd.**  
**PROFIT DISTRIBUTION TABLE**  
**Year 2016**

Unit : NTD

Beginning retained earnings	745,736,530
Add: net profit after tax	436,276,235
Less: 10% legal reserve (2016)	43,627,624
Less: Defined benefit plans	6,044,539
Less: Special reserve appropriated	7,164,584
Distributable net profit	1,125,176,018
Distributable items:	
Cash Dividend to shareholders(8 per share)	377,894,552
Stock Dividend to shareholders (0 per share)	0
Unappropriated retained earnings	747,281,466

- (2) When distributing cash dividends, the total amount paid to each shareholder shall be in whole NT dollars and any fractional amount less than one NT dollar shall be rounded up to the next NT dollar. The resulting difference shall be recognized as a Company expense.
- (3) If the cash dividend payout ratio is affected as a result of changes to the Company's outstanding shares due to any reason before the distribution record date and needs to be revised, it is proposed that the Chairman would be fully authorized to handle such matter.
- (4) Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to determine the ex-dividend date and other relevant issues.

**Resolution :**

## **V. Discussion**

**Proposal No. 1** : Discussion on the proposal to amend “Articles of Incorporation.” (Proposed by the Board of Directors)

**Explanation :**

- (1) In order to promote corporate governance, the company adopts the candidate nomination system to elect directors. The company hereby proposes to amend “Articles of Incorporation.”
- (2) Please refer to page 30 (Attachment 5) for details.

**Resolution :**

**Proposal No. 2** : Discussion on the proposal to amend “Procedure for Acquisition or Disposal of Assets.” (Proposed by the Board of Directors)

**Explanation :**

- (1) In order to conform to the amendments of related commercial laws, the company hereby proposes to amend “Procedure for Acquisition or Disposal of Assets.”
- (2) Please refer to page 31-37 (Attachment 6) for details.

**Resolution :**

**Proposal No. 3** : Discussion on the proposal to amend “Procedures for Election of Directors.” (Proposed by the Board of Directors)

**Explanation :**

- (1) In order to conform to the amendments of “Articles of Incorporation,” the company hereby proposes to amend “Procedures for Election of Directors.”
- (2) Please refer to page 38 (Attachment 7) for details.

**Resolution :**

## **VI. Questions and Motions**

## **VII. Adjournment**

## **VIII.Attachments**

## Attachment 1: Business Report

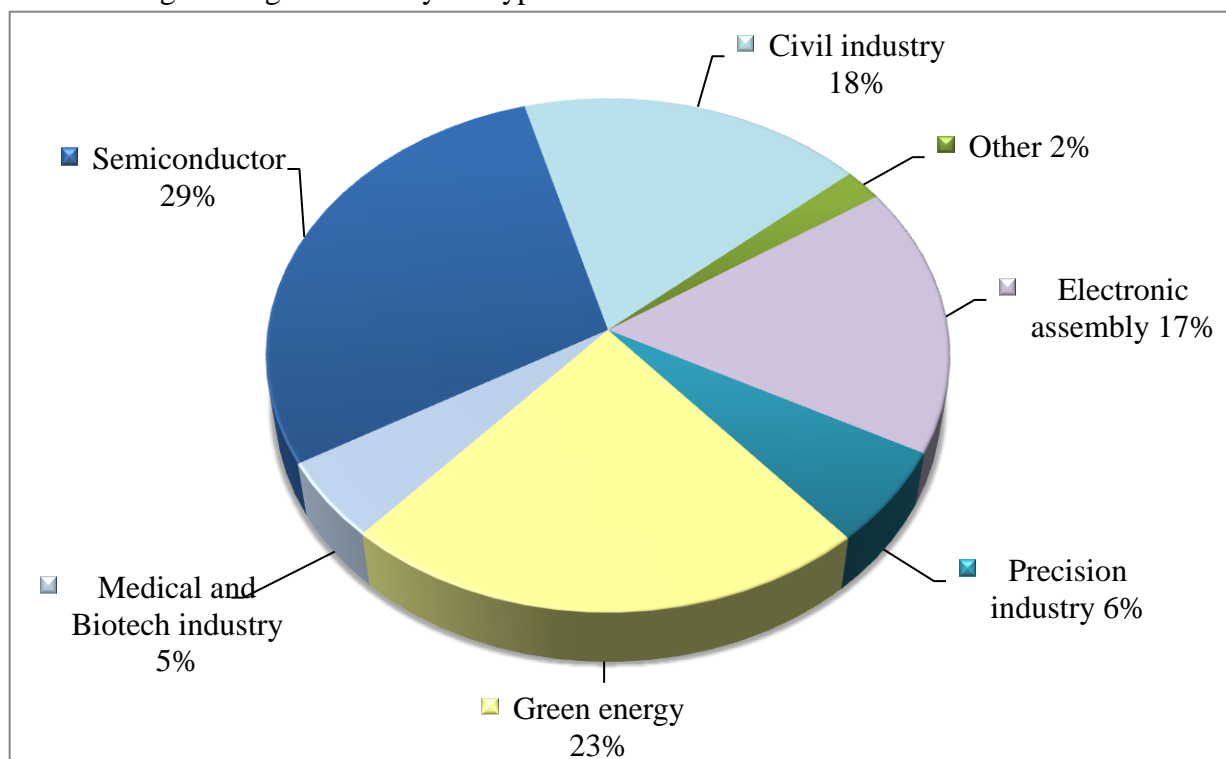
### Acter Co., Ltd. 2016 Business Report

#### 1. 2016 Business results

##### (1). Business plan implementation results

Acter applies multi-regional, multi-industry, and multi-type of work strategies that enables it to achieve NTD 8,404 million of consolidated revenue, 1% decrease compared to last year. In terms of profitability, the net profit after tax reached NTD 436 million, attaining 5% growth compared to last year.

Ratios of engineering turnover by the type



Unit : In thousands of New Taiwan Dollars

Items	2015	2016	%
Operating revenue	8,558,768	8,404,421	(1.8)
Operating cost	7,447,159	7,094,349	(4.7)
Gross profit	1,111,609	1,310,072	17.9
Operating expenses	633,335	708,819	11.9
Operating income	478,274	601,253	25.7
Non-Operating income and expenses	36,548	( 5,599)	(115.3)
Income before income taxes	514,822	595,654	15.7

##### (2). State of budget implementation

This item is not applicable since Acter has not disclosed any financial forecasts.

##### (3). Financial structure and profitability

Items		2016
Financial structure	Ratio of liabilities to assets (%)	61.94
	Ratio of long-term capital to fixed assets (%)	959.73
Solvency	Current ratio (%)	151.37
	Quick ratio (%)	102.18

Items		2016	
Profitability	Return on total assets (%)	5.34	
	Return on stockholders' equity (%)	14.40	
	Ratio to issued capital (%)	Operating income	127.28
		Pre-tax income	126.09
	Profit ratio (%)	5.40	
Earnings per share (\$)	9.45		

#### (4).Research and development

The department in charge of design, research, and development continued to develop different innovative techniques for different industries and projects taking advantage of value-added engineering in order to strengthen our competitive advantages. Descriptions are provided as follows:

##### I. Solvent Recycling Outsourcing Business

The Company cooperates with the overseas company to develop high purity distillation as the core technology, in order to realizing the high purity and recycling of chemicals.

##### II. Concentration Control System for Chemical Liquid

It is a composite application of on-line distillation equipment and high precision meter and the precision will be assured by erasing the errors results from temperature and measurement according to temperature characteristics and moving average for data processing method.

##### III. New Type Electronic-grade Chemicals Supply System

We adopt different design manners such as flow-line design for avoiding transporting with higher efficiency, controlling the cleanliness of cleaning area, utilizing vertical type auto titling cleaning design and new style cleaning nozzle for better cleaning effect, employing visual determination system to distinguish the cleaning effect within a bucket. Besides, we also design clean parameter to be editable and recordable for building up product tracing system.

##### IV. Modular Design and Planning of Large Desalinators

Due to changes in climate and the environment, water shortages are occurring throughout the world. According to the predictions of the World Meteorological Organization, by 2050, 1 billion coastal and offshore residents will face water crisis. Our company started a partnership with a large overseas desalination engineering company and developed desalination technology at the lowest investment cost and unit price of water production.

##### V. Pre-fabrication Technique for Large Cement Tanks

The application of the prefabrication technique in large cement tanks was known for issues such as lengthy construction and susceptibility to leaks in the past. With the new prefabrication technique developed by our company in collaboration with overseas engineering companies, however, the duration of work can be shortened and it helps effectively address the issue of leakage, too.

##### VI. Biotech Industry

The innovation, research, and development efforts in the implementation of biotech pharmaceutical projects were mainly reflected in the system impact assessment (SIA). Modern biotech pharmaceutical companies must comply with the PIC/S GMP requirements and GEP (Good Engineering Practice) is the cornerstone of PIC/S GMP while SIA is at the core of GEP.

The standard SIA operating procedure researched and developed by the Quality Control Department applies to projects during the design stage. Quality control engineers and system engineers apply the standard SIA operating procedure while performing internationally approved assessments of all systems involved in biotech pharmaceutical projects comprehensively. By successfully implementing the standard SIA operating procedure, it helps set a clear goal while biotech pharmaceutical projects are being qualified, which not only saves the manpower and time needed for a project but also perfects the qualification logic for biotech pharmaceutical projects.

We will proactively establish the standard operating procedures for critical component assessments (CCAs) of air-conditioning, water purification, distillation, steam purification, compressed air, partition, power, firefighting, drainage, and automatic control systems in order to more effectively, economically, and completely fulfill the needs of biotech pharmaceutical projects.

## VII. Continued Developments in Respective Engineering Aspects

- Electrical and mechanical engineering: Taking advantage of night-time off-peak hours to run the refrigerant compressor and produce ice. When the compressor is running and the brine water temperature is below 0°C, water inside the tank and container will experience phase changes and freeze in order to store lots of latent heat. The stored ice will then melt to release cold energy during the day when power utilization reaches the peak to satisfy the air-conditioning load demand and accomplish the goal of reducing the uptime of the compressor. By shifting air-conditioning power consumption from peak hours to off-peak ones, it successfully transfers peak air-conditioning load during the day and reduce electricity bills accordingly.
- Special engineering: Taking advantage of air pressure differences between outdoors and indoors; the surrounding outdoor air will only flow toward the negative pressure area indoors because of the characteristic that air is flowing from a high pressure area to a lower one. Negative pressure is an important protection mechanism that blocks an area from an outside environment; it is often used as a means to control air dispersion as it helps ensure that air flows toward an anticipated direction. ACTER successfully applied the negative pressure technology to help hospitals configure isolated negative-pressure patient wards.
- Bio-tech engineering: PIC/S GMP standards have more rigid requirements for clean rooms configured in pharmaceutical manufacturing facilities; they differ from existing cGMP standards in Taiwan the most in facilities and operations that help prevent against cross contamination.
- Clean room engineering: ACTER helps businesses complete clean room engineering by controlling the temperature, humidity, airflow, air pressure, and particles of indoor air along with indoor illumination and dust-free building materials.
- Ultra-high building engineering: Taking advantage of separation through the turn layer to successfully reduce the pressure resistance level of pipeline, increase operation stability and security, and significantly cut the overall engineering cost.
- Livelihood engineering: Using air-conditioning waste heat and heat source from outdoor air as the hot water usage in life and achieving the reduction of equipment by eliminating the boiler system. In addition to assisting companies in reducing the equipment costs, it can also reduce fuel usage and lower CO2 emissions.
- Manufacturing process engineering: It is merging cold source supply system through deeply understanding the manufacturing process system to effectively elevate the system utilization rate.



## 2. Summary of business plan for 2017

### (1).Business strategy

This year, Acter has set up its growth goals for various divisions and subsidiaries and implemented action plans for each unit. It also implemented the following business policies:

- I. Strengthen governance in subsidiaries and enhance enterprise culture
- II. Conduct thorough development of primary business, continuous diversification and versatility
- III. Maintain constant contact with current customers from mainland China and Southeast Asia, develop new customers, create multi-regional business, and improve investment efficiency
- IV. Cooperate with international partners and continuously expand the scope of its professional service in biological, pharmaceutical, medical industries and desalination
- V. Combine the professional manufacturing processes of gas and chemical supply systems in the treatment of liquid waste and solvent waste to create a new generation engineering integration technology and Earth-friendly technology

### (2).Expected sales volume and basis for estimates

Acter is a professional manufacturer that applies system integration. For 30 years, it has provided services which cover cleanrooms, air conditioning, electrical machinery, chemical engineering as well as control and instrument, equipment installation, etc., with the support of its strong and reliable multi-disciplinary and elite engineering team. Aside from its strength and advantage, Acter aims to keep pace with the request of customers. It caters to the needs of clients through constant communication and by establishing brand value and competitive advantage via innovative technology and high quality services.

In addition to serving its existing customers, Acter is aggressively expanding its domestic and overseas markets by identifying new industries and new customers, and satisfying the demand for a cross-disciplinary project service with integration system. As for internal operations, managing the company's integral resources is vital in providing the best and efficient solutions for customers.

## 3. Future development strategies

The company is deeply committed to every project which represents and embodies Acter. It has been a long time since the company focused on the improvement and development of engineering technology. Currently, it has become a diversified engineering technology company through horizontal integration and continuous development. The content of service and professional engineering method were improved to keep pace with progress. It has continued to expand its service stations given the increasing demand of customers. In order to approach its customers and provide real-time service, Acter service stations are situated all over Taiwan, Mainland China and Southeast Asia. In the future, it aims to continuously offer the best solutions and service to its customers. The company's future development strategies include:

- (1). Focus on its core technology and initiate projects that offer professional advantages
- (2). Gain foothold in Chinese and Southeast Asian markets while expanding its vision to include international markets
- (3). Develop an environmental, energy-saving, and green system in fulfillment of its duty as a global citizen
- (4). Integrate a diversified technology and pursue an innovative engineering method that expands versatile application of its core competence

#### 4. Major production and sales policies

Acter provides rapid and flexible integration of services specializing in engineering and technology. It is a comprehensive turnkey service company that handles design and planning, construction, engineering supervision, maintenance after completion and transfer. Acter applies multi-sector, multi-job, and multi-talent strategies that enables it to provide a professional and holistic factory planning approach for customers through its knowledge and capabilities. Acter services offer horizontal integration and sustainable intensification of industry value-chain across various technologies that impact people's livelihood, biotechnology and the medical field as well as the photovoltaic industry, semiconductor industry, biotechnology industry, energy industry, energy engineering, railway stations, high-end housing, hotels, electromechanical solutions for air conditioning systems, biopharmaceutical, medical institutes, etc.

