



Acter Co. Ltd.

2013 Annual Report

**Notice to readers**

***This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.***

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

2013 annual report is available at : <http://www.acter.com.tw>

Printed on April 30, 2014

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**Overseas Securities Exchange : None.**

**Corporate Website : <http://www.acter.com.tw>**

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# I. Letter to Shareholders

## 1. Preface

Dear Shareholders,

Welcome to the 2014 Annual Shareholders' Meeting of Acter Co., Ltd. In 2013, the company upgraded its technological capacity and achieved cost reductions that ultimately produced full-year revenue of NT\$8.656 billion and after-tax EPS of NT\$10.11. The company will continue to adhere to its values of innovation, integrity, pursuit of excellence, and mutual benefit to embrace whatever changes and challenges lie ahead, ensuring the sustainability of its operations.

## 2. 2013 Business Report

### 2.1 2013 Business results

#### 2.1.1 Business plan implementation results

In 2013, the global economy continues to recover in slowly progress, but the economic growth remains too slow and weak. The global economy is undergoing an U-shaped recovery and China vigorously promotes the economic structure reform, so the economic growth is slowing down. In this environment of slow economic recovery, Acter was able to attain a slight increase of operation revenue to NT\$8.66 billion and the income before income taxes was NT\$0.62 billion in 2013.

Unit : In thousands of New Taiwan Dollars

Items	2013	%
Operating revenue	8,656,072	100
Operating cost	7,617,107	88
Gross profit	1,038,965	12
Operating expenses	474,644	6
Operating income	564,321	6
Non-Operating income and expenses	56,010	1
Income before income taxes	620,331	7

Acter was able to maintain steady growth in 2013 under the concerted efforts of its directors and supervisors, managers, and all employees. However due to suffering from impacts of slow economic recovery, markets for China, Southeast Asia and Taiwan's industries are all affected, and especially in high-tech industries, Acter was also impacted to some degree, and suffered some profit fluctuations. However, due to our diversified developmental strategy, active promotion of different products and services, and involvement in different industries, we were able to disperse our risks and weather the crisis caused by the economic conditions

in the electronics and energy industries.

Under our fine-tuned risk dispersal strategy, Acter still makes efforts to strengthen the company's constitution, enhance the company's technological level, and continue to cut costs. Our superior integrated design and construction service, and cost cutting measures such as "value engineering enabled us to maintain the gross profit margin in a normal interval.

### 2.1.2 State of budget implementation

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

### 2.1.3 Financial structure and profitability

Items		2013	
Financial structure	Ratio of liabilities to assets (%)	58.62	
	Ratio of long-term capital to fixed assets (%)	866.7	
Solvency	Current ratio (%)	166.41	
	Quick ratio (%)	103.34	
Profitability	Return on total assets (%)	6.77	
	Return on stockholders' equity (%)	16.28	
	Ratio to issued capital (%)	Operating income	122.32
		Pre-tax income	134.46
	Profit ratio (%)	5.39	
	Earnings per share (\$)	10.11	

### 2.1.4 Research and development

Our technology is chiefly obtained from our steady contracting work in conjunction with other domestic and foreign engineering companies. We have relied on our experience to develop our own project designs, project management philosophy, and choices of materials. We also monitor differences in project design and construction technique between other domestic and foreign companies and Acter. We are continuously acquiring new materials and improving our project technology and construction planning and management capabilities. Analyzing our strengths and weaknesses enables us to improve our existing strong points and stay abreast of the engineering techniques and materials prevailing in the domestic industry environment, and we continuously apply new techniques and materials to our project designs and construction work. We further rely on the acquisition and improvement of construction techniques, as well as other serious and uncompromising attitude toward each project stage, to continuously improve quality. As a result, our past projects have won the applause of numerous project owners.

Acter is an engineering services company, but we continue to work hard to acquire the project technologies needed by different industries, and perform integrated R&D projects aimed at expanding our project type repertoire. We are also recruiting and training relevant manpower, which allows us to offer integrated TURN-KEY projects services including the aspects of consulting, design, construction, testing, certification, testing, and maintenance.

Although Acter is unlike conventional manufacturing and high-tech firms, we are undertaking the training of R&D team and will be able to offer better quality and efficacy of the projects services in the future.

## **2.2 Summary of business plan for 2014**

### **2.2.1 Business strategy**

During the more than three decades that have passed since Acter was established in 1979, apart from vigorously pursuing globalization and diversification while upholding our philosophy of prudent operation, we have also adopted the goal of becoming a premier all-round engineering service brand. Apart from effectively realizing our internal control and audit system, our operating strategy and plans for 2014 will include the following major courses of action.

- 2.2.1.1 We will focus heavily on our core competence, continue to integrate different types of projects, develop new working methods, improve quality, and strive to become the leading brands in clean room projects.
- 2.2.1.2 We will increase our professional services for biotechnology and medical firms, expand the scope of our customers, and promote industrial development by actively assisting customers.
- 2.2.1.3 We will continue to consolidate our market in China, establish new business locations, and develop new customers. We will expand our service scope in Southeast Asia, gradually expand our geographical scope in Asia, and transform ourselves into a global corporate group.
- 2.2.1.4 We will acquire expertise in gas and chemical supply system engineering, allowing us to develop new-generation project integration technologies.
- 2.2.1.5 We will recruit talent in many fields, and actively cultivate a management team consisting of both local talents and personnel stationed overseas.

### **2.2.2 Expected sales volume and basis for estimates**

We will strive to continue our steady growth in 2013, and are confident that we can meet our projected sales volume revenue targets. In the economy rejuvenation, we therefore foresee that the economy is undergoing an U-shaped recovery. As far as the service market is concerned, apart from the active development of new domestic and foreign markets and

provision of multi-industry, multi-area engineering services, this company will also continue to earn the accolades and support of existing customers via excellent service and a high level of project quality. We are confident that, as the economy gradually recovers, we will attain an even higher level of revenue than ever before during 2014.

### **2.2.3 Business prospects in 2014, future corporate development strategies and major production and sales policies**

As the economy as a whole gradually improves during 2014, Acter continues to emphasize on integrated engineering services, and has adopted a multi-regional, multi-industry, diversified strategy, and continues to deeply plow the technology, biotech, people's livelihood, and petrochemical markets. Furthermore, we also attend to develop new working methods and improve the quality of the project to establish brand and public praise by our dominance in the focusing, flexibility, and innovation.

Acter possesses the attributes of both a service firm and an engineering firm. Building on the basic framework of our three-in-one strategy, we will establish a full-scale marketing and service system during the coming year. And beyond consolidating our existing share of the domestic market, we will further develop our engineering services market in China, and take advantage of opportunities in the petrochemical market. As we expand into the Southeast Asian engineering services market, we will work to become Asia's leading engineering services brand, and continued to extend the global reach of our organization. Looking ahead to 2014, our revenue and profits will have considerable room for growth in 2014.

### **2.2.4 Effect of the external competitive environment, legal and regulatory environment, and overall business environment**

As competition between domestic and foreign engineering services firms grows steadily more intense, economies of scale, improved efficiency, and provision of flexible, integrated services are the keys to success. We recruit outstanding manpower locally, and efficiently raise maintenance and operating funds, which are used to promote the company's sustainability and provide a foundation for continued development.

A sound operating constitution and effective use of professional technology are essential means of expanding our project development space and creating new opportunities. Furthermore, in view of the competition in the engineering services industry, being able to quickly secure sources of raw materials and provide customers with fast, flexible, advanced engineering services are key factors ensuring that we can maintain a dominant position in the industry. In view of the circumstances, we will continue to integrate different types of projects, and ceaselessly develop new working methods that can be applied to multiple industries. We are also performing R&D concerning environmental protection and energy conservation issues. The designs of our turnkey projects emphasize compatibility between

systems, and we pay close attention to whole-plant systems integration needs and the use of space in a flexible manner in order to meet individualized needs. In order to pursue global expansion and sustainable growth, we do not rule out seeking stock market or over-the-counter listing opportunities in a third location overseas. We hope that pursuing these opportunities will expand this company's local recognition, facilitate recruiting of talented local manpower, and assist in the raising and effective utilization of local funds, enabling us to further our competitive advantage.

With regard to the legal and regulatory environment, we will regularly review legal changes and the requirements of the competent authority, systematically collect relevant information, and adopt appropriate preparatory measures. We have always maintained an honest, straightforward approach to business, and, in accordance with law, report and announce relevant corporate information in a timely manner. We have further established an official company website allowing ordinary investors to communicate directly with the company and view relevant information. We have adopted a full-scale corporate governance system, which we have gradually revised in order to protect the environment, protect consumers, and protect investors. We are continuing to make steady efforts to improve in accordance with plans. The long-term prospects of the engineering services market are very favorable, and we are confident that we can continue to increase our profits and maintain our international expansion.

Finally, thanks for your continuing support throughout the year. All employees of Acter will continue to work hard with the aim of achieving higher returns for our shareholders.

Sincerely yours,

Chairman: Liang, Chin-Li

General Manager: Hsu, Chung-Cheng

Accounting Supervisor : Tsao, Yun-Han

## II. Company Profile

### 1. Date of Incorporation: April 19, 1979

### 2. Company History

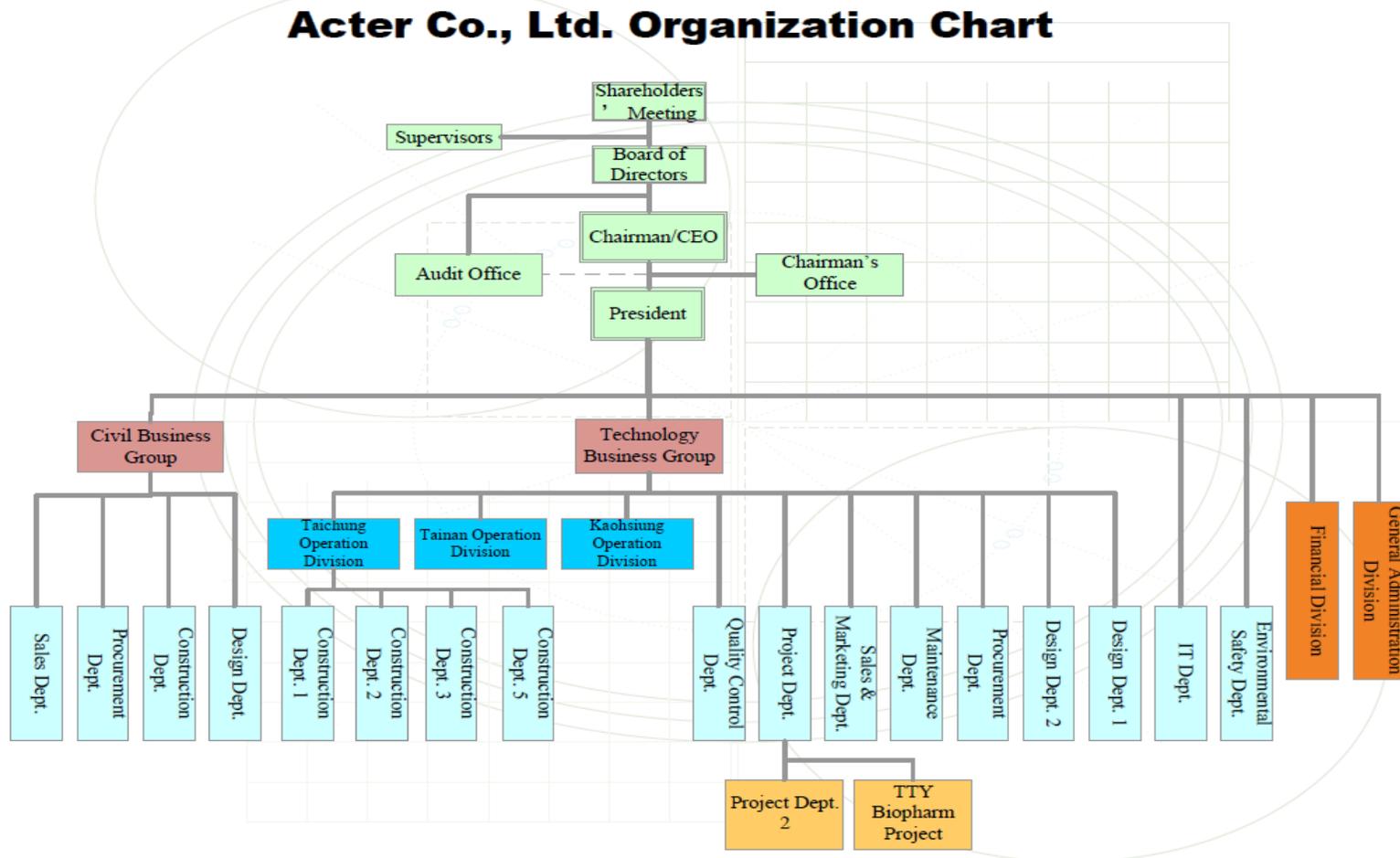
Year	Milestones
1979	Acter Co., Ltd. was established on Taiyuan North Road, Taichung City, Taiwan with a paid-in capital of NT\$ 10 million.
1992	Increased paid-in capital to NT\$20 million.
1993	Increased paid-in capital to NT\$50 million.
1999	Received ISO 9001 certification.
2002	(1)Changed to the shareholding system. (2)Increased paid-in capital to NT\$100 million. (3)A branch office in Kaohsiung was established.
2003	(1)Sheng Huei Engineering (Suzhou) Co., Ltd was established in Suzhou, China. (2)The office was moved to Zhongming S. Rd., Taichung City, Taiwan.
2004	(1)Increased paid-in capital to NT\$200 million. (2)Acquired Her Suo Engineering Co., LTD.
2005	(1)Sheng Huei (Shenzhen) Engineering Co., Ltd was established in Shenzhen, China. (2)Increased paid-in capital to NT\$230 million.
2006	(1)Increased paid-in capital to NT\$260 million. (2)A branch office in Taipei was established. (3)Acter Trading Co., Ltd was established.
2008	(1)Increased authorized capital to NT\$720 million.(Paid-in Capital was NT\$260 million) (2)Acquired Sheng Huei Engineering Technology Co., Ltd (Vietnam). (2)Suzhou Ding-Mao Engineering Co., Ltd. and Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd were established.
2009	(1)Acquired Nova Technology Corp.by issuing 6,655,065 shares. (2)Increased paid-in capital to NT\$351,550,650. (3)The application for initial public offering was approved by FSC. (4)The application for the GTSM registration and trading was approved by Gre Tai Securities Market. (5)Acquired Nova Technology Singapore Pte., Ltd.
2010	(1)Increased paid-in capital to NT\$415,358,190. (2>Listed on Gre Tai Securities Market(Code-5536).
2011	(1)Jointly invested SCEC International (HK) Company, Limited with Sumitomo