With respect to its manufacturing-retail policy, the company shall utilize its advantage, while considering the needs of its customers in order to maintain existing clients, acquire new ones, and enter new industries. It also aims to meet environmental requirements through energy saving and carbon reduction measures in the biopharmaceutical industry and other businesses in order to maintain business volume and achieve stable growth and profit. With regard to engineering, the company shall continuously improve and manage all kinds of projects in order to create value and provide comprehensive solutions for its customers. As for financial considerations, it shall apply proper financial risk control strategies in handling customers and accelerate the collection rate of accounts receivable.

#### 5. Effect of the external competitive environment, legal and regulatory environment, and overall business environment

Large-scale construction suppliers offered turnkey solutions that enabled them to gain control of the electricity and machine engineering market, which led to greater competition in the electricity, machine and cleanroom engineering industry. Acter is committed to creating valuable projects and reduces the financial burden of its clients through innovative technologies and special engineering methods. In addition, it reduces overhead expense and engineering construction risks. It also forms a stable and cooperative relationship with suppliers for effective cost control and improvement of price competition in construction engineering. Meanwhile, it develops related business of energy-saving which will not only provide better services for its customers but also contribute to the overall environment.

As far as the regulatory environment is concerned, the company periodically reviews changes made to laws and regulations to ensure compliance with requirements of the competent authority and adheres to its belief of legitimate management. Generally speaking, changes to the regulatory environment will not have a major impact on the company.

In the business environment, global growth for 2017 is projected to reduce to 2.7% according to the World Bank's global outlook. The economic growth rate in China is estimated as 6.5% in 2017 wherein, which is closer to the figure of last year. In Indonesia, the economic growth rate is predicted to increase to 5.3 %, while it estimates 4.3% in Malaysia. Asia Development Bank is also optimistic toward the development of Vietnam in the future, which regards that the economic growth rate will maintain the high increase rate of 6.3% in the coming year. Acter will continuously focus on cross-strait and international economic issues while maintaining its professional capabilities and actively expanding its Chinese and Southeast Asian markets in search of new clients in order to achieve better growth and development.

## 6. Corporate Social Responsibility

Starting from design with “Protecting the Earth, Reducing Energy Consumption” as the appeals, striving to reduce operating costs for industries, raising efficiency, and enhancing the overall competitiveness of the industries; meanwhile, raising energy usage efficiency, reduce waste, decrease the burden of the Earth, and guard our living environment. From needs assessment survey, concept design, benefit analysis, spatial planning, material evaluation, valuation, lean engineering, system debugging, and operations to concern, we implement each at every one of the steps so as to achieve the demands and targets and to fulfill the duty as a global citizen, providing the optimum balance for the teams, customers, environment, and suppliers, and doing meaningful work.

In addition, the company is dedicated to managing and promoting its corporate culture. It initiates industry-university cooperative research projects to cultivate young talents and provide opportunities for students. It also introduces a mentoring program that trains newcomers in the academe, creating opportunities for growth. The company also utilizes professional and core skills to design projects that help conserve energy. It uses high-efficiency equipment for the benefit of its clients. It also participates in socially relevant activities such as emergency support and campaign to encourage reading which can benefit society and the community while enabling the company to achieve sustainable development.

As Acter promotes engineering safety in accordance with government regulations, every project adheres to standard operating procedures. The company requires its working partner to conform to Acter standards to ensure safety management and zero accident at the construction site. It holds daily toolbox meetings before work begins and strictly implements security measures at the construction site. It conducts random inspection of safety equipment and practices to ensure smooth and safe completion of projects.

It deeply appreciates the support of shareholders. Acter hopes to create greater value for the entire organization and its shareholders.

Chairman: Liang, Chin-Li

General Manager: Liang, Chin-Li

Accounting Supervisor : Tsao, Yun-Han

## **Attachment 2: 2016 Independent Auditors' Report and Financial Statements**

### **Representation Letter**

The entities that are required to be included in the combined financial statements of Acter Co., Ltd. as of and for the year ended December 31, 2016, under the Criteria Governing the Presentation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10 by the Financial Supervisory Commissions, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Acter Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Acter Co., Ltd.

MR. Liang, Chairman

February 23, 2017

## Independent Auditors' Report

To the Board of Directors of Acter Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of Acter Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of December 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Revenue recognition

Refer to Note 4(16) “Revenue”, Note 5(1) “Major source of accounting assumptions, judgments, and estimation uncertainty: Revenue recognition” and Note 6(4) “Construction contracts” to the consolidated financial statements.

The Group assesses construction revenue by measuring the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs; the estimated total cost involves judgment and estimation uncertainty of the Group's management. Consequently, revenue recognition is one of the key matters for our audit.

#### How the matter was addressed in our audit

Our principal audit procedures included: testing the Group's internal control of sales and receipt cycle to assess whether there is any defects and irregularities of internal control systems; reviewing major contracts to understand the specific terms and risks of contracts; comparing actual construction costs incurred with estimated construction costs to evaluate rationality of the estimation method; assessing whether the Group's accounting policy of revenue recognition is in accordance with related accounting standards.

### **2. Assessed of impairment of receivables**

Refer to Note 4(7) "Financial instruments", Note 5(2) "Major source of accounting assumptions, judgments, and estimation uncertainty: Impairment of trade receivables" and Note 6(3) "The net of notes and accounts receivables" to the consolidated financial statements.

#### **Description of key audit matter**

The recoverable of the Group's receivables is closely related with business cycle and customers' operating situation. The Group's management estimate impairment for receivables by assessing each customers' financial status and historical payment record. Impairment of receivables involves judgment and estimation uncertainty of the Group's management. Consequently, impairment of receivables is one of the key matters for our audit.

#### How the matter was addressed in our audit

Our principal audit procedures included: testing related internal control of account receivable; reviewing collection of notes and accounts receivable during the subsequent period; evaluating the Group's assumption of impairment by performing receivables aged analysis, considering economic status and customers' credit risk; assessing whether the impairment is fairly presented.

### **3. Provisions**

Refer to Note 4(15) "Provisions", Note 5(3) "Major source of accounting assumptions, judgments, and estimation uncertainty: Recognition and measurement of provisions" and Note 6(11) "Provisions" to the consolidated financial statements.

#### **Description of key audit matter**

The Group estimates the future probability of warranty occurrence based on historical experience, and recognize provisions. Provisions of warranty involves judgment and estimation uncertainty of the Group's management. Consequently, Provisions of warranty is one of the key matters for our audit.

#### How the matter was addressed in our audit

Our principal audit procedures included: comparing actual warranty expenses and provisions of warranty to assess accuracy of estimation; considering the management's methods and data sources of estimating provisions and evaluating the possibility to change accounting estimates; assessing whether the provision is fairly presented and in accordance with related accounting standards.

## **Other Matter**

Acter Co., Ltd. Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

February 23, 2017

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations, and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' review report and consolidated financial statements, the Chinese version shall prevail.



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese.)

Acter Co., Ltd. and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2016, and 2015

(expressed in thousands of New Taiwan Dollars)

Assets		December 31, 2016		December 31, 2015		Liabilities and Equity		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current Assets:</b>						<b>Current Liabilities:</b>					
1100	Cash and cash equivalents (Note 6 (1) and (21))	\$ 2,553,478	29	1,495,223	19	2100	Short-term loans (Note 6 (12) and (21))	\$ 193,680	2	183,857	2
1125	Available-for-sale financial assets—current (Note 6 (2) and (21))	202,046	2	211,765	3	2150	Notes payable (Note 6 (21))	235,806	3	268,998	3
1150	Notes receivable, net (Note 6 (3) and (21))	95,956	1	245,882	3	2170	Accounts payable (Note 6 (21))	2,084,077	23	2,346,595	29
1170	Accounts receivable, net (Note 6 (3) and (21))	2,350,980	27	2,496,791	30	2180	Payables to related parties (Note 6 (21) and 7 (3))	118	-	459	-
1190	Construction contracts receivable (Note 6 (4))	904,016	10	1,419,880	17	2190	Construction contracts payable (Note 6 (4))	1,028,078	12	539,968	7
1200	Other receivables (Note 6 (3) and (21))	30,082	-	36,402	-	2201	Accrued salaries and bonuses	213,790	2	196,919	2
1220	Current income tax assets	5,008	-	12,096	-	2230	Current income tax liabilities	66,075	1	55,447	1
1310	Inventories, net (Note 6 (5))	1,193,997	13	1,150,641	14	2250	Provisions—current (Note 6 (11))	235,573	3	192,982	2
1476	Other financial assets—current (Note 8)	167,513	2	201,263	3	2311	Advance sales receipts (Note 6 (13))	1,055,346	12	975,010	12
1479	Other current assets	<u>503,803</u>	<u>6</u>	<u>242,109</u>	<u>3</u>	2399	Other current liabilities and accrued expenses (Note 9)	<u>177,028</u>	<u>2</u>	<u>154,869</u>	<u>2</u>
		<u>8,006,879</u>	<u>90</u>	<u>7,512,052</u>	<u>92</u>			<u>5,289,571</u>	<u>60</u>	<u>4,915,104</u>	<u>60</u>
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>					
1523	Available-for-sale financial assets—noncurrent (Note 6 (2))	3,960	-	15,221	-	2570	Deferred tax liabilities (Note 6 (19))	173,142	2	172,129	2
1550	Investment accounted for using equity method (Note 6 (6))	877	-	1,138	-	2640	Non-current provisions for employee benefits (Note 6 (14))	40,400	-	34,905	-
1600	Property, plant and equipment (Note 6 (9))	374,530	4	380,354	5	2645	Guarantee deposit received	<u>314</u>	<u>-</u>	<u>252</u>	<u>-</u>
1760	Investment property, net (Note 6 (10))	248,228	3	30,537	-			<u>213,856</u>	<u>2</u>	<u>207,286</u>	<u>2</u>
1840	Deferred tax assets (Note 6 (19))	184,886	2	155,981	2		<b>Total Liabilities</b>	<u>5,503,427</u>	<u>62</u>	<u>5,122,390</u>	<u>62</u>
1985	Long-term prepaid rents	35,910	1	40,308	-	<b>Equity Attributable to owners of parent company (Note 6 (15))</b>					
1990	Other non-current assets (Note 6 (2))	<u>28,793</u>	<u>-</u>	<u>50,616</u>	<u>1</u>	3100	Common stock	472,369	5	466,159	6
		877,184	10	674,155	8	3200	Capital surplus	1,071,656	12	978,475	12
						3300	Retained earnings	1,597,951	18	1,451,733	18
						3400	Other equity interest	<u>(78,851)</u>	<u>(1)</u>	<u>23,145</u>	<u>-</u>
							Total equity attributable to owners of parent company	<u>3,063,125</u>	<u>34</u>	<u>2,919,512</u>	<u>36</u>
						36XX	Non-controlling interests (Note 6 (7) and (8))	<u>317,511</u>	<u>4</u>	<u>144,305</u>	<u>2</u>
							<b>Total Equity</b>	<u>3,380,636</u>	<u>38</u>	<u>3,063,817</u>	<u>38</u>
<b>Total Assets</b>		<u>\$ 8,884,063</u>	<u>100</u>	<u>8,186,207</u>	<u>100</u>		<b>Total Liabilities And Equity</b>	<u>\$ 8,884,063</u>	<u>100</u>	<u>8,186,207</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese.)**

**Acter Co., Ltd. and Its Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the years ended December 31, 2016, and 2015**

**(expressed in thousands of New Taiwan Dollars, except earnings per share)**

		<u>2016</u>		<u>2015</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Operating revenues:</b>					
4521	Construction revenue (Note 6 (4) and 7)	\$ 6,855,632	81	6,995,530	82
4529	Less: allowances	<u>(69,092)</u>	<u>(1)</u>	<u>(21,049)</u>	<u>-</u>
		6,786,540	80	6,974,481	82
4110	Sales	1,555,421	19	1,552,071	18
4800	Other operating revenue	<u>62,460</u>	<u>1</u>	<u>32,216</u>	<u>-</u>
		8,404,421	100	8,558,768	100
<b>Operating cost:</b>					
5520	Construction cost (Note 6 (4) and 7)	5,928,771	71	6,162,921	72
5110	Cost of goods sold (Note 6 (5))	1,161,499	14	1,277,277	15
5800	Other operating cost	<u>4,079</u>	<u>-</u>	<u>6,961</u>	<u>-</u>
		<u>7,094,349</u>	<u>85</u>	<u>7,447,159</u>	<u>87</u>
		<u>1,310,072</u>	<u>15</u>	<u>1,111,609</u>	<u>13</u>
<b>Gross profit</b>					
<b>Operating expenses:</b>					
6100	Selling	101,949	1	113,466	1
6200	General and administrative (Note 6 (3))	530,091	6	439,303	5
6300	Research and development	<u>76,779</u>	<u>1</u>	<u>80,566</u>	<u>1</u>
		<u>708,819</u>	<u>8</u>	<u>633,335</u>	<u>7</u>
		<u>601,253</u>	<u>7</u>	<u>478,274</u>	<u>6</u>
<b>Operating income</b>					
<b>Non-operating income and expenses:</b>					
7050	Finance costs	(3,253)	-	(2,054)	-
7010	Other income (Note 6 (17))	22,559	-	20,797	-
7070	Share of loss of associates accounted for using equity method (Note 6 (6))	(234)	-	(319)	-
7020	Other gains and losses, net (Note 6 (17))	<u>(24,671)</u>	<u>-</u>	<u>18,124</u>	<u>-</u>
		<u>(5,599)</u>	<u>-</u>	<u>36,548</u>	<u>-</u>
7900	<b>Profit before tax</b>	595,654	7	514,822	6
7950	<b>Income tax expense</b> (Note 6 (19))	<u>141,792</u>	<u>2</u>	<u>91,792</u>	<u>1</u>
	<b>Profit for the year</b>	<u>453,862</u>	<u>5</u>	<u>423,030</u>	<u>5</u>
8300	<b>Other comprehensive income, net of tax:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b> (Note 6 (14))				
8311	Remeasurements effects on defined benefit plans	(3,008)	-	(1,154)	-
8330	Share of other comprehensive income of subsidiaries and associates	<u>(3,035)</u>	<u>-</u>	<u>(222)</u>	<u>-</u>
		<u>(6,043)</u>	<u>-</u>	<u>(1,376)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Foreign currency translation differences — foreign operations	(118,193)	(1)	(21)	-
8362	Net change in fair value of available-for-sale financial assets	8,685	-	(11,949)	-
8399	Less: Income tax relating to components of other comprehensive income that may be reclassified subsequently to profit or loss (note 6 (19))	19,812	-	30	-
		<u>(89,696)</u>	<u>(1)</u>	<u>(11,940)</u>	<u>-</u>
8300	Other comprehensive income, net of tax	<u>(95,739)</u>	<u>(1)</u>	<u>(13,316)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 358,123</u>	<u>4</u>	<u>409,714</u>	<u>5</u>
<b>Profit attributable to:</b>					
8610	Owners of parent	\$ 436,276	5	416,345	5
8620	Non-controlling interests	<u>17,586</u>	<u>-</u>	<u>6,685</u>	<u>-</u>
		<u>\$ 453,862</u>	<u>5</u>	<u>423,030</u>	<u>5</u>
<b>Comprehensive income attributable to:</b>					
8710	Owners of parent company	\$ 342,190	4	403,092	5
8720	Non-controlling interests	<u>15,933</u>	<u>-</u>	<u>6,622</u>	<u>-</u>
		<u>\$ 358,123</u>	<u>4</u>	<u>409,714</u>	<u>5</u>
<b>Earnings per share (attributable to owner of parent company) (Note 6 (20))</b>					
9750	<b>Basic earnings per share</b> (In New Taiwan Dollars)	<u>\$ 9.45</u>		<u>9.02</u>	
9850	<b>Diluted earnings per share</b> (In New Taiwan Dollars)	<u>\$ 9.24</u>		<u>8.93</u>	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese.)