Year	Milestones
	Chemical Engineering Singapore Pte. Ltd. and indirectly invested SCEC(Shanghai) CORP. (2)Increased paid-in capital to NT\$461,358,190. (3)Sheng Huei (Suzhou ) Engineering Co., Ltd. increased capital of US\$3 million.
2012	Nova Technology Malaysia Sdn. Bhd. and Shenzhen Dingmao Trade Co., Ltd. were established.
2013	(1)SCEC ( Suzhou ) Corp. and Pt.Novamex Indonesia were established. (2)Suzhou Ding-Mao Engineering Co., Ltd. and Acter Trading Co., Ltd were liquidated.
2014	(1)Increased holding of SCEC(Shanghai) CORP. and it becomes the subsidiary of the company since 2014.

### III. Corporate Governance Report

#### 1. Organization

##### 1.1 Organization Chart



## 1.2 Major Corporate Functions

Department	Functions
Chairman's Office	<ol style="list-style-type: none"> <li>1. Analyzes the overall business environment in order to propose changes to the business strategy, organization, operations and the various functions of the company. Implements and improves robust management practices.</li> <li>2. Plans, co-ordinates and executes assigned projects.</li> </ol>
Audit Office	<ol style="list-style-type: none"> <li>1. Conducts inspection and evaluates internal controls within various departments.</li> <li>2. Assists subsidiaries with internal audit tasks.</li> <li>3. Evaluates the robustness of internal control systems and related policies. Determines whether the internal control systems continue to be effective, and assesses the progress made by each department, while offering suggestions to improve the company's operations.</li> </ol>
Civil Business Group	<ol style="list-style-type: none"> <li>1. Develops construction services and equipment related to living spaces</li> </ol>
Civil Business Group Construction Dept.	<ol style="list-style-type: none"> <li>1. Provides construction services needed for the creation of domestic living spaces, from planning, design, work supervision, to turnkey solutions.</li> <li>2. Responsible for the development and auditing of a Quality Center, and ongoing improvements to the ISO 9000 quality management system.</li> <li>3. Responsible for the development and auditing of a Work Safety and Environmental Protection Center, and ongoing improvements to the ISO14001/OHSAS18001 system.</li> </ol>
Civil Business Group Sales Dept.	<ol style="list-style-type: none"> <li>1. Responsible for marketing, customer development, and business promotion in relation to the construction of domestic living spaces.</li> <li>2. Creates and maintains customer data.</li> <li>3. Resolves customer complaints.</li> <li>4. Develops and distributes construction facilities.</li> </ol>
Civil Business Group Design Dept.	<ol style="list-style-type: none"> <li>1. Develops engineering methods.</li> <li>2. Designs, plans, and produces charts on the piping, wiring, and air conditioning of domestic living spaces, and designs electromechanical engineering projects.</li> </ol>
Civil Business Group Procurement Dept.	<ol style="list-style-type: none"> <li>1. Responsible for the purchasing and warehousing of materials, equipment and tools for the Civil Business Group.</li> </ol>

Department	Functions
	2. Develops a robust supplier system that facilitates order tracking and strategic purchases.
Technology Business Group	1. Provides construction services equipment related to the technology industries.
Technology Business Group Taichung, Tainan and Kaohsiung Operation Division、 Project Dept.	1. Constructs cleanrooms for local high-tech industry; provides construction services for electromechanical engineering projects such as planning, design, supervision and turnkey solutions. 2. Constructs cleanrooms for local biotech industry; provides construction services for electromechanical engineering projects such as planning, design, supervision and turnkey solutions. 3. Implementation of a GMP document management system.
Technology Business Group Quality Control Dept.	1. Responsible for the development and auditing of a Quality Center, and ongoing improvements to the ISO 9000 quality management system.
Technology Business Group Sales & Marketing Dept.	1. Responsible for marketing, customer development, and business promotion of local industry construction projects. 2. Creates and maintains customer data. 3. Resolves customer complaints. 4. Develops and distributes construction facilities.
Technology Business Group Design Dept. 1、 Design Dept. 2	1. Develops engineering methods. 2. Designs, plans, and produces charts on the layout of industrial cleanrooms, and designs electromechanical engineering projects.
Technology Business Group Procurement Dept.	1. Responsible for the purchasing and warehousing of materials, equipment, and tools related to the Technology Business Group. Develops a robust supplier system that facilitates order tracking and strategic purchasing. 2. Handles processes such as import, export, and bonded warehouses.
Technology Business Group Maintenance Dept.	1. Maintains and services air-conditioning units. 2. Performs maintenance, inspection and repair services for customers.
Environmental Safety Dept.	1. Enhances employees' safety and health within the company; implements an OHSAS 18001-compliant occupational health and safety system.

Department	Functions
	<ol style="list-style-type: none"> <li>2. Improves environmental management within the company; implements an ISO 14001-compliant environmental management system.</li> </ol>
Financial Division	<ol style="list-style-type: none"> <li>1. Board Secretary</li> <li>2. Bookkeeping, cost analysis, financial statement analysis, budget control, operational analysis and decision support.</li> <li>3. Financial analysis, planning, and funding.</li> <li>4. Customer credit assessment</li> <li>5. Regulatory reporting, announcements and share administration.</li> </ol>
General Administration Division	<ol style="list-style-type: none"> <li>1. Maintains the corporate image.</li> <li>2. Human resources management.</li> <li>3. Employee training management and planning.</li> <li>4. Document management.</li> <li>5. Administrative work for construction projects.</li> <li>6. General affairs.</li> <li>7. Contact window for legal affairs.</li> </ol>
IT Dept.	<ol style="list-style-type: none"> <li>1. Development and management of information systems and networks.</li> <li>2. Responsible for the development, maintenance and security management of various information systems and databases.</li> <li>3. Software access control and maintenance.</li> </ol>

## 2. Directors, Supervisors and Management Team

### 2.1 Directors and Supervisors

April 30, 2014

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Liang, Chin-Li	June 18, 2012	3	Dec. 30, 2005	1,670,688	3.62	1,670,688	3.62	38,990	0.08	0	0.00	<ul style="list-style-type: none"> <li>• EMBA, National Chiao Tung University</li> <li>• Department of Electrical Engineering and Refrigerating Air-conditioning, Taipei Tech</li> <li>• Manager, Engineering Department, Gongshan Air-conditioning and Refrigerating Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• CEO, Acter Co., Ltd.</li> <li>• Chairman, Her Suo Eng., Co., Ltd.</li> <li>• Chairman, Nova Technology Corp.</li> <li>• Director, Sheng Huei (Suzhou) Engineering Co., Ltd.</li> <li>• Chairman, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.</li> <li>• Director, Sheng Huei (Shenzhen) Engineering Co., Ltd.</li> <li>• Director, Shenzhen Dingmao Trade Co., Ltd.</li> <li>• Chairman, Sheng Huei International Co., Ltd.</li> </ul>	None	None	None

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
													<ul style="list-style-type: none"> <li>• Chairman, Acter International Limited</li> <li>• Chairman, New Point Group Limited</li> <li>• Director, Nova Technology Singapore Pte., Ltd.</li> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>• Chairman, SCEC (Shanghai) Corp.</li> <li>• Director, SCEC (Suzhou) Corp.</li> <li>• Supervisor, Winmax Technology Corp.</li> </ul>				
Director	Yang, Jung-Tang	June 18, 2012	3	Feb. 19, 1979	756,900	1.64	756,900	1.64	106,760	0.23	0	0.00	<ul style="list-style-type: none"> <li>• EMBA, Tunghai University</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, Xiang-Hui Development Co., Ltd.</li> <li>• Chairman, Johnwell Co., Ltd.</li> <li>• Director, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.</li> </ul>	None	None	None

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
													<ul style="list-style-type: none"> <li>• Director, Sheng Hwei International Co., Ltd.</li> <li>• Director, Acter International Limited</li> <li>• Director, New Point Group Limited</li> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> </ul>				
Director	Kao, Hsin-Ming	June 18, 2012	3	June 16, 2009	1,240,662	2.69	1,240,662	2.69	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• EMBA-International Business Management, National Taiwan University</li> <li>• Section Manager, Electronics Research &amp; Service Organization (ERSO)</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, Marketech International Corp.</li> <li>• Chairman, Macrotec Technology Corp.</li> <li>• Chairman, Chi Hsuan Investments Corp.</li> <li>• Chairman, Sopower Technology Corp.</li> <li>• Chairman, Hua Hsuan Technology Corp.</li> <li>• Director, WT Microelectronics Co., Ltd.</li> </ul>	None	None	None

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
													<ul style="list-style-type: none"> <li>• Supervisor, Probeleader Co., Ltd.</li> <li>• Director, SCEC (Shanghai) Corp.</li> <li>• Section Manager, Electronics Research &amp; Service Organization (ERSO)</li> </ul>				
Director	Hu, Tai-Tsen	June 18, 2012	3	June 16, 2009	293,401	0.64	301,401	0.65	405,156	0.88	0	0.00	<ul style="list-style-type: none"> <li>• EMBA, Tunghai University</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>• Honorary Member, The Phi Tau Phi Scholastic Honor Society of the Republic of China</li> <li>• Lecturer, Department of Electrical Engineering, National Chin-Yi University of Technology</li> <li>• Executive Director. Taiwan Refrigerator</li> </ul>	<ul style="list-style-type: none"> <li>• Consultant, Acter Co., Ltd.</li> <li>• Director, Sheng Huei International Co., Ltd.</li> <li>• Director, Acter International Limited</li> <li>• Director, New Point Group Limited</li> <li>• Managing Director, Jen-Ching Chou Foundation</li> </ul>	None	None	None

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
													<ul style="list-style-type: none"> <li>and Air-Conditioning Association of Republic of China</li> <li>Jury for Technical Examination of Refrigeration and Air Conditioning Repair Technician by the Ministry of Internal Affairs</li> <li>President, Gongshan Air-conditioning and Refrigerating Co., Ltd.</li> </ul>				
Director	Hsu, Chung-Cheng	June 18, 2012	3	June 16, 2009	247,286	0.54	247,286	0.54	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>EMBA-International Business Management, National Taiwan University</li> <li>Department of Chemical Engineering, National Taiwan University</li> <li>Vice President, President Office, Kuangchu Technology Co.</li> </ul>	<ul style="list-style-type: none"> <li>President, Acter Co., Ltd.</li> <li>Chairman, Winmax Technology Corp.</li> <li>Chairman, SCEC (Suzhou) Corp.</li> <li>President and Director, Nova Technology Corp.</li> <li>Director, Her Suo Eng., Co., Ltd.</li> <li>Director, Sheng Huei (Shenzhen) Engineering Co., Ltd.</li> <li>Director, Nova</li> </ul>	None	None	None

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
													<ul style="list-style-type: none"> <li>• Technology Singapore Pte., Ltd.</li> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>• Director, Pt. Novamex Indonesia</li> <li>• Director, SCEC (Shanghai) Corp.</li> <li>• Supervisor, Sheng Huei (Suzhou) Engineering Co., Ltd.</li> <li>• Supervisor, Shenzhen Dingmao Trade Co., Ltd.</li> </ul>				
Independent Director	Chao, Rong-Shiang	June 18, 2012	3	Nov. 4, 2009	0	0.00	0	0.00	3,000	0.01	0	0.00	<ul style="list-style-type: none"> <li>• EMBA - Business Administration, National Taiwan University</li> <li>• Director of President Office and Spokesperson, Formosa Plastics Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Vice President and Spokesperson, Formosa Sumco Technology Corp.</li> </ul>	None	None	None
Independent Director	Wang, Pai-Lu	June 18, 2012	3	Nov. 4, 2009	0	0.00	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Department of Industrial Management,</li> </ul>	<ul style="list-style-type: none"> <li>• Chair Adjunct Associate Professor,</li> </ul>	None	None	None

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
													National Taiwan University of Science and Technology • President, InfoTimes(ChinaTimes Group) • Consultant and Director, Acer Group ( The 3rd Cultural Enterprise) • Evaluation Member, Ministry of Education-University/College • Member of Consulting Committee, Government Websites of Research, Development and Evaluation Commission, Executive Yuan • Member of Consulting Committee, Overseas Community Affairs Council, Republic of China (Taiwan)-Huayu	National Taiwan University of Science and Technology • Secretary General, TAITIP • Founder and Director, Best 3C • Consultant, Kuo-Ting Li Association for Digital Knowledge • Extracurricular Internship • Commissioner of National Taiwan University of Science and Technology • Director, Nan Chiang Industrial & Commercial Senior High School			

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
													<ul style="list-style-type: none"> <li>World Consultant, Taiwan Chinese Alliance</li> </ul>				
Supervisor	Wu, Pi-Huei	June 18, 2012	3	Dec. 1, 2001	334,579	0.73	366,579	0.79	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>Bachelor Degree in International Trade, Feng Chia University</li> <li>President, Yu Wei Leather Corporation</li> <li>Master of Business Administration, National Chung Hsing University</li> </ul>	<ul style="list-style-type: none"> <li>Chairman, Denlie International Co., Ltd.</li> <li>Chairman, Gold Pinnacle Investments Ltd.</li> <li>Senior Advisor, Suzuka Composite Materials (Shanghai) Limited</li> </ul>	None	None	None
Supervisor	Wang, Yun-Chun (Note)	June 18, 2012	3	June 18, 2012	452,297	0.98	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>J.D., School of Law, Washington University in St. Louis</li> <li>BBA, University of Texas</li> <li>Summer Fellow, University of Oxford</li> <li>Lawyer, Foley and Mansfield LLP</li> <li>Assistant Professor, Business School, National Chiayi University</li> </ul>	<ul style="list-style-type: none"> <li>American Lawyer, Washington Group &amp; Associates</li> <li>Lawyer Chief Editorial Writer of Acter Company, American Legal Education Sites</li> </ul>	None	None	None
Independent	Yeh, Hui-Hsin	June 18,	3	May 11,	3,000	0.01	3,000	0.01	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>Bachelor Degree in</li> </ul>	Representative,	None	None	None

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Supervisor		2012		2010									Accounting, Tunghai University • Partner CPA, Ernst & Young Global Limited	Wei Chin CPAs & Co. • Independent Director, Partner Tech. Corp. • Independent Supervisor, Hyweb Technology Co., Ltd.			

Note : Supervisor Wang, Yun-Chun resigned on June 7, 2013. Share ownership data was based on the shareholders' registry as at April 20, 2014 (the book closure date). Experience (education) and other position were taken from the previous year's annual report.

## 2.2 Major shareholders of the institutional shareholders : Not Applicable.

## 2.3 Professional qualifications and independence analysis of directors and supervisors

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Name															
Liang, Chin-Li	None	✓	✓	None	None	None	✓	None	✓	✓	✓	✓	✓	None	
Yang, Jung-Tang	None	✓	✓	None	None	None	None	None	✓	✓	✓	✓	✓	None	
Kao, Hsin-Ming	None	None	✓	✓	None	None	✓	✓	✓	✓	✓	✓	✓	None	
Hu, Tai-Tsen	None	✓	✓	None	None	None	None	✓	✓	✓	✓	✓	✓	None	
Hsu, Chung-Cheng	None	None	✓	None	None	✓	✓	✓	✓	✓	✓	✓	✓	None	
Chao, Rong-Shiang	None	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Wang, Pai-Lu	✓	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Wu, Pi-Huei	None	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Yeh, Hui-Hsin	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.

2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of

- the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
  4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
  5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
  6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
  7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
  8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
  9. Not been a person of any conditions defined in Article 30 of the Company Law.
  10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

## 2.4 Management Team

April 30, 2014

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO	Liang, Chin-Li	June 18, 2012	1,670,688	3.62	38,990	0.08	0	0.00	<ul style="list-style-type: none"> <li>• EMBA, National Chiao Tung University</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>• Manager, Engineering Department, Gongshan Air-conditioning and Refrigerating Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• CEO, Acter Co., Ltd.</li> <li>• Chairman, Her Suo Eng., Co., Ltd.</li> <li>• Chairman, Nova Technology Corp.</li> <li>• Director, Sheng Huei (Suzhou) Engineering ., Co., Ltd.</li> <li>• Chairman, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.</li> <li>• Director, Sheng Huei (Shenzhen) Engineering ., Co., Ltd.</li> <li>• Director, Shenzhen Dingmao Trade Co., Ltd.</li> <li>• Chairman, Sheng Huei International Co., Ltd.</li> <li>• Chairman, Acter International Limited</li> <li>• Chairman, New Point Group Limited</li> </ul>	None	None	None

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
										<ul style="list-style-type: none"> <li>• Director, Nova Technology Singapore Pte., Ltd.</li> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>• Chairman, SCEC (Shanghai) Corp.</li> <li>• Director, SCEC (Suzhou) Corp.</li> <li>• Supervisor, Winmax Technology Corp.</li> </ul>			
President	Hsu, Chung-Cheng	Feb. 1, 2010	247,286	0.54	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• EMBA-International Business Management, National Taiwan University</li> <li>• Department of Chemical Engineering, National Taiwan University</li> <li>• Vice President, President Office, Kuangchu Technology Co.</li> </ul>	<ul style="list-style-type: none"> <li>• President, Acter Co., Ltd.</li> <li>• Chairman, Winmax Technology Corp.</li> <li>• Chairman, SCEC (Suzhou) Corp.</li> <li>• President and Director, Nova Technology Corp.</li> <li>• Director, Her Suo Eng., Co., Ltd.</li> <li>• Director, Sheng Huei (Shenzhen) Engineering Co., Ltd.</li> <li>• Director, Nova Technology Singapore Pte., Ltd.</li> </ul>	None	None	None

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
										<ul style="list-style-type: none"> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>• Director, Pt. Novamex Indonesia</li> <li>• Director, SCEC (Shanghai) Corp.</li> <li>• Supervisor, Sheng Huei (Suzhou) Engineering Co., Ltd.</li> <li>• Supervisor, Shenzhen Dingmao Trade Co., Ltd.</li> </ul>			
Senior Vice President	Chang, Ching-Chuan	Jan. 17, 2008	301,923	0.65	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Master Degree in High Technology Electrical and Mechanical Environmental Control, National Chin-Yi University of Technology</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>• Section Manager, Gongshan Air-conditioning and Refrigerating Co.,</li> </ul>	None	None	None	None

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
									<ul style="list-style-type: none"> <li>Ltd. Assistant Vice President, Chan Air-conditioning Co., Ltd.</li> </ul>				
Assistant Vice President	Li, Po-Sheng	Feb. 1, 2007	838,163	1.82	75,897	0.16	0	0.00	<ul style="list-style-type: none"> <li>Department of Refrigerating and Air-conditioning, Fu-Hwa Senior High School</li> <li>Vice Section Manager, Gongshan Air-conditioning and Refrigerating Co., Ltd.</li> </ul>	None	None	None	
Assistant Vice President	Lai, Ming-Kun	Feb. 1, 2007	53,806	0.12	42,859	0.09	0	0.00	<ul style="list-style-type: none"> <li>EMBA, National Taiwan University of Science and Technology</li> <li>Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>Vice President, Hao-Han Chung-Hsiao Engineering Co.,</li> </ul>	None	None	None	

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
									Ltd.				
Assistant Vice President	Wang, Chun-Sheng	Jan. 17, 2008	1,541	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>Department of Electrical Engineering, Taipei Tech</li> <li>Engineer, San-Chun Engineering Limited</li> </ul>	None	None	None	None
Assistant Vice President	Fan, Kuo-Ping	Jan. 7, 2011	40,856	0.09	2,332	0.01	0	0.00	<ul style="list-style-type: none"> <li>Department of Electrical Engineering, St. John's and St. Mary's Institute of Technology</li> <li>Assistant Vice President, Tung Kai Technology Engineering Co., Ltd.</li> </ul>	None	None	None	None
Assistant Vice President	Cheng, Chieh-Chung (Note1)	Nov. 1, 2013	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>Master of Engineering Chemical, Stevens Institute of Technology</li> <li>Manager, TSMC Solar Ltd.</li> </ul>	None	None	None	None
Assistant Vice President	Yang, Wei-Chao (Note 2)	Aug. 1, 2009	69,113	0.15	17,058	0.04	0	0.00	<ul style="list-style-type: none"> <li>EMBA, National Chiao Tung University</li> <li>Bachelor Degree in Business Administration,</li> </ul>	Vice President, Nova Technology Corp.	None	None	None

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
									<ul style="list-style-type: none"> <li>Tunghai University</li> <li>Financial Manager, eMemory Technology Inc.</li> <li>Controller, General Administration Division, Power Flash Technology Co., Ltd.</li> </ul>				
Manager of Financial Division	Tsao, Yun-Han	Aug. 1, 2009	58,716	0.13	11,372	0.02	0	0.00	<ul style="list-style-type: none"> <li>Master Degree in Accounting and Information Technology, National Chung Cheng University</li> <li>Audit Officer, Forhouse Corporation</li> </ul>	None	None	None	

Note 1 : Assistant Vice President Cheng, Chieh-Chung was newly appointed on Nov. 1, 2013.

Note 2 : Assistant Vice President Yang, Wei-Chao resigned on Dec. 31, 2013. Share ownership data was based on the shareholders' registry as at April 20, 2014 (the book closure date). Experience (education) and other position were taken from the previous year's annual report.

Note 3 : The company didn't issue employee stock options and new restricted employee shares.

## 2.5 Remuneration of Directors, Supervisors, President, and Vice President

### 2.5.1 Remuneration of Directors

Unit: NT\$ thousand

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary							
		(A) (Note 2)		(B) (Note 2)		(C) (Note 2)		(D) (Note 2)				(E) (Note 2)		(F) (Note 2)		(G) (Note 2)							(H) (Note 2)		(I) (Note 2)				
		The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	Cash	Stock	Cash	Stock		The company	(Note 1)	The company	(Note 1)	The company	(Note 1)							
Chairman	Liang, Chin-Li	0	0	0	0	3,135	3,135	84	84	0.69	0.69	4,678	5,038	0	0	500	0	500	0	0	0	0	0	0	0	0	1.80	1.88	None
Director	Yang, Jung-Tang	0	0	0	0	1,568	1,568	84	84	0.35	0.35	575	575	0	0	0	0	0	0	0	0	0	0	0	0	0	0.48	0.48	None
Director	Kao, Hsin-Ming	0	0	0	0	1,568	1,568	72	72	0.35	0.35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.35	0.35	None	
Director	Hu, Tai-Tsen	0	0	0	0	1,568	1,568	60	60	0.35	0.35	1,019	1,019	0	0	0	0	0	0	0	0	0	0	0	0	0.57	0.57	None	
Director	Hsu, Chung-Cheng	0	0	0	0	1,568	1,568	84	84	0.35	0.35	2,633	8,726	0	0	800	0	990	0	0	0	0	0	0	0	1.09	2.44	None	
Independent Director	Chao, Rong-Shiang	600	600	0	0	0	0	84	84	0.15	0.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.15	0.15	None	

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary						
		(A) (Note 2)		(B) (Note 2)		(C) (Note 2)		(D) (Note 2)				(E) (Note 2)		(F) (Note 2)		(G) (Note 2)		(H) (Note 2)					(I) (Note 2)					
		The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	Cash	Stock	Cash	Stock	The company	(Note 1)		The company	(Note 1)	The company	(Note 1)								
Independent Director	Wang, Pai-Lu	780	780	0	0	0	0	96	96	0.19	0.19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.19	0.19	None

Note 1 : Refers to all companies in the consolidated financial statements

Note 2 : (A)Base Compensation (B)Severance Pay (C)Bonus to Directors (D)Allowances (E)Salary, Bonuses, and Allowances (F)Severance Pay (G)Profit Sharing- Employee Bonus (H)Exercisable Employee Stock Options (I)New Restricted Employee Stock.

Note3 : Board of directors resolved on Feb. 24, 2014 that the appropriated directors' and supervisors' remuneration were NT\$ 10,972,973. The proposal is scheduled to be discussed and decided at the Company's annual shareholders' meeting.