Acter Co., Ltd. and Its Subsidiaries

Consolidated Statements of Changes in Equity  
For the Years ended December 31, 2016 and 2015  
(expressed in thousands of New Taiwan Dollars)

	Attributable to owners of parent						Other equity interest				Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation adjustments	Unrealized gains(losses) on available-for-sale financial assets	Other	Total		
<b>Balance, January 1, 2015</b>	\$ 461,359	936,951	333,976	36,885	759,135	1,129,996	58,501	(2,634)	-	55,867	84,205	2,668,378
Appropriation and distribution of retained earnings for the year ended 2015:												
Legal reserve	-	-	9,483	-	(9,483)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(93,232)	(93,232)	-	-	-	-	-	(93,232)
	461,359	936,951	343,459	36,885	656,420	1,036,764	58,501	(2,634)	-	55,867	84,205	2,575,146
Changes in ownership interest in subsidiaries	-	6,724	-	-	-	-	-	-	-	-	-	6,724
Issuance of restricted shares of stock to employees	4,800	34,800	-	-	-	-	-	-	(20,845)	(20,845)	-	18,755
	466,159	978,475	343,459	36,885	656,420	1,036,764	58,501	(2,634)	(20,845)	35,022	84,205	2,600,625
Comprehensive income for the year ended 2015												
Profit	-	-	-	-	416,345	416,345	-	-	-	-	6,685	423,030
Changes in comprehensive income	-	-	-	-	(1,376)	(1,376)	72	(11,949)	-	(11,877)	(63)	(13,316)
Total comprehensive income	-	-	-	-	414,969	414,969	72	(11,949)	-	(11,877)	6,622	409,714
Recognition of special reserve for first adoption of IFRSs	-	-	-	3	(3)	-	-	-	-	-	-	-
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	53,478	53,478
<b>Balance, December 31, 2015</b>	\$ 466,159	978,475	343,459	36,888	1,071,386	1,451,733	58,573	(14,583)	(20,845)	23,145	144,305	3,063,817
Appropriation and distribution of retained earnings for the year ended 2016:												
Legal reserve	-	-	41,635	-	(41,635)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(284,015)	(284,015)	-	-	-	-	-	(284,015)
	466,159	978,475	385,094	36,888	745,736	1,167,718	58,573	(14,583)	(20,845)	23,145	144,305	2,779,802
Changes in ownership interest in subsidiaries	-	19,419	-	-	-	-	-	-	-	-	-	19,419
Capital surplus – difference between consideration and carrying amount of subsidiaries acquired or disposed	-	30,382	-	-	-	-	-	-	-	-	-	30,382
Issuance of restricted shares of stock to employees	6,210	43,380	-	-	-	-	-	-	(13,953)	(13,953)	-	35,637
	472,369	1,071,656	385,094	36,888	745,736	1,167,718	58,573	(14,583)	(34,798)	9,192	144,305	2,865,240
Comprehensive income for the year ended 2016												
Profit	-	-	-	-	436,276	436,276	-	-	-	-	17,586	453,862
Changes in comprehensive income	-	-	-	-	(6,043)	(6,043)	(96,728)	8,685	-	(88,043)	(1,653)	(95,739)
Total comprehensive income	-	-	-	-	430,233	430,233	(96,728)	8,685	-	(88,043)	15,933	358,123
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	157,273	157,273
<b>Balance, December 31, 2016</b>	\$ 472,369	1,071,656	385,094	36,888	1,175,969	1,597,951	(38,155)	(5,898)	(34,798)	(78,851)	317,511	3,380,636

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese.)

Acter Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan Dollars)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 595,654	514,822
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation (Including investment property)	21,595	24,632
Amortization	6,837	8,243
Provision for bad debt expense	109,767	42,149
Compensation cost arising from employee stock options	35,637	18,755
Provision for (Gain on reversal of) inventory obsolescence	8,761	(21,342)
Gain on disposal of investment	15,269	(2,830)
Share of loss of associates accounted for using equity method	234	319
Other	(5,066)	(8,001)
	<u>193,034</u>	<u>61,925</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in notes receivable	149,926	(80,420)
Increase in accounts receivable	(37,181)	(845,641)
Decrease (increase) in construction contracts receivable	515,864	(31,975)
Increase in inventories	(52,117)	(53,907)
Decrease (increase) in other financial assets	(232,406)	77,945
	<u>344,086</u>	<u>(933,998)</u>
<b>Changes in operating liabilities:</b>		
Decrease in notes payable	(33,192)	(16,163)
Increase (decrease) in accounts payable	(210,044)	262,244
Increase in construction contracts payable	488,110	36,013
Increase in advance sales receipts	80,336	361,298
Increase in other current liabilities	3,403	114,932
	<u>328,613</u>	<u>758,324</u>
Total adjustments	<u>865,733</u>	<u>(113,749)</u>
Cash inflow generated from operations	1,461,387	401,073
Interest received	9,476	10,867
Interest paid	(3,453)	(2,178)
Income taxes paid	(165,644)	(109,355)
<b>Net cash generated from operating activities</b>	<u>1,301,766</u>	<u>300,407</u>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(156,174)	(180,000)
Proceeds from disposal of available-for-sale financial assets	172,405	203,816
Acquisition of property, plant and equipment	(28,468)	(11,596)
Proceeds from disposal of property, plant and equipment	3,362	431
Acquisition of investment property	(116,729)	-
Decrease (increase) in other non-current assets	13,621	(27,045)
<b>Net cash used in investing activities</b>	<u>(111,983)</u>	<u>(14,394)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	9,823	105,622
Payment of cash dividends	(284,015)	(93,232)
Changes in non-controlling interests	242,074	53,478
<b>Net cash generated from (used in) financing activities</b>	<u>(32,118)</u>	<u>65,868</u>
Effect of exchange rate changes on cash and cash equivalents	(99,410)	1,897
Net increase in cash and cash equivalents	1,058,255	353,778
Cash and cash equivalents at beginning of year	1,495,223	1,141,445
Cash and cash equivalents at end of year	<u>\$ 2,553,478</u>	<u>1,495,223</u>

### **Attachment 3: Audit Committee's Review Report**

## **Acter Co., Ltd. Audit Committee's Review Report**

This company's 2016 financial statements have been approved by the audit committee and resolved by the board of directors. The foregoing financial statements have been audited by CPA of KPMG under commission to the board, and the auditor has issued an audit report relating to the financial statements.

This company's 2016 business report and earnings distribution proposal have been prepared and issued by the board of directors. The foregoing business report and earnings distribution proposal have been reviewed and determined to be correct and accurate by the audit committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

2017 shareholders meeting of Acter Co., Ltd.

**Acter Co., Ltd.**

Chairman of the Audit Committee: Yeh, Hui-Hsin

February 23, 2017

## Attachment 4: Comparison Table of the Corporate Social Responsibility Best Practice Principles

Article	After The Revision	Before The Revision
Article 6	<p>The board of directors of the company shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.</p> <p>The board of directors of the company is advised to <del>uphold corporate social responsibility by:</del> <u>give full consideration to the interests of stakeholders, including the following matters, in the company's performance of its corporate social responsibility initiatives:</u></p> <ol style="list-style-type: none"> <li>1. Making corporate social responsibility the guiding principle of the company's operations and development;</li> <li>2. Identifying the company's corporate social responsibility mission (or vision, values) and declaring its corporate social responsibility policy; and</li> <li>3. Enhancing the disclosure of corporate social responsibility information.</li> </ol>	<p>The board of directors of the company shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.</p> <p>The board of directors of the company is advised to uphold corporate social responsibility by:</p> <ol style="list-style-type: none"> <li>1. Making corporate social responsibility the guiding principle of the company's operations and development;</li> <li>2. Identifying the company's corporate social responsibility mission (or vision, values) and declaring its corporate social responsibility policy; and</li> <li>3. Enhancing the disclosure of corporate social responsibility information.</li> </ol>
Article 25-1	<p><u>The company is advised to treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. Said company shall also develop the relevant strategies and specific measures for implementation.</u></p>	
Article 28	<p><del>The company may, through commercial activities, non-cash property endowments, volunteering service or other free professional services, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.</del> <u>The company is advised to, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.</u></p>	<p>The company may, through commercial activities, non-cash property endowments, volunteering service or other free professional services, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.</p>

Article	After The Revision	Before The Revision
Article 32	<p>These principles, and any amendments hereto, shall be implemented after adoption by board of directors.</p> <p>These principles were established on 29 April, 2014.</p> <p><u>These principles were established on 8 November, 2016.</u></p>	<p>These principles, and any amendments hereto, shall be implemented after adoption by board of directors.</p> <p>These principles were established on 29 April, 2014.</p>

### Attachment 5: Comparison Table of the Articles of Incorporation

Article	After The Revision	Before The Revision
Article 16	The company has 5 to 9 directors, all to be elected from among <del>persons with legal capacities</del> <u>the nominees listed in the roster of director candidates under the candidate nomination system</u> by the shareholder meeting for terms of 3 years. The same person may be elected again upon expiry of the term.	The company has 5 to 9 directors, all to be elected from among persons with legal capacities by the shareholder meeting for terms of 3 years. The same person may be elected again upon expiry of the term.
Article 30	These articles of association were established on 10 February, 1979... Twenty fourth amendment was made on 31 May, 2016. <u>Twenty fifth amendment was made on 26 May, 2017.</u>	These articles of association were established on 10 February, 1979... Twenty fourth amendment was made on 31 May, 2016.



## Attachment 6: Comparison Table of the Procedure for Acquisition or Disposal of Assets

Article	After The Revision	Before The Revision
Article 7	<p>Evaluation and Procedure for Acquisition or Disposal of Real Property or Equipment</p> <p>1. The means of price determination and supporting reference materials For acquisition or disposal of real property or equipment, reference shall be made to published current value, appraisal value and actual transaction price of neighboring real property. Transaction conditions, transaction price and analysis report shall be prepared through the procedure of price consultation, price comparison, price negotiation or public tender and submitted to the chairman.</p> <p>2. Expert Appraisal Report For any acquisition or disposal of real property or equipment, other than a transaction with government—<del>agencies</del> <u>authority</u>, delegated construction on self-owned land, delegated construction on leased land or acquisition or disposal of equipment for operational purpose, if the transaction amount reaches 20% of the company's paid-in capital or NT\$300 Million or above, an appraisal report issued prior to the date of occurrence of the event by a professional appraiser shall first be obtained and the following rules shall be complied with:</p>	<p>Evaluation and Procedure for Acquisition or Disposal of Real Property or Equipment</p> <p>1. The means of price determination and supporting reference materials For acquisition or disposal of real property or equipment, reference shall be made to published current value, appraisal value and actual transaction price of neighboring real property. Transaction conditions, transaction price and analysis report shall be prepared through the procedure of price consultation, price comparison, price negotiation or public tender and submitted to the chairman.</p> <p>2. Expert Appraisal Report For any acquisition or disposal of real property or equipment, other than a transaction with government agencies, delegated construction on self-owned land, delegated construction on leased land or acquisition or disposal of equipment for operational purpose, if the transaction amount reaches 20% of the company's paid-in capital or NT\$300 Million or above, an appraisal report issued prior to the date of occurrence of the event by a professional appraiser shall first be obtained and the following rules shall be complied with:</p>
Article 8	<p>Evaluation and Procedure for Acquisition of Real Property from a Related Party</p> <p>1. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section. The calculation of the transaction amount shall be made in accordance with Article 6-3 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the</p>	<p>Evaluation and Procedure for Acquisition of Real Property from a Related Party</p> <p>1. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section. The calculation of the transaction amount shall be made in accordance with Article 6-3 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the</p>

Article	After The Revision	Before The Revision
	<p>relationship shall also be considered.</p> <p>2. When a public company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <del>redemption</del> <u>repurchase</u> of domestic money market funds <u>issued by Securities Investment Trust Enterprises (SITEs)</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all audit committee members and submitted to the board of directors for further approval:</p>	<p>relationship shall also be considered.</p> <p>2. When a public company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all audit committee members and submitted to the board of directors for further approval:</p>
<p>Article 9</p>	<p>Evaluation and Procedure for Acquisition or Disposal of Membership and Intangible Assets</p> <p>1. The means of price determination and supporting reference materials For the acquisition or disposal of any membership or intangible asset, the future possible proceeds from such asset and market fair value should be taken into consideration. If required, expert opinions should be referred to. Negotiation and determination shall be made with the transaction counterparty.</p> <p>2. Expert Opinions Any acquisition or disposal of membership or intangible asset with the transaction amount reaching 20% of the company's paid-in capital or NT\$300 Million or above, except in transactions with a government <del>agency</del> <u>authority</u>, an accountant shall be engaged to provide an opinion about the reasonableness of the transaction price prior to the date of occurrence of the event. The accountant shall proceed in accordance with Audit Standard No. 20 published by the Accounting Research and Development Foundation. Calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 6-3.</p>	<p>Evaluation and Procedure for Acquisition or Disposal of Membership and Intangible Assets</p> <p>1. The means of price determination and supporting reference materials For the acquisition or disposal of any membership or intangible asset, the future possible proceeds from such asset and market fair value should be taken into consideration. If required, expert opinions should be referred to. Negotiation and determination shall be made with the transaction counterparty.</p> <p>2. Expert Opinions Any acquisition or disposal of membership or intangible asset with the transaction amount reaching 20% of the company's paid-in capital or NT\$300 Million or above, except in transactions with a government agency, an accountant shall be engaged to provide an opinion about the reasonableness of the transaction price prior to the date of occurrence of the event. The accountant shall proceed in accordance with Audit Standard No. 20 published by the Accounting Research and Development Foundation. Calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 6-3.</p>