## 2.5.2 Remuneration of Supervisors

Unit: NT\$ thousand

Title	Name	Remuneration						Ratio of total remuneration (A+B+C) to net income (%)		Compensation paid to supervisors from an invested company other than the company's subsidiary
		Base Compensation(A)		Bonus to Supervisors(B)		Allowances(C)		The company	Companies in the consolidated financial statements	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
Supervisor	Wu, Pi-Huei	0	0	1,568	1,568	60	60	0.35	0.35	None
Independent Supervisor	Yeh, Hui-Hsin	600	600	0	0	84	84	0.15	0.15	None
Supervisor	Wang, Yun-Chun (Note 1)	0	0	0	0	48	48	0.01	0.01	None

Note 1 : Supervisor Wang, Yun-Chun resigned on Jun. 7, 2013.

Note 2 : Board of directors resolved on Feb. 24, 2014 that the appropriated directors' and supervisors' remuneration were NT\$ 10,972,973. The proposal is scheduled to be discussed and decided at the Company's annual shareholders' meeting.

## 2.5.3 Compensation of President and Vice President

Unit: NT\$ thousand

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income(%)		Exercisable Employee Stock Options		Exercisable New Restricted Employee Stock		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
								Cash	Stock	Cash	Stock							
CEO	Liang, Chin-Li	7,527	11,912	0	0	5,286	7,354	2,800	0	2,990	0	3.35	4.77	0	0	0	0	None
President	Hsu, Chung-Cheng																	
Senior Vice President	Chang, Ching-Chuan																	

Bracket	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	None	None
NT\$2,000,000 ~ NT\$5,000,000	Hsu, Chung-Cheng	None
NT\$5,000,000 ~ NT\$10,000,000	Liang, Chin-Li, Chang, Ching-Chuan	Liang, Chin-Li, Hsu, Chung-Cheng, Chang, Ching-Chuan

Bracket	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
NT\$10,000,000 ~ NT\$15,000,000	None	None
NT\$15,000,000 ~ NT\$30,000,000	None	None
NT\$30,000,000 ~ NT\$50,000,000	None	None
NT\$50,000,000 ~ NT\$100,000,000	None	None
Over NT\$100,000,000	None	None
Total	3	3

#### 2.5.4 Employee Bonus Granted to Management Team

Unit: NT\$ thousand

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO	Liang, Chin-Li	0	3,400	3,400	0.73
	President	Hsu, Chung-Cheng				
	Senior Vice President	Chang, Ching-Chuan				
	Assistant Vice President	Li, Po-Sheng				
	Assistant Vice President	Lai, Ming-Kun				
	Assistant Vice President	Wang, Chun-Sheng				
	Assistant Vice President	Fan, Kuo-Ping				

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
	Assistant Vice President	Cheng, Chieh-Chung (Note 1)				
	Assistant Vice President	Yang, Wei-Chao (Note 2)				
	Principal Financial/Accounting Officer	Tsao, Yun-Han				

Note 1 : Executive Officer Cheng, Chieh-Chung was newly appointed on Nov. 1, 2013.

Note 2 : Executive Officer Yang, Wei-Chao resigned on Dec. 31, 2013.

**2.6 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents**

**2.6.1 The ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.**

Unit : NT\$ thousand

Title	2012				2013			
	Total Remuneration paid to directors, supervisors, presidents and vice presidents		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)		Total Remuneration paid to directors, supervisors, presidents and vice presidents		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors	37,358	42,956	5.37	6.17	30,917	37,560	6.63	8.05
Supervisors								
CEO								
Presidents								
Senior Vice Presidents								

## 2.6.2 The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

### 2.6.2.1 Directors, Supervisors

Remuneration for Directors and Supervisors includes compensation, remuneration from distributed earnings, and business implementation expense. Remuneration from distributed earnings is stipulated in the Articles of Incorporation.

### 2.6.2.2 Presidents and Vice Presidents

The compensation for presidents and vice presidents includes salary, bonus, and employee profit sharing, and is measured based on the position degree, responsibility of each individual role, contribution made to the company, and the market averages.

## 3. Implementation of Corporate Governance

### 3.1 Board of Directors

A total of 7(A) meetings of the board of directors were held in the previous period. Director and supervisor attendance was as follows.

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Liang, Chin-Li	7	0	100%	Re-elected on Jun. 18, 2012
Director	Hsu, Chung-Cheng	7	0	100%	Re-elected on Jun. 18, 2012
Director	Hu, Tai-Tsen	5	2	71.43%	Re-elected on Jun. 18, 2012
Director	Kao, Hsin-Ming	6	1	85.71%	Re-elected on Jun. 18, 2012
Director	Yang, Jung-Tang	7	0	100%	Newly elected on Jun. 18, 2012
Independent Director	Chao, Rong-Shiang	7	0	100%	Re-elected on Jun. 18, 2012
Independent Director	Wang, Pai-Lu	7	0	100%	Re-elected on Jun. 18, 2012
Supervisor	Wu, Pi-Huei	5	0	71.43%	Re-elected on Jun. 18, 2012
Supervisor	Wang, Yun-Chun	4	0	100%	Newly elected on Jun. 18, 2012 Resigned on Jun. 7, 2013
Independent Supervisor	Yeh, Hui-Hsin	7	0	100%	Re-elected on Jun. 18, 2012

Other mentionable items:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and

recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified: None.

2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified: None.
3. Measures taken to strengthen the functionality of the Board:

In addition to implementing the "Board of Directors Meeting Rules" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies," the company also has an independent director system to complement its board. Independent directors perform their roles in accordance with the relevant laws and instructions of the competent authority, and serve both executive and supervisory purposes.

(1) Board structure

The board is comprised of members from a variety of backgrounds, who have been chosen based on the development needs of the company. All directors, independent directors and supervisors have the academic background and experience necessary to enable the board's decision and supervisory capacity. During the June 15, 2011 meeting the shareholders passed the "Directors and Supervisors Election Procedures" that stipulate a cumulative voting system for director and supervisor elections. This voting system increases minority shareholders' chances of participating in the board's decisions; furthermore, a set of by-election procedures was also introduced to avoid disruption to the company's business operations if some or all directors, independent directors and supervisors are dismissed. To ensure the independence of the board, the company has rules that prohibit the Chairman from concurrently serving as the President, while each director, independent director and supervisor is required to exercise their authorities independently. Information such as directors' and supervisors' shareholding positions, transfer restrictions, and collateralized shares are fully disclosed on the Market Observation Post System, which investors are welcome to make inquiries on.

(2) The independent director system

The company has clearly outlined the availability, eligibility, and responsibilities of its independent directors in its "Articles of Incorporation" and "Independent Director Authorities and Responsibilities." Currently, the company has established two independent director positions with the power to be involved in decision making and to express opinions according to the Securities and Exchange Act. To protect the interests of investors, the Articles of Incorporation explicitly specify adoption of the nomination system introduced in Article 192-1 of the Company Act, which gives shareholders who hold above a certain number of shares the right to nominate independent directors. These procedures prevent the nomination process from becoming monopolized or excessive, and results in fairer and more transparent proceedings.

(3) Functionality of supervisors

The company has created two supervisor positions and one independent supervisor position according to Article 14-4 of the Securities and Exchange Act (Supervisor Wang, Yun-Chun resigned on June 7, 2013, and a replacement is expected to be elected during the 2014 shareholders' meeting). All supervisors are chosen from persons with sufficient financial knowledge or business experience. On June 15, 2011, the company established a set of "Supervisor Authorities and Responsibilities" that outline the level of independence expected from supervisors and the role they play in the company's operations, such as expressing opinions in board meetings. Supervisors ensure that the company's plans are soundly executed and financial statements are properly prepared.

The company has also created a mailbox exclusively for communication with supervisors on its website, which enables investors, stakeholders and employees to communicate with supervisors directly by e-mail.

(4) Establishment of a Remuneration Committee

The company's board of directors passed the "Remuneration Committee Charter" on August 23, 2011, in accordance with Article 14-6 of the Securities and Exchange Act. On December 6 of that year, the board of directors passed the resolution to establish a Remuneration Committee and completed the recruitment of committee members to help the board perform its duties.

(5) Improving information transparency

Financial information, resolutions on material issues, board meeting participation, and

director/supervisor ongoing education information are published on the Market Observation Post System as required by law. The company's financial and business performance is also made accessible to the public on its website.

### 3.2 Audit Committee (Attendance of Supervisors for Board Meeting) : Not applicable.

### 3.3 Attendance of Supervisors for Board Meetings

A total of 7 (A) meetings of the board of directors were held in the previous period. Supervisor attendance was as follows:

Title	Name	Attendance in Person(B)	Attendance rate (%) 【B/A】	Remarks
Supervisor	Wu, Pi-Huei	5	71.43%	Re-elected on Jun. 18, 2012
Supervisor	Wang, Yun-Chun	4	100%	Newly elected on Jun. 18, 2012 Resigned on Jun. 7, 2013
Independent Supervisor	Yeh, Hui-Hsin	7	100%	Re-elected on Jun. 18, 2012

Other mentionable items:

1. Composition and responsibilities of supervisors:
  - (1) Communications between supervisors and the Company's employees and shareholders (e.g. the communication channels and methods, etc.):
    - i. Supervisors can communicate with employees and shareholders through the company spokesperson and through shareholders' meetings. Managers and employees of the company may be requested to provide statements with regards to their areas of responsibility if necessary.
    - ii. The company publishes supervisors' information in its annual report, allowing report readers to raise suggestions and communicate with supervisors. Supervisors are also able to maintain communications with various business functions of the company during their regular review of internal audit reports.
    - iii. The company has created a mailbox exclusively for communication with supervisors on its website (under the "Investors" section), which enables investors, stakeholders and employees to communicate with supervisors directly by e-mail.
  - (2) Communications between supervisors and the Company's Chief Internal Auditor and CPA (e.g. the items, methods and results of the audits of corporate finance or operations, etc.):
    - i. Supervisor meetings are held whenever deemed appropriate, during which the financial statement auditor and internal auditors are summoned to present audit plans for the company's financial statements, and to report on the functioning of internal controls. These meetings provide supervisors with sufficient overview of the company's operations. In addition to holding supervisor meetings, the supervisors also maintain regular e-mail contact with financial statement auditors and internal auditors in order to stay informed of the company's operations.
    - ii. The financial statement auditor discusses matters relating to the audited financial statements before the board meeting. During these discussions, directors and supervisors are given sufficient opportunities to communicate with the financial statement auditor.
2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of meetings, sessions, contents of motions, resolutions of the directors' meetings and the Company's response to supervisor's opinion should be specified: None.

### 3.4 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>1.Shareholding Structure &amp; Shareholders’ Rights</p> <p>(1) Method of handling shareholder suggestions or complaints</p> <p>(2) The Company’s possession of a list of major shareholders and a list of ultimate owners of these major shareholders</p> <p>(3) Risk management mechanism and “firewall” between the Company and its affiliates</p>	<p>(1) The company has appointed a spokesperson and a deputy spokesperson to handle shareholders' suggestions and disputes.</p> <p>(2) The company's major shareholders are mostly comprised of the management team and long-term shareholders. The company constantly monitors shareholding positions of its directors, supervisors and major shareholders. Changes in shareholding positions among directors, supervisors, managers and shareholders with more than a 10% holding are reported regularly to the competent authority.</p> <p>(3) The company and each of its affiliated enterprises operate independently from each other. The subsidiaries are governed by the internal control system, the "Finance and Business Policy for Group Members and Related Parties," and the "Subsidiary Management Policy."</p>	<p>None</p>

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
2.Composition and Responsibilities of the Board of Directors (1) Independent Directors (2) Regular evaluation of CPAs’ independence	(1) The company has two independent directors. (2) The company's financial statement auditor is not a director, supervisor or shareholder of the company. The board of directors assesses auditor independence once a year in accordance with the "Statement of Auditors' Code of Ethics No. 10."	None
3.Communication channel with stakeholders	(1) Communications with stakeholders are carried out through different departments such as business, finance, and procurement etc. depending on the nature of the stakeholder. (2) The company has a spokesperson, a deputy spokesperson and a contact mailbox in place to facilitate communication with stakeholders. (3) The company has established different kinds of meetings to encourage an open exchange of opinions between employees and management. An employee mailbox has also been made available on the company's website (under the HR section), through which employees may reflect their opinions and offer suggestions. (4) The company has a contact mailbox and a supervisor's mailbox to serve as a means of communication with stakeholders.	None
4.Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Company’s financials, business and corporate governance status	(1) The company has an official website ( <a href="http://www.acter.com.tw">http://www.acter.com.tw</a> ) that regularly updates the company's financial performance and discloses corporate governance information.	None

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
(2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	(2) The company has appointed dedicated personnel to gather and disclose information in a timely and appropriate manner. i.The company has implemented a spokesperson and a deputy spokesperson system, and disclosed their names and contact methods on the company's website. ii.Information on investor seminars is disclosed on the company's website as it becomes available.	
5.Operations of the Company’s Nomination Committee, Remuneration Committee, or other committees of the Board of Directors	The company has a "Remuneration Committee" in place that comprises of one independent director and two outside experts. Proposals regarding directors', supervisors' and managers' remuneration are first reviewed by the Remuneration Committee before discussion by the board of directors.	None
6.If the Company has established corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation: The company has established "Corporate Governance Practical Rules" based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies." These practices are being implemented in compliance with laws with information properly disclosed in the best interests of investors, stakeholders and employees.		
7.Other important information to facilitate better understanding of the Company’s corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors):  Below is a summary of steps taken by the management to ensure sound corporate governance:  ①The company has a set of work rules in place that protect employees' interests. Under these rules, employees, irrespective of rank, gender or nationality, are provided with benefits such as insurance, training, health checkups and retirement plans superior to legal requirements. In addition, the company's Employee		

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	<p>Welfare Committee introduces welfare packages that aim to create a harmonious workplace and to enrich employees' lifestyles. The company is ISO 14001 and OHSAS 18001-certified for the purpose of ensuring proper management over workplace safety and health. It has an Environmental Safety Department that is dedicated to promoting and supervising workplace safety; meanwhile, an employee opinion mailbox has been made available on the company's website (under the HR section) to facilitate direct communication between employees and the company.</p> <p>②Investor relations, supplier relations and stakeholders' rights: as part of its goal of information transparency, the company discloses financial and business information in a timely and appropriate manner in compliance with related laws. It has contact windows and mailboxes that investors, suppliers and stakeholders can use to leave messages and give opinions. Apart from making regular financial and business disclosures, the company has also created a corporate governance section on its website in both Chinese and English, so as to protect the interests of local and foreign investors. The company establishes trade arrangements and issues purchase orders to suppliers in compliance with the principle of equality. These agreements clearly outline the rights and obligations between the two parties, and work to secure both parties' legal interests.</p> <p>③Status of the Continuing Education of Directors and Supervisors: all directors and supervisors of the company have completed the mandatory courses stipulated under "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies." For details regarding these courses, please refer to page 76 ~ page 81 of the annual report, titled "9. Status of the Continuing Education of Directors and Supervisors."</p> <p>④Risk management policy and risk assessment standards: the company is focused on its primary business. It has risk management guidelines and policies in place to avoid or minimize risks that may jeopardize the company's interests, while in the meantime ensure employees' safety. All major operating policies, investments, asset acquisitions and disposals, corporate guarantees and endorsements are subjected to thorough analysis before they are proposed for the board's resolution. The Audit Office develops annual audit plans based on assessed risks and executes accordingly as a means of risk supervision.</p> <p>⑤Customer policy: The company has a Sales Department and a Construction Department responsible for engaging customers in timely communications, responding to customization needs, providing excellent services and resolving any issues that might arise.</p> <p>⑥Insurance against directors' and supervisors' liabilities: the company has taken out liabilities insurance for its directors and supervisors.</p>	
8.	If the Company has implemented a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: In 2013, the company was rated "A++" by the Securities and Futures Institute during its 10th Information Disclosure Evaluation for TWSE/GTSM Listed Companies.	

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>Note 1: For requirements on directors' and supervisors' continuing education, please refer to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies" published by the Taiwan Stock Exchange.</p> <p>Note 2: Securities firms, securities investment trust/consulting enterprises, and futures commission merchants should describe their execution of risk management policies, risk assessment standards, consumers’ protection and client policies.</p> <p>Note 3: The corporate governance self-evaluation report mentioned here refers to the corporate governance evaluation conducted and explained by the company itself, and is a report on how the company enforces corporate governance.</p>		

### 3.5 Composition, Responsibilities and Operations of Remuneration Committee

#### 3.5.1 Information on Remuneration Committee Members

Title (Note 1)	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independent Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remark (Note3)
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Wang, Pai-Lu	✓	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	None
Other	Yang, Chien	✓	None	None	✓	✓	✓	✓	✓	✓	✓	✓	None	None
Other	Wang, Wen-Chieh	✓	None	None	✓	✓	✓	✓	✓	✓	✓	✓	None	None

Note 1: Enter Director, Independent Director or Other in the Position column.

Note 2: Please tick the corresponding boxes if the committee members have been any of the following during the two years prior to being elected or during the term

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the Company or ranking in the top 10 in shareholding.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8) Any of the circumstances in Article 30 of the Company Law.

Note 3: If the person has the position of director, state if conforming to Article 6-5 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

### 3.5.2 Information on Operations of Remuneration Committee

3.5.2.1 The Remuneration Committee has three members.

3.5.2.2 The tenure of the 2nd session is from Jul. 25, 2012 to Jun. 17, 2015. A total of 2(A) meetings of the remuneration committee were held in 2013. Member qualification and attendance was as follows.

Title	Name	Attendance in Person(B)	By proxy	Attendance Rate in Person(%) (B/A)	Remark
Chairman	Wang, Pai-Lu	2	0	100%	Re-elected on Jul.25, 2012
Member	Yang, Chien	2	0	100%	Re-elected on Jul.25, 2012
Member	Wang, Wen-Chieh	2	0	100%	Re-elected on Jul.25, 2012

Other matters to be disclosed :

- 1.If the board of directors declines to adopt, or modifies a recommendation of the remuneration committee, the date of the Board of Directors meeting, term, content of motions, board resolution results and Company handling of remuneration committee opinions shall be specified. (if the compensation approved by the Board of Directors exceeds that proposed by the remuneration committee, the circumstances and cause of the difference shall be specified): None.
- 2.If any committee member has an objection or qualified opinion together with a record or written statement regarding a remuneration committee resolution, the remuneration committee date, term, content of motions, all members opinions and how the opinions were handled shall be specified: None.

### 3.6 Implement of Social Responsibility

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>1. Exercising Corporate Governance</p> <p>(1)The company declares its corporate social responsibility policy and examines the results of the implementation.</p>	<p>(1) The company has corporate social responsibility best practices principles along with an employee code of conduct and safety and health policies in place. The effectiveness of these policies is reviewed regularly by the General Administration Division.</p>	
<p>(2)The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.</p>	<p>(2) The General Administration Division is responsible for the company's corporate social responsibility efforts, from policy proposal to execution, and reports to the board of directors on a regular basis. The Environmental Safety Department is responsible for managing the workplace and maintaining various systems related to workplace management. The Environmental Safety Department also conducts regular training for management and employees on workplace issues.</p>	<p>The company operates in compliance with the spirit and regulations of the "Corporate Social Responsibility Best Practice Principles for</p>
<p>(3)The company organizes regular 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.</p>	<p>(3) The company arranges for directors and supervisors to undergo external training courses on topics such as corporate governance and insider trading policies. Meanwhile, employees are also provided with training on the company's policies, professional skills, and courses that inspire self-development. Through use of advocacy, training and rewards, the company hopes to incorporate corporate social responsibility into its daily operations. Policies such as "Work Rules," "Employee Appraisal Guidelines," "Employee Reward and Discipline Guidelines," and "Employee Ethical Business Guidelines" have been established in accordance with relevant laws and soundly implemented in line with the company's operational objectives.</p>	<p>TWSE/GTSM-Listed Companies," there are no major discrepancies.</p>

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
2. Fostering a Sustainable Environment		
(1)The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.	(1) The company has passed ISO14001 Environmental Management certification, and continues to devote resources to technology R&D to provide customers with energy-saving solutions. Through the use of energy-saving and heat recovery equipment, the company expects to reduce environmental pollution, promote recycling and make more efficient use of resources such as power and water.	
(2)The company establishes proper environmental management systems based on the characteristics of their industries.	(2) The company has set up standard operating procedures and operations manuals according to the nature of its construction work. In addition to requiring employees to comply with construction procedures, the company is also dedicated to enhancing safety and hazard control over the work environment, work activities, and any instruments or equipment used. Work environments are tested regularly and the company's work practices have received OHSAS18001 Occupational Health and Safety certification.	The company operates in compliance with the spirit and regulations of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," there are no major discrepancies.
(3)The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment.	(3) The company has passed both ISO14001 certification for environmental management and OHSAS18001 certification for occupational health and safety. It has created an Environmental Safety Department and appoints dedicated personnel at each work site to supervise workplace and employee safety. Meetings are held on a weekly basis to promote awareness of workplace maintenance and safety, while inspections are conducted daily to identify and rectify areas of weakness.	

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
(4)The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	(4) In addition to researching new energy-saving technologies, the company also takes the initiative in raising employees' environmental awareness. With regards to the use of paper, the company has been a strong advocate of a paper-less environment, and employees are reminded to print double-side and on used paper whenever deemed appropriate. With regards to the use of power, the company constantly reminds employees to turn off lights and air conditioning in empty areas, while company headquarters has fully adopted the use of energy-saving equipment for greater energy efficiency. On March 29, 2014, the company supported Earth Hour by turning off all lights between 20:30~21:30. This was a gesture of the company's commitment to environmental protection, and a message to its employees that environmental protection can begin from the little things in our lives. In an attempt to reduce its carbon footprint and greenhouse gas emissions, the company has set up a number of policies including: a. Green procurement; purchasing products that are certified environmentally friendly, energy-saving, water-saving, and are rated with a high EER; b. Revision of lighting requirements, improved lighting efficiency, decommissioning of redundant lighting, and development of the habit of turning off lights when not needed; c. Resource reuse: use of recycled paper and materials and refraining from use of over-packaged products. These power-saving measures have been effective as the company was able to reduce power usage by 7,175 kilowatt/hours in 2013 over the previous year to a total of 267,863 kilowatt/hours.	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
<p>3. Preserving Public Welfare</p> <p>(1)The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place appropriate management methods and procedures.</p>	<p>(1) The company has established a set of "Work Rules" based on the Labor Standards Act and other relevant laws to protect employees' interests. There are no ethnic or gender restrictions with regards to employee recruitment or promotion; each person is equally entitled as long as they possess the right abilities and satisfy requirements. For the purpose of eliminating sexual harassment, the company has convened a "Sexual Harassment Complaint Committee" to handle sexual harassment complaints.</p>	<p>The company operates in compliance with the spirit and regulations of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," there are no major discrepancies.</p>
<p>(2)The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.</p>	<p>(2) The company provides its employees with comprehensive training on work operations, safety and health, and conducts company-wide health checkups on a regular basis to help employees stay healthy.</p>	
<p>(3) The Company has established regular communication channels for employees and a reasonable way to notify employees of changes that could have a significant effect on operations.</p>	<p>(3) The company organizes regular meetings to encourage reciprocal communication. These meetings not only discuss the company's business performance but also serve as a means of opinion exchange with employees. Important messages are disseminated via announcements and meetings, whereas employer-employee relations are discussed separately according to the "Regulations for Implementing Labor-Management Meeting."</p>	
<p>(4)The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.</p>	<p>(4) The company organizes annual customer satisfaction surveys, during which the Administration Department mails out "Customer Satisfaction Questionnaires" and discusses with the Sales Department about the issues raised and how the company</p>	

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	<p>may take steps to improve them. These analyses are reviewed by the Vice President before dissemination to departments for execution. The ultimate goal of such surveys is to meet customer expectations and achieve 100% satisfaction with service quality.</p>	
(5)The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.	(5) The company has developed a set of "Material Procurement and Management Procedures" based on ISO9001 standards, which clearly define all required specifications of materials purchased by the company. A plan has been drawn up to extend the company's corporate social responsibilities to the entire supply chain. This plan will be executed in two stages: (1) Incorporating corporate social responsibilities such as environmental protection, energy conservation, employee rights, welfare, health and safety etc. as part of supplier assessments; and (2) Audit of suppliers on each of the criteria mentioned above. Currently, the plan is in the first stage.	
(6)The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.	(6) The company organizes charity events from time to time to help the socially disadvantaged and charity organizations. To contribute to society, the company cooperates with tertiary institutions in research projects and offers scholarships to encourage innovation talent.	
<p>4. Enhancing Information Disclosure</p> <p>(1)The measures of disclosing relevant and reliable information relating to their corporate social responsibility.</p> <p>(2)The company produces corporate social responsibility reports</p>	<p>(1) Information relating to corporate social responsibility is disclosed in the company's annual report.</p> <p>(2) The company has yet to prepare a corporate social</p>	<p>(1) The company operates in compliance with the spirit and regulations of the "Corporate</p>

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
disclosing the status of their implementation of the corporate social responsibility policy.	responsibility report, but has already begun gathering information for the preparation of such a report.	<p>Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," there are no major discrepancies.</p> <p>(2) Although the company has yet to prepare a corporate social responsibility report or disclose information regarding its fulfillment of corporate social responsibilities on its website, it has stayed true to the values of business integrity and sustainability and contributed towards economic, environmental and social issues. With regards to economic issues: the company supports local economies by</p>

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
		<p>sourcing 80% of its purchasing from local suppliers whether in Taiwan, mainland China or in Southeast Asian countries where its subsidiaries are domiciled. In terms of environmental issues: the company is active in developing energy-saving applications that involve the recovery and reuse of thermal energy. As for social issues: the company participates in various charity events and encourages employees to devote themselves to social care. In the meantime, the company is planning for the preparation of a corporate social responsibility report that provides detailed descriptions of the</p>

Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons above items.
<p>5. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation:</p> <p>The company has made a commitment to corporate social responsibility, and has implemented measures such as an employee code of conduct and environmental safety and health policies. These actions are consistent with the rationale of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies."</p>				
<p>6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation. ): Please refer to the following table.</p>				
Social Responsibility Item	Implementation Status			Detailed Description
	Not Yet Executed	Executed	Planning in Progress	
一、 Human rights				
(一)Compliance with the Labor Standards Act		V		The company has established a set of "Work Rules" based on the Labor Standards Act and other related laws. To maintain employer-employee relations, the company holds employment meetings on a regular or irregular basis according to the "Regulations for Implementing Labor-Management Meetings."
(二)Other (e.g. protecting employees and recruitment candidates from harassment and discrimination)		V		The company has implemented a "Sexual Harassment Prevention Policy" to protect employees' interests and privacy.