Article	After The Revision	Before The Revision
Article 12	<p>Evaluation and Procedure for Merger, Division, Acquisition or Share Transfer</p> <p>1. Evaluation and Procedure If the company engages in any merger, division, acquisition or share transfer, it shall engage attorneys, accountants and underwriters to jointly study and discuss the legal procedure and estimated timetable. A project team shall be organized for execution in accordance with the legal procedure.</p> <p>2. Transaction Consideration Determination Method and Reference Benchmark If the company engages in any merger, division, acquisition or share transfer, it shall consider the past and future financial and operational status of the participating companies, estimate proceeds that may occur in the future and fair method for transaction price determined by the market. Professional opinions from accountants, attorneys or securities underwriters shall be referred to as well as the negotiated price by the counterparty participating in the merger, division, acquisition or share transfer.</p> <p>3. Expert Opinions If the company engages in any merger, division, acquisition or share transfer, accountants, attorneys or securities underwriters shall be engaged before a board meeting is convened for resolution to provide opinions about the reasonableness of the share swap ratio, acquisition price or cash and other properties distributed to the shareholders. The opinions shall be submitted to the board of directors for discussion and approval. <u>However, if the company merges its directly or indirectly wholly owned subsidiary or a merger between its directly or indirectly wholly owned subsidiaries, the company may be exempted from obtaining the opinions as mentioned above.</u></p>	<p>Evaluation and Procedure for Merger, Division, Acquisition or Share Transfer</p> <p>1. Evaluation and Procedure If the company engages in any merger, division, acquisition or share transfer, it shall engage attorneys, accountants and underwriters to jointly study and discuss the legal procedure and estimated timetable. A project team shall be organized for execution in accordance with the legal procedure.</p> <p>2. Transaction Consideration Determination Method and Reference Benchmark If the company engages in any merger, division, acquisition or share transfer, it shall consider the past and future financial and operational status of the participating companies, estimate proceeds that may occur in the future and fair method for transaction price determined by the market. Professional opinions from accountants, attorneys or securities underwriters shall be referred to as well as the negotiated price by the counterparty participating in the merger, division, acquisition or share transfer.</p> <p>3. Expert Opinions If the company engages in any merger, division, acquisition or share transfer, accountants, attorneys or securities underwriters shall be engaged before a board meeting is convened for resolution to provide opinions about the reasonableness of the share swap ratio, acquisition price or cash and other properties distributed to the shareholders. The opinions shall be submitted to the board of directors for discussion and approval.</p>
Article 13	<p>Procedure of Public Announcement</p> <p>1. Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the Securities and Futures Bureau of the Financial Supervisory Commission 's designated</p>	<p>Procedure of Public Announcement</p> <p>1. Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the Securities and Futures Bureau of the Financial Supervisory Commission 's designated</p>

Article	After The Revision	Before The Revision
	<p>website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li data-bbox="277 338 852 920">(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <del>redemption</del><u>repurchase</u> of domestic money market funds <u>issued by Securities Investment Trust Enterprises (SITEs)</u>.</li> <li data-bbox="277 927 852 994">(2) Merger, demerger, acquisition, or transfer of shares.</li> <li data-bbox="277 1001 852 1180">(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company</li> <li data-bbox="277 1187 852 1650">(4) <u>Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:</u> <ol style="list-style-type: none"> <li data-bbox="331 1364 852 1509">i. <u>For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</u></li> <li data-bbox="331 1516 852 1650">ii. <u>For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</u></li> </ol> </li> <li data-bbox="277 1657 852 1912">(5) <u>Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.</u></li> <li data-bbox="277 1919 852 2056">(6) <u>Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land,</u></li> </ol>	<p>website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li data-bbox="911 338 1485 815">(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</li> <li data-bbox="911 927 1485 994">(2) Merger, demerger, acquisition, or transfer of shares.</li> <li data-bbox="911 1001 1485 1180">(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company</li> </ol>

Article	After The Revision	Before The Revision
	<p><u>joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million or more.</u></p> <p>(4)(7) Where an asset transaction other than any of those referred to in the preceding <del>three</del><u>six</u> subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>i. Trading of government bonds.</p> <p>ii. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription <u>by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange</u><del>of securities by a securities firm, either in the primary market or</del>, except if the sale and purchase relates to securities of parent company, subsidiary or affiliate.</p> <p>iii. Trading of bonds under repurchase/resale agreements, or subscription or <del>redemption</del> <u>repurchase</u> of domestic money market funds <u>issued by Securities Investment Trust Enterprises (SITEs).</u></p> <p><del>iv. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction</del></p>	<p>(4) Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>i. Trading of government bonds.</p> <p>ii. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations, except if the sale and purchase relates to securities of parent company, subsidiary or affiliate.</p> <p>iii. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>iv. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction</p>

Article	After The Revision	Before The Revision
	<p><del>amount is less than NT\$500 million.</del></p> <p><del>v. Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</del></p> <p><del>vi. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</del></p> <p>2. The amount of transactions above shall be calculated as follows:</p> <p>(1) The amount of any individual transaction.</p> <p>(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>(3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(5) "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Regulations need not be counted toward the transaction amount.</p> <p>3. The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not</p>	<p>amount is less than NT\$500 million.</p> <p>v. Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>vi. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>2. The amount of transactions above shall be calculated as follows:</p> <p>(1) The amount of any individual transaction.</p> <p>(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>(3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(5) "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Regulations need not be counted toward the transaction amount.</p> <p>3. The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not</p>



Article	After The Revision	Before The Revision
	<p>domestic public companies and enter the information in the prescribed format into the information reporting website designated by the Securities and Futures Bureau of the Financial Supervisory Commission by the 10th day of each month.</p> <p>4. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days counting inclusively from the date of knowing of such error or omission.</u></p>	<p>domestic public companies and enter the information in the prescribed format into the information reporting website designated by the Securities and Futures Bureau of the Financial Supervisory Commission by the 10th day of each month.</p> <p>4. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p>
Article 21	<p>Date of Establishment and Amendment  This procedure was established on 3 May 2005....  This procedure was amended on 28 May 2015.  <u>This procedure was amended on 26 May 2017.</u></p>	<p>Date of Establishment and Amendment  This procedure was established on 3 May 2005....  This procedure was amended on 28 May 2015.</p>

## Attachment 7: Comparison Table of the Procedures for Election of Directors

Article	After The Revision	Before The Revision
Article 4	<p>The cumulative voting method will be used for election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.</p> <p>Elections of <del>independent</del>—directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. Arbitrary addition of supporting documents for other eligibility requirements is disallowed while reviewing the eligibility, education and experience of prospective directors, and presence of individual conditions under Article 30 of the Company Act or not and review results shall be provided to shareholders for their reference in order to select competent directors. Any shareholder holding 1% or more of the total number of outstanding shares issued by the company and the board of directors may submit a roster of <del>independent</del>—director candidates to the company, and , and, upon evaluation by the board of directors that all candidates so nominated are qualified <del>independent</del>—director candidates, submit it to the shareholders' meeting for elections. The shareholders shall elect <del>independent</del>—directors from among the nominees listed in the roster of director candidates. Matters related to the acceptance and public announcement for the nomination of candidates of <del>independent</del>—directors shall be in accordance with the relevant laws and regulations such as the Company Act and Securities and Exchange Act.</p>	<p>The cumulative voting method will be used for election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.</p> <p>Elections of independent directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. Arbitrary addition of supporting documents for other eligibility requirements is disallowed while reviewing the eligibility, education and experience of prospective directors, and presence of individual conditions under Article 30 of the Company Act or not and review results shall be provided to shareholders for their reference in order to select competent directors. Any shareholder holding 1% or more of the total number of outstanding shares issued by the company and the board of directors may submit a roster of independent director candidates to the company, and , and, upon evaluation by the board of directors that all candidates so nominated are qualified independent director candidates, submit it to the shareholders' meeting for elections. The shareholders shall elect independent directors from among the nominees listed in the roster of director candidates. Matters related to the acceptance and public announcement for the nomination of candidates of independent directors shall be in accordance with the relevant laws and regulations such as the Company Act and Securities and Exchange Act.</p>
Article 14	<p>This procedure was established on 3 May 2005. ....This procedure was amended on 28 May 2015. <a href="#">This procedure was amended on 26 May 2017.</a></p>	<p>This procedure was established on 3 May 2005. ....This procedure was amended on 28 May 2015.</p>



## **IX.Appendices**

## **Appendix 1:Articles of Incorporation< Before the revision >**

### **Articles of Incorporation**

#### **Chapter 1 General**

**Article 1.** The company is organized and incorporated as a company limited by stock in accordance with the Company Law and is named Acter Co., Ltd.

**Article 2.** The company operates the following businesses:

1. E501011 Water Pipe Construction
2. E599010 Pipe Lines Construction
3. E601010 Electric Appliance Construction
4. E601020 Electric Appliance Installation
5. E602011 Frozen and Air-conditioning Engineering
6. E603010 Cables Construction
7. E603040 Fire Fighting Equipments Construction
8. E603050 Cybernation Equipments Construction
9. E603090 Illumination Equipments Construction
10. E603100 Electric Welding Construction
11. E801010 Building Maintenance and Upholstery
12. E801020 Doors and Windows Construction
13. E801030 Interior Light Rigid Frame Construction
14. EZ05010 Apparatus Installation Construction
15. EZ09010 Static Electricity Protecting and Clearing Construction
16. EZ15010 Warming and Cooling Maintainance Construction
17. J101050 Sanitary and Pollution Controlling Services
18. J101060 Wastewater (Sewage) Treatment
19. IG03010 Energy Technical Services
20. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

**Article 3.** The company may provide guarantees to other persons and is not restricted by Article 16 of the Company Law. The rules for endorsement and guarantee shall be implemented following approval by the shareholder meeting. The same procedures shall be applicable to any amendment thereof.

**Article 4.** The total amount of investment made by the company in other invested companies shall not be restricted by Section 1, Article 13 of the Company Law. The board of directors is authorized to make such investment.

**Article 5.** The company's headquarters is located in Taichung City, Taiwan. As required, the board of directors may pass a resolution to establish domestic and overseas branch offices following approval by the competent authority.

**Article 6.** The company shall make public announcements in accordance with the Company Law and other relevant laws and regulations.

## **Chapter 2 Shares**

**Article 7.** The company's total capital is fixed at NT\$720,000,000, divided into 72 million shares, at NT\$10 per share, to be issued in several batches. The board of directors may pass resolutions to issue the unissued shares in accordance with actual needs.

**Article 8.** The company may issue shares without share certificates, provided that a securities depository institution shall be engaged for registration.

**Article 9.** Matters related to the shares of the company shall be handled in accordance with relevant legislations and rules of the competent authority.

## **Chapter 3 Shareholder Meetings**

**Article 10.** Shareholder meetings are divided into regular meetings and special meetings. Regular meetings shall be convened once a year within 6 months from the end of each accounting year. Special meetings shall be convened in accordance with the law as required. The rules for convening shareholder meetings shall be in accordance with relevant legislations.

**Article 11.** Any shareholder who cannot attend a shareholder meeting may issue a proxy to designate a representative to attend the meeting on its behalf in accordance with Article 177 of the Company Law.

**Article 12.** The chairman shall serve as the chairman of shareholder meetings. If the chairman is absent, the chairman will designate one director to serve such duty. If no designation is made, one person shall be elected from among the directors to serve the duty.

**Article 13.** Shareholders of the company enjoy one vote per share, provided that no voting right shall be enjoyed under the circumstances as provided in Article 179 of the Company Law.

**Article 14.** Unless otherwise provided by law, shareholder resolutions shall be passed by the majority of shareholder voting rights in a meeting that is attended by shareholders representing the majority of total outstanding shares.

**Article 15.** Resolutions made in shareholder meetings shall be recorded in the minutes and signed and affixed thereon by the chairman. The minutes shall be sent to all shareholders within 20 days after the meeting. The minutes shall summarize the proceedings, and the results of the discussions shall be kept permanently. The shareholder attendance sheets and proxies shall be kept for at least one year.

This Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

**Article 15-1** Any proposal to cancel and publicly issue company shares shall be made to the shareholder meeting for resolution. This provision shall not be modified during the period when the company's shares are listed in the OTC market or stock exchange (Gre-Tai market).

#### **Chapter 4 Directors**

**Article 16.** The company has 5 to 9 directors, all to be elected from among persons with legal capacities by the shareholder meeting for terms of 3 years. The same person may be elected again upon expiry of the term.

The directors of the company shall be elected by single selection, registered and accumulated election method. Each share is entitled to the same number of voting rights as the number of directors to be elected. The votes may be cast to one single candidate or be distributed among several candidates. The candidates receiving more votes shall be elected directors. If this method requires amendment, it shall be carried out in accordance with Article 172 of the Company Law and a table of comparison for such method shall be included in the agenda for convening the meeting.

The total number of registered shares of the company that may be held by all directors shall be determined by the standard established in accordance with the "Guidelines for Shareholding Percentage by Directors and Supervisors of Publicly Traded Companies and Audit Practice" promulgated by the Financial Supervisory Commission of the Executive Yuan.

**Article 16-1.** The company may purchase liability insurance during the terms of directors to cover the liability for compensation borne by them in accordance with the law within the scope of their duties.

**Article 16-2.** The company may have independent directors among the above-mentioned number of directors in accordance with Article 14-2 of the Securities Transaction Act. The numbers of independent directors will not less than three in number and not less than one-fifth of the total number of directors. They shall be elected under the candidate nomination system under Article 192-1 of the Company Law. The professional qualifications, shareholding, restrictions on serving other functions, determination of independence and other compliance matters with regard to independent directors shall be in accordance with relevant rules of the securities competent authority.

**Article 17.** If one-third or more of the director's seats are vacant, or if all independent directors are dismissed, the board of directors shall convene a special shareholder meeting within 60 days to fill the vacancies.

**Article 18.** The directors shall organize the board of directors. A chairman shall be elected from among the directors by majority of the directors attending a meeting that is attended by 2/3 or more of the directors to execute all matters of the company.

- Article 18-1.** The chairman of the board of directors shall internally preside the shareholders' meeting, the meeting of the board of directors, and the meeting of the managing directors; and shall externally represent the company. The chairman is authorized to handle all significant matter of the company, but chairman right still restrict by Company's Corporate Charter, resolution of shareholder's meeting and director meeting.
- Article 19.** Unless otherwise provided by Company Law, board meetings shall be convened by the chairman. If the chairman is on leave or cannot perform the duty due to any reason, the representative shall be in accordance with Article 208 of the Company Law.
- Article 19-1.** The agenda of the board meeting shall be included in the convening notice and sent to all directors 7 days in advance. However, a meeting may be convened at any time in case of an emergency. The notice may be sent in writing, by email or fax.
- Article 20.** Unless otherwise provided for in other law, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. In case a director appoints another director to attend a meeting of the board of directors in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting, the others director may accept the appointment to act as the proxy referred to in the preceding paragraph of one other director only. In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.
- Article 21.** Board meetings shall be recorded in the minutes and signed with a seal affixed by the chairman. The minutes shall be distributed to all directors within 20 days after the meeting. Minutes shall summarize the proceedings and results of the meeting and shall be kept permanently together with the attendance sheets and proxies by attending directors.
- Article 22.** The company is configured with an audit committee in compliance with the requirements established under Article 14-4 of the Securities and Exchange Act. The Audit Committee shall consist of all independent directors. The Committee or its members are in charge of exercising functions as supervisors indicated in the Company Act, the Securities and Exchange Act, and other laws and regulations.
- Article 23.** The expenses entailed through exercising their duties by the directors of the company shall be determined by the board of directors based on the common standard of the industry. The remuneration of all directors shall be in accordance with Article 26-1 of the company's articles of association.

## **Chapter 5 Managers and Staff**

**Article 24.** The company may have managers, whose hiring, dismissal and remuneration shall be in accordance with Article 29 of the Company Law.

**Article 25.** The company may hire consultants or important staff by board resolution.

## **Chapter 6 Closing**

**Article 26.** The board of directors shall prepare the following statements at the end of the company's accounting year, submit them to the Audit Committee for inspection 30 days prior to the general shareholder meeting and then submit them to the general shareholder meeting for recognition:

(1) Business report, (2) financial statements, (3) profit distribution or loss compensation proposal.

**Article 26-1.** When distributing the surplus profits for each fiscal year, the company shall first offset its losses of previous years and set not less than three percent of the profit before tax excluding the amount of employees' and directors' compensation as compensation to employees; and then set not more than five percent of the profit before tax excluding the amount of employees' and directors' compensation as compensation to directors.

**Article 27.** The company's profit following annual closing, if any, shall be distributed in the following order:

1. Remit tax;
2. Compensate loss;
3. 10% legal reserve, unless the amount of legal reserve has reached the total capital amount;
4. Special reserve in accordance with law and the competent authority.
5. Certain parts of the balance shall be included into accumulated undistributed profit from previous year based on the company's current environment, growth stage and long term financial planning. The board of directors will distribute the remaining amount as shareholder dividend based on the capital situation and economic development of the current year. Cash dividend shall account for 10% or more of the total shareholder dividend and shall be proposed by the board of directors and submitted to the shareholder meeting for resolution.

## **Chapter 7 Miscellaneous**

**Article 28.** The enforcement rules of the company's articles of association shall be further determined by the board of directors.

**Article 29.** Any matter not provided for under these articles of association shall be in accordance with the Company Law or other legislations.

**Article 30.** These articles of association were established on 10 February, 1979.

First amendment was made on 23 July, 1981.

Second amendment was made on 7 February, 1983.

Third amendment was made on 8 September, 1984.

Fourth amendment was made on 29 July, 1991.

Fifth amendment was made on 15 December, 1993.

Sixth amendment was made on 21 January, 1994.

Seventh amendment was made on 27 July, 1995.

Eighth amendment was made on 28 March, 1997.

Ninth amendment was made on 15 November, 1999.

Tenth amendment was made on 1 December, 2001.

Eleventh amendment was made on 12 March, 2002.

Twelfth amendment was made on 5 April, 2002.

Thirteenth amendment was made on 20 June, 2002.

Fourteenth amendment was made on 3 May, 2004.

Fifteenth amendment was made on 29 October, 2004.

Sixteenth amendment was made on 3 May, 2005.

Seventeenth amendment was made on 10 November, 2008.

Eighteenth amendment was made on 16 June, 2009.

Nineteenth amendment was made on 4 November, 2009.

Twentieth amendment was made on 10 June, 2010.

Twenty first amendment was made on 15 June, 2011.

Twenty second amendment was made on 18 June, 2012.

Twenty third amendment was made on 28 May, 2015.

Twenty fourth amendment was made on 31 May, 2016.

Acter Co., Ltd.

Chairman: Liang, Chin-Li

## **Appendix 2: Rules of Procedure for Shareholder Meetings**

### **Rules of Procedure for Shareholder Meetings**

#### **Article 1.** Basis and Purpose of Establishment

To establish a strong governance system and sound supervisory capabilities for the company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

#### **Article 2.** Scope

The company's shareholder meetings shall be carried out in accordance with these rules.

#### **Article 3.** Definition

Shareholders referred to in these rules mean the shareholders themselves and the holders of proxies issued by shareholders.

**Article 4.** The rules of procedures for the company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

#### **Article 5.** Convening Shareholder Meetings and Meeting Notices

1. Unless otherwise provided by law, the company's shareholder meetings shall be convened by the board of directors.
2. The company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the company and its shareholder services agent as well as being distributed on-site at the meeting place.
3. The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement.



4. Election or dismissal of directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act or Articles 26-1 and 43-6 of the Securities and Exchange Act or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.
5. A shareholder holding 1 percent or more of the total number of issued shares may submit to the company a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.
6. Prior to the book closure date before a regular shareholders meeting is held, the company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.
7. Prior to the date for issuance of notice of a shareholders meeting, the company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

**Article 6.** Attending Shareholder Meetings by Proxy and Authorization

1. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the company and stating the scope of the proxy's authorization.
2. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the company before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.
3. After a proxy form has been delivered to the company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the company before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

**Article 7.** Principles determining the time and place of a shareholders meeting

The venue for a shareholders meeting shall be the premises of the company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

**Article 8.** Preparation of Documents such as Attendance Book

1. The company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
2. The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.
3. Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The company may not freely add other supporting documents that shareholders attending meetings should present. Solicitors soliciting proxy forms shall also bring identification documents for verification.
4. The company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.
5. The company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.
6. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

**Article 9.** The chairman and non-voting participants of a shareholders meeting

1. If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chairman, or, if there are no managing directors, one of the directors shall be appointed to act as chairman. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chairman.
2. When a managing director or a director serves as chairman, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chairman.

3. The Chairman shall preside over shareholders' meetings called for by the Board of Directors in person and more than half of all Board directors plus at least one member from respective functional committees shall attend the meetings and document their attendance in shareholders' meeting minutes.
4. If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chairman the meeting. When there are two or more such convening parties, they shall mutually select a chairman from among themselves.
5. The company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.
6. The tasks of the chairman are as follows:
  - (1) Calling the general meeting to order at the time scheduled and adjourning or recessing the meeting, and presiding over the meeting in accordance with the procedure.
  - (2) Maintaining the order at the meeting place and ensuring the compliance with the Rules of Procedure.
  - (3) Admitting the status of spokesman.
  - (4) Referring the motions.
  - (5) Calling to discuss and vote of proposals in order and announcing the voting results.
  - (6) Signing the meeting minutes and relevant documents.
  - (7) Replying to all the parliamentary inquiries and determining the question of privilege and point of order.

**Article 10.** Audio or Video Recording of Shareholder Meetings Proceedings

The company shall make full audio or video recordings of the proceedings of the shareholders' meetings and retain them for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

**Article 11.** Calculation of Shares Represented in Shareholder Meeting and Proceeding with the Meeting

1. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards.
2. The chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chairman shall declare the meeting adjourned.
3. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act;

all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

4. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairman may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

**Article 12. Discussions of Proposals**

1. If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.
2. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.
3. The chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chairman declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chairman in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.
4. The chairman shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairman may announce the discussion closed and call for a vote.

**Article 13. Shareholder speech**

1. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman.
2. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
3. Except with the consent of the chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairman may terminate the speech.
4. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairman and the shareholder that has the floor; the chairman shall stop any violation.
5. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

6. After an attending shareholder has spoken, the chairman may respond in person or direct relevant personnel to respond.

**Article 14.** Calculation of voting shares and recusal system

1. Voting at a shareholders meeting shall be calculated based the number of shares.
2. With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.
3. When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
4. The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.
5. With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

**Article 15.** Voting of Resolution, Voting Supervision and Vote Counting

1. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares.
2. When this Corporation holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.
3. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.
4. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is

submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

5. Except as otherwise provided in the Company Act and in the company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. The results of approval, rejection, and abstention votes among the shareholders shall be released on the public information observatory on the day the shareholders' meeting is completed. If voting is done on a case-by-case basis for proposals, at the time of a vote, for each proposal, the chairman or a person designated by the chairman shall first announce the total number of voting rights represented by the attending shareholders.
6. An agenda item shall be deemed approved and shall have the same effect as if it was voted by casting ballots if no objection is voiced by all attending shareholders after solicitation by the chairman. If there is any objection, the agenda item shall be put to a vote by casting ballots in accordance with the foregoing paragraph.
7. If a shareholder of a company whose shares have been issued in public holds shares for others, such shareholder may exercise his/her/its voting power separately.
8. When there is an amendment or an alternative to a proposal, the chairman shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
9. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chairman, provided that all monitoring personnel shall be shareholders of the company.
10. Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

#### **Article 16. Election Matters**

1. The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.
2. Where re-election of all directors is effected, by a resolution adopted by a shareholders' meeting, prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance. The aforesaid resolution of re-election shall be attended by shareholders who represent more than one-half of the total number of issued and outstanding shares

3. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

**Article 17. Meeting Records and Signature Matters**

1. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairman of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.
2. The company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the Market Observation Post System.
3. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairman's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the company.

**Article 18. Public Disclosure**

1. On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.
2. If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, this Corporation shall upload the content of such resolution to the Market Observation Post System within the prescribed time period.

**Article 19. Maintaining order at the meeting place**

1. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.
2. The chairman may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
3. At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Corporation, the chairman may prevent the shareholder from so doing.
4. When a shareholder violates the rules of procedure and defies the chairman's correction, obstructing the proceedings and refusing to heed calls to stop, the chairman may direct the proctors or security personnel to escort the shareholder from the meeting.

**Article 20.** Recess and resumption of a shareholders meeting

1. When a meeting is in progress, the chairman may announce a break based on time considerations. If a force majeure event occurs, the chairman may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
2. If the meeting venue is no longer available for continued use and not all of the items on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.
3. A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.
4. When a shareholder meeting is ended, no shareholder shall elect another chairman to continue the meeting either in the same location or in a different location.

**Article 21.** Implementation

These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

**Article 22.** Establishment and Amendment Dates

These rules were established on 3 May 2005.

These rules were amended on 16 June 2009.

These rules were amended on 15 June 2011.

These rules were amended on 18 June 2012.

These rules were amended on 19 June 2013.

These rules were amended on 28 May 2015.



## **Appendix 3: Corporate Social Responsibility Best Practice Principles < Before the revision >**

### **Corporate Social Responsibility Best Practice Principles**

#### **Chapter 1. General Principles**

##### **Article 1.**

In order to fulfill the corporate social responsibility initiatives and to promote economic, social and environmental balance and sustainable development, the company established these principles for compliance based on “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.”

##### **Article 2.**

The principles apply to the entire operations of the company and its business group.

The company shall actively fulfill its corporate social responsibility in the course of its business operations so as to achieve a balance among environmental concerns, social responsibility, and corporate governance to follow the international trend and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as a responsible corporate citizen, and to enhance competitive edges built on corporate social responsibility.

##### **Article 3.**

In fulfilling corporate social responsibility initiatives, the company shall, in its corporate management and operations, give due consideration to the social mores and the rights and interests of the interested parties and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.

##### **Article 4.**

To implement corporate social responsibility initiatives, the company follows the principles below:

1. Exercise corporate governance.
2. Foster a sustainable environment.
3. Preserve public welfare.
4. Enhance disclosure of corporate social responsibility information.

##### **Article 5.**

The company shall comply with relevant laws, regulations, its articles of incorporation, agreements entered into with the TWSE or GTSM, and other relevant rules. Further, it is advised to take into consideration the development of domestic and international corporate social responsibility principles and the operation of individual company and of its respective business groups as a whole in establishing its policies, systems or relevant management protocols for corporate social responsibility programs, which shall be approved by the board of directors.

## **Chapter 2.Exercising Corporate Governance**

### **Article 6.**

The board of directors of the company shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.

The board of directors of the company is advised to uphold corporate social responsibility by:

1. Making corporate social responsibility the guiding principle of the company's operations and development;
2. Identifying the company's corporate social responsibility mission (or vision, values) and declaring its corporate social responsibility policy; and
3. Enhancing the disclosure of corporate social responsibility information.

### **Article 7.**

For the purpose of managing corporate social responsibility initiatives, the general administration division serves as the exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies or systems of the company and to report on the same to the board of directors on a periodic basis.

### **Article 8.**

The company shall respect the rights and interests of any interested parties, identify and understand the reasonable expectations and demands of such parties through proper communication with them and allowing their participation, and shall adequately respond to the important corporate social responsibility issues which such parties are concerned about.

### **Article 9.**

The company follows Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and Code of Ethical Conduct for TWSE/GTSM listed Companies to establish effective corporate governance framework and relevant ethical standards so as to enhance corporate governance.

### **Article 10.**

The company shall comply with relevant laws and regulations and observe the following guidelines to maintain a fair competition environment:

1. Avoid engaging in unfair competition.
2. Faithfully fulfill tax-related obligations.
3. Not tolerate bribery or corruption and establish appropriate management systems.
4. Corporate endowments should be made in accordance with the company's internal procedures.