Item		Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
Social Responsibility Item	Implementation Status			Detailed Description	
	Not Yet Executed	Executed	Planning in Progress		
二、Employees' rights, safety and health					
(一)Adequate training for employees		V		In order to inspire growth among employees and nurture professional talent, the company has implemented a set of training guidelines and empowered internal departments to oversee employee training.	
(二)Employees' right to express opinions		V		Employees are allowed to express opinions to managers and to the general administration division at anytime regarding their rights, welfare, management and the work environment.	
(三)Other (e.g. OHSAS18001 certification on occupational health and safety, and offering of reasonable welfare and remuneration packages to employees)		V		The company has obtained ISO9001 certification on quality, ISO14001 certification on environmental management, and OHSAS18001 certification on occupational safety and health. Its employee remuneration system has been developed in compliance with relevant laws including those that govern minimum wages and mandatory benefits.	
三、Employee care					
(一)Workplace safety		V		The company has empowered an Environmental Safety Department to oversee safety and health conditions at various work sites. The department conducts regular tests on the operating environment and takes steps to ensure that safety and health regulations have been strictly complied with to provide employees with the utmost assurance.	

Item		Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
Social Responsibility Item	Implementation Status			Detailed Description	
	Not Yet Executed	Executed	Planning in Progress		
(二) Establishment of written employee health and safety policies		V		The company has employee health and safety policies in place and co-operates in their execution.	
(三) Other (e.g. care for employees' physical/mental development and family life)		V		The company's "Employee Welfare Committee" has been in place for a number of years. Its work includes subsidizing trips, social activities and gatherings that improve employees' work-life balance and boost loyalty to the company. Meanwhile, staffs of the General Administration Division pay close attention to employees' well-being and career plans.	
四、Environmental Protection					
(一) Establishment of written environmental protection policy		V		The company complies with the environmental management standards laid out in ISO14001. It actively invests in the development of energy-saving technologies and has long-advocated awareness of environmental protection concepts. Over the years, the company has taken steps to reduce paper waste and recycle resources, and exercised supervision over subsidiaries to see that this is done.	
(二) Compliance with environmental protection laws		V			
(三) Other (e.g. development of energy-saving and pollution-reducing technologies, equipment and activities; steps taken to reuse or recycle waste, or to reduce or prohibit the use of hazardous substances)		V			
五、Community involvement					

Item		Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
Social Responsibility Item	Implementation Status			Detailed Description	
	Not Yet Executed	Executed	Planning in Progress		
(一)Participation in community services and charity activities		V		The company organizes activities aimed to help the socially disadvantaged and charity organizations whenever deemed appropriate.	
(二)Other (e.g. aid and investment in the community [including manpower, supplies, knowledge and skills], steps taken to ensure the health and safety of the community)		V			
六、Social contributions and social welfare					
(一)Donations to charities, educational, healthcare, artistic activities etc.		V		<ol style="list-style-type: none"> <li>1. The company cooperates with national tertiary institutions located in central and northern Taiwan on various research projects, and offers overseas and summer internships to help students put theory into practice.</li> <li>2. The company has donated a total of NT\$790,000 to organizations including Mackay Memorial Hospital Taitung Branch, Alumni Association of National Taipei University of Technology, Taiwan Reading and Culture Foundation, and Taichung Land Society.</li> <li>3. The company donates funds and offers scholarships and employment opportunities to the socially disadvantaged.</li> </ol>	
(二)Other (e.g. aid to less-developed countries, offering of employment opportunities to the socially disadvantaged etc)		V			
七、Social services					
(一)Promotion of social welfare		V		The company assists in providing scholarships to financially disadvantaged students.	
(二)Other		V			

Item		Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
Social Responsibility Item	Implementation Status			Detailed Description	
	Not Yet Executed	Executed	Planning in Progress		
八、Investor relations					
(一)Operating transparency		√		The company publishes financial and business information on the "Market Observation Post System" as required by law.	
(二)Corporate governance		√		In an attempt to achieve more robust corporate governance, the company has empowered its directors and supervisors in accordance with the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to make the company's operations more transparent to shareholders.	
(三) Other		√		The company has set up its own website and implemented a spokesperson and a deputy spokesperson policy as a means of providing more transparent financial information to investors.	
九、Supplier relations					
(一)Reasonableness of procurement prices		√		The company has developed a set of "Material Procurement and Management Procedures" based on ISO9001 standards. By establishing procurement contracts with suppliers, the company is able to define the specifications for its purchases and thereby protect its own interests. Business dealings with suppliers are based on trust and a mutually beneficial relationship made possible by open communications.	
(二)Other		√			
十、Stakeholder interests					
(一)Intellectual property rights		√		The company respects intellectual property rights, and is yet to be involved in any case of IP infringement.	

Item		Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
Social Responsibility Item	Implementation Status			Detailed Description	
	Not Yet Executed	Executed	Planning in Progress		
(二)Regulatory compliance		V		The company's operating policies and systems are in strict compliance with laws.	
(三)Other (e.g. disclosure of corporate social responsibilities on company website)		V		The company has disclosed its corporate social responsibilities in prospectus and in its annual reports.	
十一、Consumer interests					
(一)Emphasis put on customers relations (e.g. consumer protection, product quality, safety and innovation, attention to customers' complaints, provision of full product information etc.)		V		In order to provide customers with "total satisfaction" the company has devoted much attention to the quality, safety and innovativeness of its construction techniques, and addresses customer complaints in the shortest time possible.	
7.If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: None.					
8. Work environment and employee safety protection:					
The company has passed both ISO14001 certification for environmental management and OHSAS18001 certification for occupational health and safety. It has created guidelines to identify hazards in the workplace and to inspect employees' safety and protective measures. It has empowered an Environmental Safety Department to ensure the safety of the work environment.					

### **3.7 The Status of the Company's Performance in the Area of Ethical Corporate Management and the Adoption of Related Measures**

**3.7.1 To uphold operational principles of the utmost integrity, the company has established “Ethical Corporate Management Operating Procedures and Conduct Guide” that prohibit employees from offering, accepting, committing or requesting any inappropriate benefits, whether directly or indirectly, while performing their duties. Employees are also prohibited against involvement in any conduct that may be construed as dishonest, illegal, or a breach of trust.**

#### **3.7.2 Measures adopted :**

- 3.7.2.1 Employees of the company are prohibited from offering or accepting inappropriate benefits, and are discouraged from doing business with dishonest agents, suppliers, customers or other business partners.
- 3.7.2.2 All employees of the company are required to comply with policies and refrain from dishonest conduct.
- 3.7.2.3 Employees of the company are required to disassociate themselves whenever there is a conflict between their interests and the interests of the company.
- 3.7.2.4 Employees of the company are bound to maintain confidentiality over any commercial secrets learned during their involvement. They are prohibited from revealing such secrets to others as well as inquiring into secrets unrelated to their job roles.
- 3.7.2.5 All major operating policies, investments, asset acquisitions and disposals, loans, corporate guarantees and endorsements, and bank financing are subjected to thorough analysis before they are proposed for the board's resolution.
- 3.7.2.6 The company's Financial Division is responsible for reviewing transactions according to accounting policies and conducting credit assessments of its customers. The Financial Division clarifies with the financial statement auditor should they encounter any major issues or queries. It reports regularly to the competent authority and makes public announcements on mandatory disclosures as required by law.

3.7.2.7 The Audit Office is responsible for carrying out internal audits on various departments within the company, and therefore ensures the robustness and effectiveness of the company's internal control systems.

3.7.2.8 For the purpose of pursuing sustainable development, the company is committed to the concept of "integrity" as an operational principle. This integrity is reflected in the company's transparent disclosure of financial and corporate governance information on its website and on the Market Observation Post System and its corporate governance system (comprising of its “Ethical Corporate Management Practice Principles” and “Ethical Corporate Management Operating Procedures and Conduct Guide”).

### 3.7.3 Implementation Status of Ethical Corporate Management

Item	Implement status	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
1.Establish ethical corporate management policies and programs (1)Ethical corporate management policies are clearly specified in company rules and external documents and the Board of Directors and the management promise to rigorously enforce such policies.	(1) The company has always conducted its business activities with the utmost integrity, and for which it has implemented a “Ethical Corporate Management Practice Principles,” “Ethical Corporate Management Operating Procedures and Conduct Guide,” "Code of Ethics," and "Employee Ethical Business Guidelines". These corporate ethics policies, along with the board's and the management's commitments, have been explained in annual reports and on the company's website.	None
(2)Program for prevention of unethical conduct established by the Company including operational procedures, guidelines and training.	(2) The company has published the relevant guidelines on its intranet so employees can inquire at anytime. In addition, employees are constantly informed of the company's business philosophy during internal trainings and meetings, and are asked to fully comply with these requirements.	None

Item	Implement status	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
<p>(3)When the company establishes programs for the prevention of unethical conduct, the prevention program shall at least include measures directed at prevention of the offering and acceptance of bribes, illegal political donations for business activities within their business scope which may be at a higher risk of being involved in unethical conduct.</p>	<p>(3) The company's "Employee Ethical Business Guidelines" prohibit employees from requesting, agreeing, delivering, or accepting any form of gift, kickback, bribe or other inappropriate benefits. Reporting channels have been made available for employees to report improper business activities. Also, the company adopts the practice of checking counterparties' legitimacy and credibility before engaging in any business relationships, and therefore ensures that its business partners adopt the same level of fairness and transparency as does the company, and do not request, offer or accept bribes.</p>	<p>None</p>
<p>2.Ethical corporate management enforcement (1)It is advisable not to have any dealings with persons who have any records of unethical conduct and include in contracts provisions concerning ethical conduct.</p>	<p>(1) The company demands all its suppliers and contractors comply with the company's ethical and moral standards; each of them is required to sign a "Letter of Ethical Commitment" before commencing business dealings.</p>	<p>None</p>
<p>(2)Operation status of dedicated unit formed by the Company in charge of ethical corporate management and Board of Directions oversight status.</p>	<p>(2) The company has a set of corporate ethical guidelines in place and is active in conveying its underlying rationale to the employees. The General Administration Division has been assigned the responsibility to supervise business ethics throughout the company and report to the board of directors on a regular basis. Upon discovering or receiving reports of dishonest conduct, the General Administration Division investigates immediately and demands immediate cessation if such conduct has been verified to have violated laws or the corporate ethical principles. In which case, the violator will be subject to disciplinary action and legal claims if necessary in order to protect the company's reputation. For dishonest</p>	<p>None</p>

Item	Implement status	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	conduct that has already occurred, the General Administration Division will help identify weaknesses in the internal control systems or procedures that led to the incident, and instruct the responsible department to rectify so that such incidents do not recur. All departments are required to report to the board of directors on dishonest conduct discovered, actions taken, and subsequent improvements made.	
(3)Company promulgates policies for preventing conflict of interest and offer appropriate means to explain operation status.	(3) The company has implemented a set of "Employee Ethical Business Guidelines" that requires employees to disassociate themselves from cases that involve their own interests. Violators are subject to disciplinary actions.	None
(4)Operation conditions of the effective accounting system and internal control system established by the Company to practice ethical corporate management and the audit conditions of internal audit personnel.	(4) The company has always paid great attention to the accuracy and completeness of its financial reporting procedures and controls. It has developed effective accounting systems and internal controls to address business activities that present higher integrity risks. Meanwhile, the internal auditor devises annual audit plans based on risk assessment outcomes, and compiles its findings into audit reports for the board of directors' review.	None
3.Operation status of disciplinary and complaint system established by the handling violations of ethical corporate management rules.	The company has implemented a set of "Code of Ethics" and "Employee Ethical Business Guidelines," and made available a reporting hotline through which employees and any relevant personnel may report inappropriate business conduct. The company will demand immediate cessation if such conduct has been verified to have violated laws or the company's ethical guidelines. In which case, the violator will be subject to disciplinary action and legal claims if necessary in order to protect the company's reputation. The employee being reported for the	None

Item	Implement status	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	misconduct may also appeal through this hotline by presenting evidence to the responsible department, which then investigates and reports its findings to the board of directors.	
4.Information Disclosure (1)Status of ethical corporate governance and other related information disclosed on company websites set up by the Company.	(1) The company has clearly disclosed its business philosophy on its website. Ethical guidelines are also made available for employees to inquire.	None
(2)Other information disclosure methods taken by the company (e.g. setting up English website, assignment of personnel to be responsible for the collection and disclosure of company information).	(2) The company has an official website ( <a href="http://www.acter.com.tw">http://www.acter.com.tw</a> ) that regularly discloses information on corporate ethics. The company has appointed dedicated personnel to gather and disclose information in a timely and appropriate manner.	None
<p>5. If the Company has established its own ethical corporate governance in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, describe the operation status and difference with the best practice principles: The company has devised “Ethical Corporate Management Practice Principles” and “Ethical Corporate Management Operating Procedures and Conduct Guide” in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and the company's practices. These codes, procedures and manuals serve as guidance to employees while carrying out their roles.</p>		
<p>6.Other important information to facilitate better understanding of the Company’s ethical corporate management operations (e.g. announcement of company commitment to ethical corporate management practices and policies to business partners, requesting their participation in education and training, discussion of revisions to ethical corporate management rules set down by the Company): Below is a summary of steps taken by the management to ensure ethical business conduct: ①In order to develop honesty as part of its corporate culture, governance and risk management, the company has outlined in its “Ethical Corporate Management Operating Procedures and Conduct Guide” the regulations that directors, supervisors, managers and employees are bound to comply with and a list of conduct to avoid. ②The company assigns employees to participate in ethics training whenever deemed appropriate.</p>		

### **3.8 Corporate Governance Guidelines and Regulations**

The company has established “corporate governance principals and regulations,” “Ethical Corporate Management Practice Principles,” Code of Ethics,” and “Ethical Corporate Management Operating Procedures and Conduct Guide,” etc, and disclosed the relevant information on the Market Observation Post System ([newmops.tse.com.tw](http://newmops.tse.com.tw)) as required by law . Furthermore, the company has established a spokesperson system for public inquiry.