### **Article 11.**

The company is advised to, on a regular basis, organize training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.

## **Chapter 3.Fostering a Sustainable Environment**

### **Article 12.**

The company shall follow relevant environmental laws and regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business activities.

### **Article 13.**

The company is advised to endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

### **Article 14.**

The company is advised to establish proper environment management systems based on the characteristics of their industries. Such environment management systems shall include the following tasks:

1. Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.
2. Establishing measurable goals and examining whether such goals should be maintained and whether they are still relevant on a regular basis.
3. Examining the purpose of the environmental sustainability goals or their achievement on a regular basis.

### **Article 15.**

Environmental Safety Department serves as the dedicated unit for environment management to maintain the environment management system and should hold environment education courses for their managerial officers and other employees on a periodic basis.

### **Article 16.**

The company is advised to take into account the effect on ecological efficiency, promote and educate consumers on the concept of sustainable consumption, and conduct research and development, production and services in accordance with the following principles to reduce the impact on the natural environment from their business operations:

1. Reduce resource and energy consumption of their products and services.
2. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.

3. Improve recyclability and reusability of raw materials or products.
4. Maximize the sustainability of renewable resources.
5. Enhance the durability of products.
6. Improve efficiency of products and services.

**Article 17.**

To improve water use efficiency, the company shall properly and sustainably use water resources and establish relevant management measures. The company shall avoid polluting water, air and land in the course of its business operations. If pollution is unavoidable, the company shall take into account cost efficiency, technology and financial feasibility and use its best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

**Article 18.**

The company is advised to monitor the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction based upon its operations and the result of a greenhouse gas volume check. Such strategies should include obtaining carbon credits to promote and minimize the impact of its business operations on the natural environment.

**Chapter 4. Preserving Public Welfare**

**Article 19.**

The company shall comply with relevant labor laws and regulations, protect the legal rights and interests of employees, respect internationally recognized principles of the labor force's human rights, and shall not commit violations against the fundamental labor rights.

The human resources policies of the company shall be founded on the principles of the labor force's human rights and shall contain appropriate management methods and procedures.

**Article 20.**

The company shall provide information for its employees so that the employees have knowledge of their rights under the labor laws of the countries where the company has business operations.

**Article 21.**

The company is advised to provide safe and healthful work environments for its employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees safety and health and to prevent occupational accidents.

**Article 22.**

The company is advised to create an environment conducive to the development of its employees' careers and establish effective training programs to foster career skills.

**Article 23.**

The company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.

**Article 24.**

To maintain construction service responsibility and uphold marketing ethics, the company is advised to establish and disclose policies on consumer rights and interests and enforce such consumer rights and interests policies.

**Article 25.**

The company shall ensure the quality of its products and services by following the laws and regulations of the government and relevant standards of its industries.

The company shall follow the laws and regulations of the government and relevant international guidelines when marketing or advertising its products or services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers trust or damage consumers rights or interests.

**Article 26.**

The company is advised to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with relevant laws and regulations for respecting consumers rights of privacy and shall protect personal data provided by consumers.

**Article 27.**

The company is advised to assess the impact its procurement has on society as well as the environment of the community that they are procuring from, and shall cooperate with its suppliers on environmental protection, safety, or health, etc. to jointly foster a stronger sense of corporate social responsibility.

**Article 28.**

The company is advised to evaluate the impact of its business operations on the community and employ qualified personnel to enhance community acceptance.

The company may, through commercial activities, non-cash property endowments, volunteering service or other free professional services, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

## **Chapter 5.Enhancing Disclosure of Corporate Social Responsibility Information**

### **Article 29.**

The company shall disclose information according to relevant laws and regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to its corporate social responsibility initiatives to improve information transparency.

Relevant information relating to corporate social responsibility which the company shall disclose includes:

1. The management scheme, strategy, policy and management guidelines for corporate social responsibility initiatives resolved by the board of directors.
2. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
3. Goals and measures for realizing the corporate social responsibility initiatives established by the company.
4. Result of implementing corporate social responsibility initiatives.
5. Other information relating to corporate social responsibility initiatives.

### **Article 30.**

The company is advised to produce corporate social responsibility report disclosing the status of its implementation of the corporate social responsibility policy. The report is advised to include:

1. The framework, policy and proposal of implementing corporate social responsibility initiatives.
2. Major interested parties and their concerns.
3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment and preservation of public welfare.
4. Future improvements and goals.

## **Chapter 6.Supplementary Provisions**

### **Article 31.**

The company shall at all times monitor the development of domestic and international corporate social responsibility framework and the change of business environment so as to examine and improve its established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.

### **Article 32.**

These principles, and any amendments hereto, shall be implemented after adoption by board of directors.

These principles were established on 29 April, 2014.

## **Appendix 4: Procedure for Acquisition or Disposal of Assets < Before the revision >**

### **Procedure for Acquisition or Disposal of Assets**

#### **Article 1. Purpose and Legislative Basis**

The company has established this procedure in accordance with Article 36-1 of the Securities Transaction Act and the “Guidelines for Acquisition and Disposal of Assets by Publicly Traded Companies” for the purpose of reinforcing asset management, protecting investment and executing information disclosure. Any matter related to the acquisition or disposal of assets by the company shall be in accordance with this procedure.

#### **Article 2. Scope of Assets**

The term “assets” as used in this procedure includes the following:

1. Investment in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call(put) warrants, beneficiary interest securities and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, rights to use land, and inventories of construction enterprises) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights and other intangible assets.
5. Claims of financial institutions (including receivable, bill purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

#### **Article 3. Definitions of Relevant Terms**

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.

3. Related party or subsidiary : As defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or other fixed assets.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. The term “latest financial statements” means the financial statements publicly certified or audited by accountants in accordance with law before the company acquires or disposes of assets.

**Article 4.** Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of the company to the transaction.

**Article 5.** The limits on real property and securities acquired by the company for non-business use.

1. The company’s acquisition of non-business real property or securities is limited to the following amount limits:
  - (1) The total amount of real property acquired for non-business use shall not exceed 50% of the net value according to the latest financial statements of the company.
  - (2) The total amount of investment in securities shall not exceed 50% of the net value according to the latest financial statements of the company. The amount of investment in any individual security shall not exceed 30% of the net value according to the latest financial statements of the company. Securities with guaranteed principal shall not be included in the calculation of the amount of investment in securities.
2. The company’s investment in subsidiaries shall be done in accordance with resolutions of the board of directors as authorized by the company’s articles of association and shall not be subject to the limit of not exceeding 40% of the paid-in capital under Article 13 of the Company Law.

**Article 6.** Evaluation and Procedure for Acquisition or Disposal of Securities

1. The means of price determination and supporting reference materials  
In acquiring or disposing of securities, prior to the date of occurrence of the event, the latest



financial statements of the target company that has been certified or audited by accountants shall serve as reference for evaluating the transaction price:

2. Expert Opinions

In acquiring or disposing of securities, and if the transaction amount reaches 20% of the company's paid-in capital or NT\$300 Million and above, an accountant shall be engaged to provide an opinion about the reasonableness of the transaction price prior to the date of occurrence of the event. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

3. The calculation of the transaction amounts shall be done in accordance with Article 30, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

4. The degree of authority delegated, the levels to which authority is delegated

(1) Any investment in subsidiaries or disposal of shareholding thereof for operational purpose single transaction amount reaching NT\$30 Million or above shall be submitted to the board of directors for approval. The chairman is authorized to approval transactions less than NT\$30 Million. Transactions amount exceeding NT\$30 Million shall be ratified at the next board of directors meeting.

(2) Any acquisition or disposal of government bond, corporate bond, financial bond, domestic or overseas bond type fund, domestic or overseas currency type fund for financing purpose with single transaction amount reaching NT\$100 Million or above shall be submitted to the board of directors for approval. The chairman is authorized to approval transactions less than NT\$100 Million. Transactions amount exceeding NT\$70 Million shall be ratified at the next the board of directors meeting.

(3) Any acquisition or disposal of other securities for financing purpose with a single transaction amount reaching NT\$70 Million or above shall be submitted to the board of directors for approval. The chairman is authorized to approval transactions less than NT\$70 Million. Transaction amount exceeding NT\$50 Million may be ratified at the next board of directors meeting.

(4) Any acquisition or disposal not for investment in subsidiaries and not for financing purpose with single transaction amount reaching NT\$30 Million or above shall be submitted to the board of directors for approval. The chairman is authorized to approval transactions less than NT\$30 Million. Transactions amount exceeding NT\$30 Million shall be ratified at the next the board of directors meeting.

(5) Negotiable term deposit certificates, short term commercial papers and bank endorsed drafts, sale and purchase with back-back option and bonds with sell-back condition are not covered by the above and may be approved by the chairman.

5. The units responsible for implementation

The company's procedure related to the acquisition and disposal of long and short term securities investment shall be executed under the responsibility of the finance department following approval in accordance with the authority provided in the previous section.

6. Transaction Process

The transaction process flow for the company's acquisition or disposal of securities shall be carried out in accordance with the company's rules about investment cycles under the internal control system.

**Article 7.** Evaluation and Procedure for Acquisition or Disposal of Real Property or Equipment

1. The means of price determination and supporting reference materials

For acquisition or disposal of real property or equipment, reference shall be made to published current value, appraisal value and actual transaction price of neighboring real property. Transaction conditions, transaction price and analysis report shall be prepared through the procedure of price consultation, price comparison, price negotiation or public tender and submitted to the chairman.

2. Expert Appraisal Report

For any acquisition or disposal of real property or equipment, other than a transaction with government agencies, delegated construction on self-owned land, delegated construction on leased land or acquisition or disposal of equipment for operational purpose, if the transaction amount reaches 20% of the company's paid-in capital or NT\$300 Million or above, an appraisal report issued prior to the date of occurrence of the event by a professional appraiser shall first be obtained and the following rules shall be complied with:

(1) If there is any special reason requiring any fixed price, specific price, or special price to serve as reference benchmarks for the transaction price, such transaction shall first be submitted to the board of directors for resolution, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

(2) If the transaction amount is NT\$1 Billion or above, at least 2 professional price appraisers shall be engaged to perform appraisal.

(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the

appropriateness of the transaction price:

- i. The appraisal result deviates from the transaction amount by 20% or more.
- ii. The appraisal results by two or more professional appraisers deviate from the transaction price by 20% or more.

(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

(5) Application in Construction Industry

Unless any fixed price, specific price, or special price is used as reference benchmark for the transaction price, if there is a justifiable reason for not obtaining the appraisal report in time, the appraisal report and the accountant's opinion under section (3) above shall be obtained within 2 weeks commencing immediately from the date of occurrence.

(6) For assets acquired or disposed of through court auction procedure, documents of proof issued by the court may be used in lieu of price appraisal report or accountant's opinion.

(7) The calculation of the transaction amounts shall be done in accordance with Article 6-3.

3. The degree of authority delegated, the levels to which authority is delegated

Any acquisition or disposal of real property or equipment with transaction amount of NT\$10 Million (inclusive) or below shall be submitted to the chairman for approval. Any transaction exceeding NT\$10 Million shall only be carried out after approval by the board of directors.

4. The units responsible for implementation

Any acquisition or disposal of real property or equipment by the company shall be executed under the responsibility of the user department and relevant responsible department after approval in accordance with the authority provided under the previous section.

5. Transaction Process

The transaction flow for the acquisition or disposal of equipment by the company shall be carried out in accordance with the procedure related to fixed asset cycles under the company's internal control system.

**Article 8.** Evaluation and Procedure for Acquisition of Real Property from a Related Party

1. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount shall be made in accordance with Article 6-3 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

2. When a public company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all audit committee members and submitted to the board of directors for further approval:

- (1) The purpose, necessity and expected effect of acquisition or disposal of assets.
- (2) Reason for selecting a related party as the transaction counterparty.
- (3) With respect to the acquisition of real property from a related party, information relating to the evaluation of reasonableness of contemplated transaction conditions in accordance with sections 2 and 3 of this article.
- (4) The date, price and transaction party in the previous transaction engaged by the related party and the relationship between the company and the related party.
- (5) Cash income and expense forecast table for each of the 12 months following the month on which the contract is contemplated to be signed and evaluation of the necessity of the transaction and reasonableness of the utilization of capital.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the article 1.
- (7) Restrictive conditions and other important agreements under this transaction.
- (8) When submission is made to the board of directors for discussion in accordance, opinions of independent directors shall be fully taken into consideration. Any objection or reservation by any independent director shall be recorded in the minutes of the board meeting.
- (9) The calculation of the transaction amounts shall be made in accordance with Article 13-2, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by more than half of all audit committee members and submitted to the board of directors for further approval need not be counted toward the transaction amount.
- (10) With respect to the acquisition or disposal of business-use equipment between a the company and its parent or subsidiaries, the company's board of directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

3. Evaluation of Reasonableness of Transaction Cost

- (1) For any real property to be acquired from a related party, the following method should be used to evaluate the reasonableness of the transaction cost:
  - i. Transaction price with the related party plus required capital interest and cost to be borne by the buyer in accordance with law. Required capital interest cost shall be calculated

based on the weighted average interest rate of the loan taken out by the company during the year of asset acquisition, provided that it shall not be higher than the highest lending rate for non-financial industry published by the Ministry of Finance.

ii. If the related party has taken out a mortgaged loan from any financial institution based on the target, the total lending assessment value of the target by such financial institution, provided that the accumulated value of actual lending by such financial institution for the target shall be at least 70% of the total lending assessment value and the loan period must have exceeded one year. However, this shall not be applicable if the financial institution is a related party to either party to the transaction.

(2) If the land and housing under the same target is purchased at the same time, the transaction cost for the land and the housing may be evaluated under any method under subsection (1) above.

(3) For any real property to be acquired from a related party, the real property cost shall be evaluated in accordance with subsections (1) and (2) above and an accountant shall be engaged to perform re-assessment and provide substantial opinion.

(4) For real property to be acquired from a related party, if there is any of the following events, only section 2 of this article about evaluation and procedure shall be applicable. Provisions about the evaluation of reasonableness of transaction cost under subsections (1) to (3) above shall not be applicable.

i. The related party acquired the real property through succession or gift.

ii. The contract by which the related party acquired the real property was signed more than 5 years preceding the contract signature date for this transaction.

iii. The real property was acquired through signature of a co-construction contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

4. If the result of evaluation under subsections (1) and (2) above is lower than the transaction price, section 5 of this article shall be applicable. However, this shall not be applicable if it is due to any of the following reasons and if objective evidence is submitted and substantial opinions about reasonableness from real property professional appraiser and accountant are received:

(1) The related party re-constructed following the acquisition of undeveloped land or leased land and evidence is provided to show that one of the following conditions are satisfied:

i. The combined value of evaluation of the undeveloped land in the method provided under section 3 and the construction cost of the housing by the related party plus reasonable construction profit exceeds the actual transaction price. Reasonable construction profit shall be based on the average business gross interest rate of the related party's construction department for the past three years or the latest construction industry gross interest rate published by the Ministry of Finance, whichever is lower.

ii. Closing cases of other floors of the same targeted housing/land or in the vicinity within the past year and not involving related parties, with similar surface, which transaction

conditions are equivalent after evaluation of reasonable price difference for the floor or area based on real property sale and purchase practice.

iii. Cases of leases of the same targeted housing/land within the past year and not involving related parties, which transaction conditions are equivalent after evaluation of reasonable price difference for the floor based on real property lease practice.

(2) Evidence is provided showing that the transaction conditions of the real property to be acquired from the related party is equivalent to closing cases in the vicinity within the past year, not involving related parties and with a similar surface.

In principle, a closing case in the vicinity means the same or neighboring block within 500 meters diameter from the transaction target or similar published current value. Similar surface means the surface of the transaction case of non-related parties is not less than 50% of the surface of the transaction target. Within one year means one year preceding the date of occurrence of the current acquisition of real property.

5. For any acquisition of real property from a related party, if the result of evaluation under sections 3 and 4 is lower than the transaction price, the following matters shall be carried out:

(1) The difference between the real property transaction price and the evaluation cost shall be provided as special reserve in accordance with Section 1, Article 41 of the Securities Transaction Act and shall not be distributed in cash or in share through capital increase. If the investor evaluating the company's investment under the equity method is a publicly traded company, special reserve shall be provided based on the provided amount and the shareholding percentage in accordance with Section 1, Article 41 of the Securities Transaction Act.

(2) The independent directors of the audit committee shall proceed in accordance with Article 281 of the Company Law.

(3) The situations under subsections (1) and (2) above shall be reported to the shareholder meeting and the details of the transaction shall be disclosed in the annual report and the prospectus.

If the company and the publicly traded company that evaluated the company's investment under the equity method have provided special reserve in accordance with the above, the special reserve may only be used when the asset purchased at the high price has devalued or disposed of or compensated appropriated or reinstated to its original status, or if there is any other evidence showing that there is no issue of reasonableness and the Securities and Futures Bureau of the Financial Supervisory Commission has given consent.

6. For any real property acquired by the company from a related party, if there is any other evidence showing that the transaction is inconsistent with operational norms, section 2 and 3 shall be followed.

**Article 9.** Evaluation and Procedure for Acquisition or Disposal of Membership and Intangible Assets

1. The means of price determination and supporting reference materials

For the acquisition or disposal of any membership or intangible asset, the future possible proceeds from such asset and market fair value should be taken into consideration. If required, expert opinions should be referred to. Negotiation and determination shall be made with the transaction counterparty.

2. Expert Opinions

Any acquisition or disposal of membership or intangible asset with the transaction amount reaching 20% of the company's paid-in capital or NT\$300 Million or above, except in transactions with a government agency, an accountant shall be engaged to provide an opinion about the reasonableness of the transaction price prior to the date of occurrence of the event. The accountant shall proceed in accordance with Audit Standard No. 20 published by the Accounting Research and Development Foundation. Calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 6-3.

3. The degree of authority delegated, the levels to which authority is delegated

(1) Any acquisition or disposal of membership with the transaction amount of NT\$1 Million or below shall be approved internally by the company and submitted to the chairman for approval. If the transaction amount exceeds NT\$1 Million, it may only be carried out after approval by the board of directors.

(2) Any acquisition or disposal of an intangible asset with the transaction amount of NT\$1 Million or below shall be approved internally by the company, may only be carried out after approval by the chairman, and shall be submitted to the following board meeting. If the transaction amount exceeds NT\$1 Million, it may only be carried out after approval by the board of directors.

4. The units responsible for implementation

The company's acquisition or disposal of a membership and intangible asset shall be executed under the responsibility of the user department and the relevant responsible department after approval in accordance with the previous section.

5. Transaction Process

The transaction process flow for the company's acquisition or disposal of a membership or intangible asset shall be carried out in accordance with the company's rules about investment cycles under the internal control system.

**Article 10.** Evaluation and Procedure for Acquisition or Disposal of Creditor's Right Against a Financial Institution

In principle, the company does not engage in any transaction for acquisition or disposal of creditor's right against financial institution. If it wishes to engage in any transaction for acquisition or disposal of creditor's right against financial institution, it shall establish relevant evaluation and processing

procedure after submission to and approval from the board of directors.

#### **Article 11. Evaluation and Procedure for Acquisition or Disposal of Derivative Products**

In order to effectively manage the company's income, expenses, assets, debts and risks arising out of foreign exchange and the company's transactions of derivative products.

##### 1. Operational or Hedging Strategy

The company engages in transactions of derivative products for the purpose of avoiding risks arising out of fluctuation of foreign exchange rate, interest rate or asset price. Hedging is limited to foreign currency positions payable/receivable arising out of the company's business for the future six months.

##### 2. Segregation of Duty

The finance manager shall designate the staff of the finance department who may engage in derivative product transactions and confirmations.

There shall be transaction confirmation and settlement staff. The confirmation staff shall be responsible for confirming the transaction with the transaction counterparty. The settlement staff shall be responsible for arranging settlement due. The transaction confirmation staff shall not be the same person as the settlement staff.

##### 3. Determination of Limit on Total Transaction Contract Amount and Loss Limit

###### (1) Total Transaction Contract Amount

###### Hedging Operation

The company's total hedging contract amount shall be limited to the foreign currency positions receivable/payable arising out of the company's business for the future six months.

###### Transactional Operation

Except Convertible Bonds and Bond with attached warrant and structured product with principal guaranteed, the company does not engage in transactional operations.

###### (2) Loss Limits

###### Hedging Operations

If the company's individual (combined) contract losses represent 5% or more loss from the market value, a report shall be filed with the chairman for approval as to whether the positions should be closed.

The individual (combined) contract losses shall not exceed a maximum of 10% of contract amount of each individual (combined) transaction. If this loss limit is exceeded, a public announcement shall be made in accordance with Article 13 of this procedure.

###### Transactional Operations

Except Convertible Bonds and Bond with attached warrant and structured product with principal guaranteed, the company does not engage in transactional operations.

##### 4. Performance Review

###### Hedging Operations

The performance of hedging operations shall be evaluated based on the hedging strategies.



5. The degree of authority delegated, the levels to which authority is delegated

The authorization amount and level for hedging operations are as follows:

The transaction staff authorized by the company shall carry out transactions in accordance with the total transaction contract amount limit under Subsection 3, Section 1, Article 11 and the transaction may only be carried out following evaluation by the finance manager and approval by the responsible supervisor.

Each transaction shall be subject to internal written approval based on the amount. The authorization amount, transaction approval and level are as follows:

Amount(NT\$)	Department Supervisor	General Manager	Chairman	Board of Directors
Below 100 Million	Review	Review	Approval	
100Million and above(inclusive)	Review	Review	Review	Resolution

To ensure that the transaction counterparty complies with the company's supervision and management, the transaction authorization amount and level provided under this article shall be notified to the transaction counterparty in writing. However, if the written confirmation with the transaction counterparty does not indicate the authorization amount, then the supervisor of the finance department will approve the transaction.

6. Significant Derivative Product Transaction

Significant derivative product transactions shall be carried out in accordance with relevant rules and submitted to the board of directors for resolution.

7. The units responsible for implementation and Process

- (1) Confirm transaction position.
- (2) Analysis and judgment about relevant trend.
- (3) Determine specific hedging method:
  - i. Transaction target.
  - ii. Transaction position.
  - iii. Target price and range.
  - iv. Transaction strategy and type.
  - v. Price reference based on public quoting system.
- (4) Obtain approval for transaction.
- (5) Execute transaction.
  - i. Transaction Counterparty: Transaction counterparties shall be selected with priority consideration for credit risk.
  - ii. Transaction Staff: The company's staff who may execute derivative product transactions shall first be approved by the highest decision making supervisor of the finance department, general manager and chairman and then notified to the financial institution dealing with the company. No other staff may engage in the transactions.

## 8. Risk Management

- (1) Credit Risk: In principle, the company's transaction counterparties are limited to banks or renowned financial institutions dealing with the company and those who can provide professional information. Otherwise, approval shall be required from the highest decision making supervisor of the finance department.
- (2) Market Risk: The company's derivative financial products shall be focused on hedging transactions against market price fluctuations due to change of foreign exchange or other reasons and shall be monitored at all times.
- (3) Liquidity Risk: In order to ensure liquidity, it shall be confirmed with the capital staff prior to the transaction that the transaction amount will not cause any insufficiency of liquidity.
- (4) Cash Risk: The company shall maintain sufficient liquid assets and credit facilities to satisfy settlement capital requirements.
- (5) Process Risk: The company shall have clear authorization amounts and process flows to avoid process risks.
- (6) Legal Risk: The documents between the company and the transaction counterparties shall be reviewed by the internal legal staff or legal consultants before they are officially signed to avoid legal risks.

## 9. Internal Control

- (1) The transaction staff of the company may not also serve as confirmation staff or settlement staff.
- (2) Upon occurrence of a transaction, the transaction staff shall immediately complete the transaction closing form and confirm with the confirmation staff. The confirmation staff shall confirm with the transaction counterparty based on the closing form and make records in the general positions chart for reference.
- (3) When the company engages in derivative product transactions, the evaluation, supervision and control of relevant risks shall be under the responsibility of internal audit staff independent from the finance department who reports to the board of directors and the chairman.

## 10. Regular Evaluation Method and Anomaly Handling

The finance department shall perform derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. The evaluation report shall be submitted to the senior staff authorized by the board of directors. Any anomaly shall be immediately reported to the board of directors and necessary corresponding measures shall be taken.

The evaluation shall include the following:

- (1) Regularly evaluate whether the performance of derivative product transactions engaged are consistent with the existing operational strategy.
- (2) Whether the risks undertaken are within the company's scope of tolerance.
- (3) Monthly evaluation of risk management measures: Regularly evaluate whether the risk

management measures currently used are suitable and duly compliant with the Derivative Product Transaction procedure established by the company.

- (4) The finance department shall proceed in accordance with the Commercial Accounting Act, the Financial Accounting Standards and letters and orders from relevant competent authorities. If there is no relevant rules, details shall be recorded and calculations shall be made on monthly basis under statements of realized and unrealized profit and loss.

11. Where a public company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:

- (1) Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
- (2) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

12. Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

- (1) Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company.
- (2) When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.

A company shall report to the soonest board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

13. The internal audit staff shall regularly understand the suitability of internal control of derivative product transaction and shall audit the compliance of transaction related departments with relevant provisions under this procedure on monthly basis. The transaction cycles shall also be analyzed and recorded into audit reports. If any significant violation is discovered, the board of directors shall be informed in writing.

14. The company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under subparagraph 11-2 of Article 12-1 and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of Article 20 shall be recorded in detail in the log book.

15. Any of the company's managers or responsible staff who engages in any derivative product transaction shall comply with the provisions under this procedure in order to avoid any inappropriate operational loss suffered by the company. In case of any violation of any relevant legislation or this procedure, the sanctions shall be imposed in accordance with relevant human

resource regulations.

16. If any subsidiary of the company contemplates to engage in derivative product transactions, the company shall ensure that it establishes a procedure for derivative product transactions and implement such procedure after it is submitted to the board of directors for resolution in accordance with relevant rules. Any subsidiary of the company that engages in any derivative product transaction shall provide relevant information to the company for review on a regular basis.

## **Article 12. Evaluation and Procedure for Merger, Division, Acquisition or Share Transfer**

### **1. Evaluation and Procedure**

If the company engages in any merger, division, acquisition or share transfer, it shall engage attorneys, accountants and underwriters to jointly study and discuss the legal procedure and estimated timetable. A project team shall be organized for execution in accordance with the legal procedure.

### **2. Transaction Consideration Determination Method and Reference Benchmark**

If the company engages in any merger, division, acquisition or share transfer, it shall consider the past and future financial and operational status of the participating companies, estimate proceeds that may occur in the future and fair method for transaction price determined by the market. Professional opinions from accountants, attorneys or securities underwriters shall be referred to as well as the negotiated price by the counterparty participating in the merger, division, acquisition or share transfer.

### **3. Expert Opinions**

If the company engages in any merger, division, acquisition or share transfer, accountants, attorneys or securities underwriters shall be engaged before a board meeting is convened for resolution to provide opinions about the reasonableness of the share swap ratio, acquisition price or cash and other properties distributed to the shareholders. The opinions shall be submitted to the board of directors for discussion and approval.

### **4. Decision Level**

If the company engages in any merger, division, acquisition or share transfer, the resolutions shall be in accordance with the Company Law and relevant legislations.

### **5. Submission of Relevant Information and Disclosure of Information when Approval by Shareholder Meeting Cannot be Obtained**

- (1) If the company engages in any merger, division, acquisition or share transfer, important agreed provisions and relevant matters about the merger, division or acquisition shall be included into a public document brought to the attention of the shareholders before the shareholder meeting and sent to the shareholders together with expert opinions under Section 3 of this Article and notice for shareholder meetings to serve as reference as to whether the merger, division or acquisition proposal should be approved, except other merger, division or acquisition matters that do not require shareholder resolutions in

accordance with laws.

- (2) If the shareholder meeting of any company participating in the merger, division or acquisition cannot be held due to insufficient quorum or voting rights or other legal restrictions or if the proposal is rejected by the shareholder meeting, the companies participating in the merger, division or acquisition shall immediately make a public announcement about the reasons, subsequent steps and expected dates to convene their shareholder meetings.