### **3.9 Other Important Information Regarding Corporate Governance**

The company has established “Procedures for Handling Material Inside Information and Management of the prevention of insider trading.” The adoption or amendment to the procedures was submitted to the board of directors for approval by resolution and publicly announced. Please refer to the company’s website at [www.acter.com.tw](http://www.acter.com.tw)→Investors→Corporate Governance.

### **3.10 Internal Control System**

**3.10.1 Statement of Internal Control System : Please refer to page 66.**

**3.10.2 Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report : None.**

**3.11 For the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements : None.**

**Acter Co., Ltd.**  
**Statement of Internal Control System**

Date : Feb. 24, 2014

Acter has conducted a self-assessment of internal controls for the period of January 1, 2013 to December 31, 2013. The results are as follows:

1. Acter acknowledges that the company's Board of Directors and management are responsible for establishing, implementing and maintaining the preexisting internal control system. The purpose of the internal control system is to provide a reasonable assurance for achieving the company's goals: efficient and effective operations (including profit, efficiency, and the safeguard of assets, etc.), reliability of financial reports, and compliance with applicable laws and regulations.
2. The internal control system has its inherent constraints. Regardless of how well the system is implemented, it can only provide a reasonable assurance that the above goals will be achieved. Indeed the effectiveness of the internal control system may vary due to resulting changes in the environment and circumstances. Acter's internal control system is self-monitoring and requisite actions are promptly taken to address any recognized shortcomings in the system.
3. Acter evaluates the effectiveness of the design and performance of its internal control system as indicated in the Rules Governing Internal Control Systems Established by Public Listed Companies announced by the Securities and Exchange Commission, MOF. Based on the management control process, the items for assessing the internal control specified in the Points are: 1. Control Environment 2. Risk Assessment 3. Control Activities 4. Information and Communication and 5. Monitoring. Each is comprised of certain factors that are described in the Points.
4. Acter has evaluated the effectiveness of the design and performance of its internal control system in accordance with the above factors.
5. Acter believes that the effectiveness of the design and execution of its internal control system in 2013/12/31 the above mentioned assessment period provides reasonable assurance of achieving the goals of operation efficiency and effectiveness, financial report reliability and compliance with applicable laws and regulations.
6. This Statement of Internal Control will be a prominent feature of Acter's annual report and prospectus and will be released to the public. Should any statement contained within be misleading or falsely represented, Articles 20, 32, 171 and 174 of the Securities Exchange Law shall apply.
7. This Statement of Internal Control has been approved by Acter's Board of Directors at the Feb. 24, 2014 board meeting. Seven directors attended the meeting and agreed with the content of the statement.

Acter Co., Ltd.

Chairman : Liang, Chin-Li

President : Hsu, Chung-Cheng

## 3.12 Major Resolutions of Shareholders' Meeting and Board Meetings

### 3.12.1 Major Resolutions of Shareholders' Meeting

Date	Major resolutions
June 19, 2013	<ol style="list-style-type: none"> <li>1. Adoption of the 2012 business report and financial statements.</li> <li>2. Adoption of the proposal for distribution of 2012 profit.</li> <li>3. Discussion on the proposal to amend the "Rules of Procedure for Shareholder Meetings."</li> <li>4. Discussion on the proposal to amend the Operational Procedures for "Loaning of Company Funds"、"Endorsements and Guarantees" and "Acquisition and Disposal of Assets."</li> </ol>

### 3.12.2 Major Resolutions of Board Meetings

Date	Major resolutions
Jan. 18, 2013	<ol style="list-style-type: none"> <li>1. Resolved to approve the application for change of credit limit at the company's banking institutions.</li> <li>2. Approved to provide a guarantee for credit limits applied for by subsidiaries.</li> <li>3. Resolved to approve the company's guarantees and endorsements.</li> <li>4. Resolved to approve the company's 2013 business plan.</li> <li>5. Resolved to approve the company's remuneration policy to directors and supervisors and bonus policy to employees (proposed by the Remuneration Committee).</li> <li>6. Resolved to approve the company's fixed and variable compensation system and disbursement policy (proposed by the Remuneration Committee).</li> <li>7. Resolved to approve the company's management compensation policy (proposed by the Remuneration Committee).</li> <li>8. Approved to appoint director representatives and legal representatives for subsidiaries.</li> <li>9. Approved to establish subsidiaries in Indonesia.</li> <li>10. Resolved to approve the adjustments to the investment framework.</li> <li>11. Resolved to approve the company's "External Donation Guidelines."</li> </ol>
Feb. 26, 2013	<ol style="list-style-type: none"> <li>1. Resolved to approve the company's 2012 business report and financial statements.</li> <li>2. Resolved to approve the application for credit limit at the company's banking institutions.</li> <li>3. Resolved to approve the company's guarantees and endorsements.</li> <li>4. Approved to amend the company's Internal Audit Implementation Guidelines.</li> <li>5. Approved to amend the company's "Procedures for Ethical Management and Guidelines for Conduct."</li> <li>6. Resolved to approve the company's 2012 Statement of Internal Control System.</li> <li>7. Resolved to approve the Nova Technology Singapore Pte. Ltd.'s capital increase by cash.</li> </ol>
Mar. 25, 2013	<ol style="list-style-type: none"> <li>1. Resolved to approve the distribution of 2012 profit.</li> <li>2. Approved to amend the company's "Rules of Procedure for Shareholder Meetings."</li> <li>3. Approved to amend the company's "Procedures for Loaning of Company Funds," "Procedures for Endorsements and Guarantees," and "Procedures for Acquisition and Disposal of Assets."</li> <li>4. Approved to establish Shenzhen Dingmao Trade Co., Ltd. through the company's 100% indirectly controlled subsidiary - Sheng Huei (Suzhou) Engineering Co., Ltd.</li> <li>5. Resolved to approve the evaluation of qualification and independence, and remuneration of the Certified Public Accountants.</li> <li>6. Resolved to convene the company's 2013 annual shareholders' meeting.</li> </ol>
Apr. 30, 2013	<ol style="list-style-type: none"> <li>1. Resolved to approve the application for credit limit at the company's banking institutions.</li> </ol>

Date	Major resolutions
	<ol style="list-style-type: none"> <li>2. Resolved to approve the company's guarantees and endorsements.</li> <li>3. Approved to endorse the financing of Nova Technology Singapore Pte. Ltd.</li> </ol>
Jun. 19, 2013	<ol style="list-style-type: none"> <li>1. Resolved to approve the ex-dividend date for cash dividends distribution.</li> </ol>
Aug. 07, 2013	<ol style="list-style-type: none"> <li>1. Resolved to approve the application for credit limit at the company's banking institutions.</li> <li>2. Approved to lend capital to New Point Group Ltd., a 100% indirectly controlled subsidiary of the company.</li> <li>3. Approved to provide a guarantee for credit limits applied for by subsidiaries.</li> </ol>
Nov. 12, 2013	<ol style="list-style-type: none"> <li>1. Resolved to approve the application for credit limit at the company's banking institutions.</li> <li>2. Approved to amend the amount and purpose of loans granted to New Point Group Ltd., a 100% indirectly controlled subsidiary of the company.</li> <li>3. Resolved to approve the company's guarantees and endorsements.</li> <li>4. Approved to lend capital to subsidiary - Nova Technology Singapore Pte. Ltd.</li> <li>5. Approved to establish subsidiaries in Myanmar.</li> <li>6. Resolved to approve the change of the company's spokesperson and deputy spokesperson.</li> <li>7. Approved to amend the company's internal control policies.</li> <li>8. Resolved to approve the company's 2014 annual audit plan.</li> </ol>
Feb. 24, 2014	<ol style="list-style-type: none"> <li>1. Resolved to approve the company's 2013 business report and financial statements.</li> <li>2. Resolved to approve the distribution of 2013 profit.</li> <li>3. Resolved to approve the by-election of one supervisor.</li> <li>4. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets."</li> <li>5. Resolved to approve the application for credit limit at the company's banking institutions.</li> <li>6. Resolved to approve the company's guarantees and endorsements.</li> <li>7. Approved to provide a guarantee for credit limits applied for by subsidiaries.</li> <li>8. Resolved to approve the company's 2013 statement of internal control system.</li> <li>9. Resolved to approve the issuance of new restricted employee shares.</li> <li>10. Resolved to approve the company's remuneration policy for directors and supervisors and bonus policy for employees.</li> <li>11. Resolved to approve the 2014 executives' remuneration policy.</li> <li>12. Approved to convene the company's 2014 annual shareholders' meeting.</li> </ol>
Apr. 29, 2014	<ol style="list-style-type: none"> <li>1. Approved to provide a guarantee for credit limits applied for by subsidiaries.</li> <li>2. Approved to lend capital to subsidiary - Nova Technology Malaysia Sdn. Bhd.</li> <li>3. Resolved to approve the company's 2014 remuneration for executives</li> <li>4. Approved to amend the company's "CSR Best Practice Principles."</li> <li>5. Approved to amend the company's "Ethical Corporate Management Operating Procedures and Conduct Guide."</li> <li>6. Resolved to approve the evaluation of qualification and independence, and remuneration of the Certified Public Accountants.</li> <li>7. Resolved to approve the application for credit limit at the company's banking institutions.</li> <li>8. Resolved to approve the company's guarantees and endorsements.</li> </ol>

**3.13 Where, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof.**

None.

**3.14 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer**

Title	Name	Date of Appointed	Date of Termination	Reasons for Resignation or Dismissal
Supervisor	Wang, Yun-Chun	June 18, 2012	June 7, 2013	personal reason

#### **4. Information on CPA professional fees**

##### **4.1 CPA professional fee range**

###### CPA Information

CPA Firm	CPA' s Name		Audit Period	Remark
KPMG	Wu, Whe-Land	Chen, Cheng-Hsueh	Jan. 1, 2013~Dec. 31, 2013	-

###### Fee Range

Bracket		Item	Audit Fee	Non-Audit Fee	Total
1	Under NT\$2,000 thousand			✓	
2	NT\$2,000 thousand~NT\$4,000 thousand		✓		✓
3	NT\$4,000 thousand~NT\$6,000 thousand				
4	NT\$6,000 thousand~NT\$8,000 thousand				
5	NT\$8,000 thousand~NT\$10,000 thousand				
6	Over 10,000 thousand				

## 4.2 Information on Audit Fee and Non-Audit Fee

Unit : NT\$ thousand

CPA Firm	CPA' s Name	Audit Fee	Non-Audit Fee					Audit Period	Remark
			System Design	Industrial and Commercial Registration	Human Resource	Others ( Note )	Subtotal		
KPMG	Wu, Whe-Land Chen, Cheng-Hsueh	3,170	-	-	-	700	700	Jan. 1, 2013~Dec. 31, 2013	-

Note : Non-Audit fees include tax report of NT\$420 thousand and Transfer pricing report of NT\$280 thousand.

### 4.3 When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed.

Not Applicable.

### 4.4 When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed.

Not Applicable.