#### 6. Dates of Board Meeting and Shareholder Meeting

- (1) Unless otherwise provided by law or in case of any special reason that is reported to and approved by the Financial Supervisory Commission in advance, companies participating in the merger, division or acquisition shall hold board meetings and shareholder meetings on the same day to resolve matters related to the merger, division or acquisition.
- (2) Unless otherwise provided by law or in case of any special reason that is reported to and approved by the Financial Supervisory Commission in advance, companies participating in share transfer shall hold board meetings on the same day.
- (3) Companies participating in the merger, division or acquisition whose are listed on stock exchange or whose shares are traded in securities dealers' premises shall make complete written records of the following information and keep them for five years for reference.
  - i. Basic staff information: Including persons who participated in the merger, division, acquisition or share transfer project or execution of the project prior to the disclosure of the news, their titles, names and ID numbers (passport numbers for foreigners).
  - ii. Dates of important events: Including dates of signing of letters of intent, memorandums of understanding, engagement of financial or legal advisors, signature of contracts and board of directors.
  - iii. Important documents and minutes: Including merger, division, acquisition or share transfer plan, letters of intent, memorandums of understanding, important contracts and minutes of the board meetings.

Companies participating in the merger, division or acquisition who are listed on stock exchange or whose shares are traded in securities dealers' premises shall, within 2 days commencing immediately from board resolution, submit the information under subsections (1) and (2) above in the regulated format through the Internet information system to the Financial Supervisory Commission for reference.

If any company participating in the merger, division or acquisition is not a company listed on any stock exchange or whose shares traded in securities dealers' premises, the companies who are listed on stock exchanges or whose shares are traded in securities dealers' premises shall sign an agreement with such company and proceed in accordance sections 3 and 4.

#### 7. Confidentiality Obligation and Avoidance of Insider Trading

All persons participating or that know about the company's merger, division, acquisition or share transfer plan shall issue a written confidentiality undertaking and shall not disclose the plan

before the publication of the news, nor shall they purchase or sell any stock or any security in the nature of stock entitlement of any company that is related to the merger, division, acquisition or share transfer plan either in their own name or in the name of any other person.

#### 8. Principle for Change of Share Swap Percentage or Acquisition Price

Companies participating in a merger, division, acquisition or share transfer shall not make any change to the share swap percentage or acquisition price in principle, unless the contract has already provided for the conditions for change or if public disclosure has been made. Conditions that may be changed in relation to share swap percentage or acquisition price are as follows:

- (1) Capital increase, issuance of convertible corporate bonds, issuance of shares without consideration, issuance of corporate bonds with warrants, special shares with warrants, options and other securities in the nature of share entitlement.
- (2) Important acts that affect the company's finance or business such as disposal of the company's material asset.
- (3) Occurrence of a significant disaster, significant technical change affecting the interest of the company's shareholders or securities price.
- (4) Any company participating in the merger, division, acquisition or share transfer makes adjustment pursuant to repurchase of treasury shares in accordance with law.
- (5) Any increase, decrease or change of any entity or number of entities participating in the merger, division, acquisition or share transfer.
- (6) Any condition that may be changed as provided under the contract, and which has been publicly disclosed.

#### 9. Matters to be Provided in Contract

In relation to any merger, division, acquisition or share transfer to which the company participates, in addition to the provisions under Company Law and Enterprise Acquisition Act, the contract shall also specify the rights and obligations of the companies participating in the merger, division, acquisition or share transfer and specify the following matters:

- (1) Breach consequence.
- (2) Principle for handling securities in the nature of share entitlement previously issued or treasury shares repurchased by companies that will disappear or be divided following the merger.
- (3) The quantity of treasury shares that the participating company may repurchase in accordance with law after the record date for share swap percentage calculation and the principle for handling such treasury shares.
- (4) The method to handle increase, decrease or change of participating entities or the number of entities.
- (5) Expected execution progress and expected completion date of the plan.
- (6) If the plan is not completed within the deadline, relevant handling procedures such as the expected date of shareholder meeting to be convened in accordance with law.

#### 10. Change of Number of Companies Participating in Merger, Division, Acquisition or Share Transfer

After any company participating in the merger, division, acquisition or share transfer publicly discloses the information, if it wishes to perform a merger, division, acquisition or share transfer with any other company, other than when the number of participants is decreased and when the shareholder meetings has resolved and authorized the board of directors to change the authority, in which circumstances the participating company does not need to convene a new shareholder meeting to pass a new resolution, all participating companies shall pass once again through the procedure or legal act that has been completed during the original plan, merger, acquisition or share transfer plan.

11. If any company participating in the merger, division, acquisition or share transfer is not a publicly traded company, the company shall sign an agreement with such company and proceed in accordance with the provisions under section 6 of this article about board meeting and shareholder meeting date, section 7 about confidentiality obligation and avoidance of insider trading and section 10 about change of number of companies participating in the merger, division, acquisition or share transfer.

#### **Article 13.** Procedure of Public Announcement

1. Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the Securities and Futures Bureau of the Financial Supervisory Commission 's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.

(2) Merger, demerger, acquisition, or transfer of shares.

(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company

(4) Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

i. Trading of government bonds.

ii. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm,

either in the primary market or in accordance with relevant regulations, except if the sale and purchase relates to securities of parent company, subsidiary or affiliate.

- iii. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
- iv. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
- v. Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
- vi. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.

2. The amount of transactions above shall be calculated as follows:

- (1) The amount of any individual transaction.
- (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
- (3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
- (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- (5) "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Regulations need not be counted toward the transaction amount.

3. The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the Securities and Futures Bureau of the Financial Supervisory Commission by the 10th day of each month.

4. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

5. The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.



6. Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the Securities and Futures Bureau within 2 days commencing immediately from the date of occurrence of the event:
  - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
  - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - (3) Change to the originally publicly announced and reported information.
7. If any subsidiary of the company is not a publicly traded company and its acquisition or disposal of asset reaches the threshold of public announcement under Articles 30 and 31 of the “Guidelines for Acquisition and Disposal of Asset by Publicly Traded Companies”, the company shall make public announcements on behalf of the subsidiary. The rule about 20% of the paid-in capital as a threshold for public announcement to be applied or 10 percent of the total assets by the subsidiary shall be based on the paid-in capital of the company or total assets.

**Article 14.** Control Procedure for Acquisition or Disposal of Asset by Subsidiary

1. The company shall see that each subsidiary establishes and executes the procedure for acquisition or disposal of asset in accordance with the “Guidelines for Acquisition and Disposal of Asset by Publicly Traded Companies” by the Financial Supervisory Commission.
2. Any acquisition or disposal of an asset by any subsidiary which is subject to approval by the board of directors in accordance with the “Procedure for Acquisition or Disposal of Assets” it established or other legislations shall be reported to the company before the occurrence of the fact. The responsible department of the company shall evaluate the feasibility, necessity and reasonableness of such acquisition or disposal of asset, follow up on its execution afterwards and perform analysis and review.
3. The company’s internal audit staff shall regularly audit the subsidiary’s compliance with the “Procedure for Acquisition or Disposal of Assets” and prepare an audit report. After submission of the discoveries and suggestions in the audit report, the audited subsidiary shall be informed to make improvements. Regular follow up reports shall be prepared to ensure that timely and appropriate improvement measures have been undertaken.

**Article 15.** For the calculation of 10 percent of total assets under these procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

**Article 16.** The company shall not give up capital increase in any future year for Sheng Huei International Co., Ltd., Nova Technology Corp., Ho Shou Engineering Co., Ltd. or Nova Technology Singapore Pte., Ltd. If the company must abandon the capital

increase for the above companies or disposes of the above companies due to consideration for strategic alliance or other consideration with the approval of the Gre-Tai Securities Market, approval shall be required by special resolution of the board of directors of the company.

#### **Article 17. Penalty**

If any relevant staff of the company violates the “Guidelines for Acquisition or Disposal of Assets by Publicly Traded Companies” by the Financial Supervisory Commission or the “Procedure for Acquisition or Disposal of Assets” of the company, regular report shall be made and sanction shall be imposed based on the gravity of the matter in accordance with the human resource management rules of the company and the work rules.

#### **Article 18. Relevant Legislations**

Any matter that is not fully provided for hereunder shall be subject to relevant legislations.

#### **Article 19.**

"Acknowledgement by the Audit Committee shall be obtained" in this procedure means that approval by more than half of all members of the Audit Committee shall be obtained before submission to the Board of Directors for a final decision.

If approval by more than half of all members of the Audit Committee is not obtained as mentioned above, as long as approval from more than two-thirds of all members of the Board of Directors is obtained, it may be implemented and resolution reached by the Audit Committee shall be indicated in the Board of Director meeting minutes.

"All members of the Audit Committee" indicated in Paragraph 1 and "all members of the Board of Directors" indicated in the foregoing paragraph refer to the actual number of incumbent members.

#### **Article 20. Implementation and Amendment**

The Procedure for Acquisition or Disposal of Assets shall be implemented after more than half of all audit committee members grants the approval, and shall be sent to the board of directors for further approval and reported at a shareholders' meeting. If any director voices any objection by record or written statement, the company shall send such director's objection information to the audit committee and submit them for approval by the shareholders' meeting. The same procedure shall be followed when the procedure have been amended.

When the procedure for acquisition or disposal of asset is submitted to the board of directors for discussion in accordance with the above rule, opinions of the independent directors shall be fully taken into consideration and their opinions and reasons for approval or objection shall be included in the minutes of the meeting.

The establishment of this procedure shall be published as significant information on the Market Observation Post System and a letter shall be sent to the Gre-Tai Securities Market for reference.

**Article 21.** Date of Establishment and Amendment

This procedure was established on 3 May 2005.

This procedure was amended on 4 October 2005.

This procedure was amended on 16 June 2009.

This procedure was amended on 10 June 2010.

This procedure was amended on 15 June 2011.

This procedure was amended on 19 June 2013.

This procedure was amended on 18 June 2014.

This procedure was amended on 28 May 2015.

## **Appendix 5: Procedures for Election of Directors < Before the revision >**

### **Procedures for Election of Directors**

#### **Article 1.** Purpose and the basis

To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Articles 21 and 41 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies. Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.

#### **Article 2.** The abilities that must be present in the board

The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

The company's Board of Directors shall consider adjusting the composition of the Board of Directors based on the performance assessment results.

#### **Article 3.** Qualifications for the independent directors

The qualifications for the independent directors of this Corporation shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The election of independent directors of this Corporation shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for

Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

**Article 4.**Electoral machinery of directors

The cumulative voting method will be used for election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

Elections of independent directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. Arbitrary addition of supporting documents for other eligibility requirements is disallowed while reviewing the eligibility, education and experience of prospective directors, and presence of individual conditions under Article 30 of the Company Act or not and review results shall be provided to shareholders for their reference in order to select competent directors. Any shareholder holding 1% or more of the total number of outstanding shares issued by the company and the board of directors may submit a roster of independent director candidates to the company, and , and, upon evaluation by the board of directors that all candidates so nominated are qualified independent director candidates, submit it to the shareholders' meeting for elections. The shareholders shall elect independent directors from among the nominees listed in the roster of director candidates. Matters related to the acceptance and public announcement for the nomination of candidates of independent directors shall be in accordance with the relevant laws and regulations such as the Company Act and Securities and Exchange Act.

**Article 5.**By-election mode for the shortfall of directors

When the number of directors falls below five due to the dismissal of a director for any reason, this Corporation shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in this Corporation's articles of incorporation, this Corporation shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, or subparagraph 8 of the Standards for Determining Unsuitability for GTSM Listing under Article 10, Paragraph 1 of the GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

**Article 6.**Preparation for the ballots

The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

**Article 7.**Number of directors and elected mode

The number of directors and supervisors will be as specified in this Corporation's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

**Article 8.**Vote monitoring and counting

Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.

**Article 9.**Filling in the ballot

If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

**Article 10.**Invalid circumstances of the ballot

A ballot is invalid under any of the following circumstances :

1. The ballot was not prepared by the board of directors.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder

register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.

5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.

**Article 11.**Count of votes

The ballot boxes shall be opened right after the voting session is completed. The Chair shall announce the voting result, including the list of elected directors and the number of votes in their favor.

Ballot examiners shall seal and sign the ballot papers indicated under election information in the preceding paragraph and keep them properly for at least one year. If a shareholder makes a litigious claim against the Company according to Article 189 of the Company Act, however, the abovementioned documents must be retained until the end of the litigation.

**Article 12.**Elected notice

The board of directors of this Corporation shall issue notifications to the persons elected as directors.

**Article 13.**Implementation

These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

**Article 14.**Date of Establishment and Amendment

This procedure was established on 3 May 2005.

This procedure was amended on 16 June 2009.

This procedure was amended on 15 June 2011.

This procedure was amended on 28 May 2015.

## Appendix 6: Shareholding of Directors

1. As of March 28, 2017, the company's registered capital is NT\$720,000,000, the issued capital of the Company is NT\$472,368,190, the issued 47,236,819 common shares.
2. The company has elected three independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors other than the independent directors shall be decreased by 20 percent. The actual collective shareholding of directors is 3,778,945 common shares. As the company has established the audit committee that satisfies the requirements of the Securities and Exchange Act, the minimum shareholding requirements for supervisors do not apply.
3. As of March 28, 2017, the actual collective shareholdings of directors were shown as below:

Position	Name	Date elected	Term (Years)	Directors	
				Shares	Shareholding ratio (%)
Chairman	Liang, Chin-Li	104.05.28	3	1,680,688	3.56%
Directors	Yang, Jung-Tang	104.05.28	3	884,495	1.87%
Directors	Kao, Hsin-Ming	104.05.28	3	1,240,662	2.63%
Directors	Hu, Tai-Tsen	104.05.28	3	1,101,401	2.33%
Independent Director	Yeh, Hui-Hsin	104.05.28	3	3,000	0.01%
Independent Director	Wang, Mao-Rong	104.05.28	3	10,000	0.02%
Independent Director	Yang, Qian	104.05.28	3	0	0.00%
combined shareholding of all directors				4,920,246	10.42%



## Appendix 7:Directors and employees compensation

Unit : NTDS\$

Items	The Board adopted a proposal(A)	already expensed under the Company's 2016 income statements(B)	DIF (A-B)	Difference reason and dealing with the situation
Employees' stock compensation	0	0	0	No different
Employees' cash compensation	20,607,630	20,607,630	0	
Directors' compensation	10,303,815	10,303,815	0	

## **Appendix 8: The other explanation**

1. The company's response about shareholder's proposal in this Annual Shareholder's Meeting :
  - (1) According to the article 172-1 of the Company Act, Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal and the number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words.
  - (2) The company has announced that the shareholders can submit proposals to be discussed at the meeting on the Market Observation Post System. The period is March 13, 2017 to March 22, 2017.
  - (3) The company had not received any proposals from shareholders.
  
2. Influence of Proposed Stock Dividend Distribution upon 2016 Operating Performance and Earnings Per Share :

The company proposed to distribute cash dividend, so it is not applicable.