## 5. Information on replacement of certified public accountant within the last 2 fiscal years or any subsequent interim period

### 5.1

#### 5.1.1 Regarding the Former CPA

Replacement Date	April 01, 2012		
Reasons and Explanation for Replacement	Internal job assignment and scheduling adjustment made by KPMG		
specify whether it was the certified public accountant that voluntarily ended the engagement or declined further engagement, or the company that terminated or discontinued the engagement	Parties	CPA	Appointor
	Status	Not Applicable	
	Voluntarily terminated Declined(Discontinued) further engagement		
Audit report opinions other than unqualified opinion during the 2 most recent years and reason	None		
Disagreement between the Company and the former CPA	None	Accounting principles or practices	
	None	Financial report disclosure	
	None	Auditing scope or procedure	
	None	Other	
	Explanation : None.		
Other matters to be disclosed (disclosures for Clause 5.1.4, Article 10 of these guidelines)	None		

#### 5.1.2 Regarding the Successor CPA

Name of the successor CPA Firm	KPMG
CPA' s Name	Wu, Whe-Land 、Kuo, Shih-Hua
Date of Engagement	Apr. 1, 2012 ~ Dec. 31, 2012
The consultations and the consultation results regarding the accounting treatment of or application of accounting principles to a specified transactions, or the type of audit opinions that might be rendered on the company's financial report	None
Written views from the successor certified public accountant regarding the matters on which the company did not agree with the former certified public accountant	None

### 5.1.3 The Reply Letter From the Former CPA Regarding Clause 5.1 and 5.2.3, Article 10 of these Guidelines

Not applicable.

## 5.2

### 5.2.1 Regarding Former CPA

Replacement Date	March 25, 2013		
Reasons and Explanation for Replacement	Internal job assignment and scheduling adjustment made by KPMG		
specify whether it was the certified public accountant that voluntarily ended the engagement or declined further engagement, or the company that terminated or discontinued the engagement	Status	Parties	CPA Appointor
	Voluntarily terminated	Not Applicable	
	Declined(Discontinued) further engagement		
Audit report opinions other than unqualified opinion during the 2 most recent years and reason	None		
Disagreement between the Company and the former CPA	None	Accounting principles or practices	
	None	Financial report disclosure	
	None	Auditing scope or procedure	
	None	Other	
	Explanation : None.		
Other matters to be disclosed (disclosures for Clause 5.1.4, Article 10 of these guidelines)	None		

### 5.2.2 Regarding the Successor CPA

Name of the successor CPA Firm	KPMG
CPA' s Name	Wu, Whe-Land 、 Chen, Cheng-Hsueh
Date of Engagement	Jan. 1, 2013 ~ Dec. 31, 2013
The consultations and the consultation results regarding the accounting treatment of or application of accounting principles to a specified transactions, or the type of audit opinions that might be rendered on the company's financial report	None
Written views from the successor certified public accountant	None

regarding the matters on which the company did not agree with the former certified public accountant	
--	--

### 5.2.3 The Reply Letter From the Former CPA Regarding Clause 5.1 and 5.2.3, Article 10 of these Guidelines

Not applicable.

### 6. The company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm

None.

### 7. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

### 7.1 Shares Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders with a Stake of More than 10 Percent

Unit: Share

Title	Name	2013		As of Apr. 30, 2014	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman(CEO)	Liang, Chin-Li	0	0	0	0
Director(President)	Hsu, Chung-Cheng	0	0	0	0
Director	Hu, Tai-Tsen	5,000	0	0	0
Director	Kao, Hsin-Ming	0	0	0	0
Director	Yang, Jung-Tang	0	0	0	0
Independent Director	Chao, Rong-Shiang	0	0	0	0
Independent Director	Wang, Pai-Lu	0	0	0	0
Supervisor	Wu, Pi-Huei	32,000	0	0	0
Supervisor	Wang, Yun-Chun	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Independent Supervisor	Yeh, Hui-Hsin	0	0	0	0

Title	Name	2013		As of Apr. 30, 2014	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Vice President	Chang, Ching-Chuan	(63,000)	0	0	0
Assistant Vice President	Li, Po-Sheng	(75,000)	0	(62,000)	0
Assistant Vice President	Lai, Ming-Kun	0	0	0	0
Assistant Vice President	Wang, Chun-Sheng	0	0	0	0
Assistant Vice President	Yang, Wei-Chao (Note 2)	0	0	(Note 2)	(Note 2)
Assistant Vice President	Fan, Kuo-Ping	0	0	0	0
Assistant Vice President	Cheng, Chieh-Chung (Note 3)	0	0	0	0
Manager of Financial Division	Tsao, Yun-Han	0	0	0	0

Note 1 : Supervisor Wang, Yun-Chun resigned on Jun. 7,2013.

Note 2 : Assistant vice president Yang, Wei-Chao resigned on Dec. 31,2013.

Note 3 : Assistant vice president Cheng, Chieh-Chung was newly appointed on Nov. 1, 2013.

## **7.2 Shares Trading with Related Parties in Shareholding of Directors, Supervisors, Managers and Major Shareholders with a Stake of More than 10 Percent**

None.

## **7.3 Shares Pledge with Related Parties**

None.

**8. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another**

As of April 20, 2014

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Xiang-Hui Development Co., Ltd. Representative : Yang, Jung-Tang	2,274,567	4.93%	0	0.00%	0	0.00%	Yang, Jung-Tang	Chairman of Xiang-Hui Development Co., Ltd.	None
Chiu-Chang Investment Co., Ltd Representative : Wang, Yi-Hua	1,747,807	3.79%	0	0.00%	0	0.00%	Liang, Chin-Li	Spouse of the representative of Chiu-Chang Investment Co., Ltd.	None
Liang, Chin-Li	1,670,688	3.62%	38,990	0.08%	0	0.00%	Chiu-Chang Investment Co., Ltd	The representative of Chiu-Chang Investment Co., Ltd is the spouse of Liang, Chin-Li	None
Kao, Hsin-Ming	1,240,662	2.69%	0	0.00%	0	0.00%	None	None	None
Sumitomo Chemical Engineering Co., Ltd. Representative :Tsumomu Konaka	1,200,421	2.60%	0	0.00%	0	0.00%	None	None	None
Lin, Shu-E	1,148,000	2.49%	0	0.00%	0	0.00%	None	None	None
Deutsche Bank in custody for Taiwan Fund Corporation	911,179	1.97%	0	0.00%	0	0.00%	None	None	None
Li, Po-Sheng	838,163	1.82%	75,897	0.16%	0	0.00%	None	None	None
Yang, Jung-Tang	756,900	1.64%	106,760	0.23%	0	0.00%	Xiang-Hui Development Co., Ltd.	Chairman of Xiang-Hui Development Co., Ltd.	None
Yuanta Commercial Bank in custody for Accurate Investments Limited	684,455	1.48%	0	0.00%	0	0.00%	None	None	None

## 9. Status of the Continuing Education of Directors and Supervisors

Title	Name	Host Organization	Course	Continuing Education Hours	In Line with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies"
Chairman	Liang, Chin-Li	Accounting Research and Development Foundation	1. Management-By-Objective (MBO) and KPI practical training	6	Yes
		Accounting Research and Development Foundation	2. International tax planning	3	Yes
		Securities & Futures Institute, ROC	3. Economic cycles and business management	3	Yes
		Securities & Futures Institute, ROC	4. How should directors and supervisors interpret the company's financial information	3	Yes
		Taiwan Corporate Governance Association	5. Good shareholders' meeting practices and ways of resolving intentional disruption	3	Yes
		Securities & Futures Institute, ROC	6. IFRSs adoption seminar for corporate representatives	3	Yes
		Taiwan Securities Association	7. Common responses to disputes and risks in China investments	3	Yes
		Taiwan Securities Association	8. The struggle for corporate control and corporate governance	3	Yes
		Securities & Futures Institute, ROC	9. Business integrity and social responsibility	3	Yes
Director	Yang, Jung-Tang	Securities & Futures Institute, ROC	1. Practical workshop for directors and supervisors (including independent directors)	12	Yes
		Securities & Futures Institute, ROC	2. Prevention and avoidance of new forms of insider trading	3	Yes
		Accounting Research and Development Foundation	3. Financial planning using "Treasury Stocks" - strategy and practice	3	Yes
		Accounting Research and Development Foundation	4. Discounts and premiums in corporate valuation	3	Yes
		Taiwan Corporate Governance Association	5. Remuneration committee's new challenges and international	3	Yes

Title	Name	Host Organization	Course	Continuing Education Hours	In Line with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies"
			governance trends		
		Taiwan Corporate Governance Association	6. CSR - threats and opportunities in the pursuit of sustainability	3	Yes
		Taiwan Corporate Governance Association	7. Corporate governance-related disputes in mergers and acquisitions	3	Yes
		Securities & Futures Institute, ROC	8. Latest Company Act amendments and the disregard of corporate personality	3	Yes
		Taiwan Corporate Governance Association	9. An economic analysis of Taiwan and the global situation in a post-QE era	3	Yes
Director	Hu, Tai-Tsen	Accounting Research and Development Foundation	1. Responsibilities, response strategies and case studies on insider trading	3	Yes
		Accounting Research and Development Foundation	2. Strengthening corporate structure for better governance	3	Yes
		Accounting Research and Development Foundation	3. Practical study on the latest Company Act and Business Mergers And Acquisitions Act	3	Yes
		Accounting Research and Development Foundation	4. Practical case study on the most recent shareholders' meeting	3	Yes
		Securities & Futures Institute, ROC	5. How should directors and supervisors interpret the company's financial information	3	Yes
		Securities & Futures Institute, ROC	6. Directors' and supervisors' responsibilities and authorities in a proper corporate governance structure	3	Yes
		Accounting Research and Development Foundation	7. International financial reporting standards related to financial statement preparation	3	Yes
		Taiwan Corporate Governance Association	8. Corporate social responsibilities and business integrity	3	Yes

Title	Name	Host Organization	Course	Continuing Education Hours	In Line with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies"
		Securities & Futures Institute, ROC	9. Litigation procedures for insider trading and corporate crimes	3	Yes
		Taiwan Corporate Governance Association	10. Corporate governance and local regulations	3	Yes
		Taiwan Corporate Governance Association	11. Practical guide on shareholders' meeting conflicts	3	Yes
		Taiwan Corporate Governance Association	12. How IFRS affects directors' and supervisors' governance of the company (elementary)	3	Yes
		Taiwan Corporate Governance Association	13. Shareholders' meeting best practices	3	Yes
		Taiwan Corporate Governance Association	14. Share ownership planning and director/supervisor election for TSEC/GTSM listed companies	3	Yes
Director	Kao, Hsin-Ming	Securities & Futures Institute, ROC	1. Advanced practical workshop for (independent) directors and supervisors [asset security and income tax planning]	3	Yes
		Taiwan Corporate Governance Association	2. Maintaining optimal performance and ensuring sustainability in a globalized market	3	Yes
		Securities & Futures Institute, ROC	3. Advanced practical workshop for (independent) directors and supervisors [share ownership and tax planning]	3	Yes
		Taiwan Corporate Governance Association	4. An economic analysis of Taiwan and the global situation in a post-QE era	3	Yes
Director	Hsu, Chung-Cheng	Accounting Research and Development Foundation	1. Responsibilities, response strategies and case studies on insider trading	3	Yes
		Securities & Futures Institute, ROC	2. How should directors and supervisors interpret the company's financial information	3	Yes
		Securities & Futures Institute, ROC	3. Directors' and supervisors' responsibilities and authorities in a proper corporate governance structure	3	Yes
		Accounting Research and Development	4. Practical case study on the most recent shareholders meeting	3	Yes

Title	Name	Host Organization	Course	Continuing Education Hours	In Line with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies"
		Foundation			
		GreTai Securities Market	5. Seminar on insider equity holdings of GTSM and Emerging Stock Market listed companies	3	Yes
		Taiwan Corporate Governance Association	6. Functionalities and key points of the remuneration committee	3	Yes
		Securities & Futures Institute, ROC	7. Tax implications on directors, supervisors and cross-border remittance	3	Yes
		Securities & Futures Institute, ROC	8. Policy and case studies on insider market manipulation	3	Yes
Independent Director	Chao, Rong-Shiang	Accounting Research and Development Foundation	1. How internal auditors can build an all-round risk management system	6	Yes
		Accounting Research and Development Foundation	2. Case study on tax-related administrative remedies	6	Yes
		Securities & Futures Institute, ROC	3. IFRSs adoption seminar for corporate representatives	3	Yes
		Financial Supervisory Commission, R.O.C	4. The 7th corporate governance forum	3	Yes
		Securities & Futures Institute, ROC	5. Business integrity and CSR seminar for TSEC/GTSM listed companies	3	Yes
		Taiwan Corporate Governance Association	6. An economic analysis of Taiwan and the global situation in a post-QE era	3	Yes
Independent Director	Wang, Pai-Lu	Securities & Futures Institute, ROC	1. Practical workshop for directors and supervisors (including independent directors)	12	Yes
		Taiwan Corporate Governance Association	2. Functionality of independent directors and the audit committee	3	Yes
		Taiwan Corporate Governance Association	3. Functionalities and key points of the remuneration committee	3	Yes
		Taiwan Corporate Governance Association	4. An economic analysis of Taiwan and the global situation in a post-QE era	3	Yes

Title	Name	Host Organization	Course	Continuing Education Hours	In Line with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies"
Supervisor	Wu, Pi-Huei	Securities & Futures Institute, ROC	1. Directors' and supervisors' responsibilities and authorities in a proper corporate governance structure	3	Yes
		Securities & Futures Institute, ROC	2. Prevention and avoidance of new forms of insider trading	3	Yes
		Securities & Futures Institute, ROC	3. Directors' and supervisors' performance and decisioning principles	3	Yes
		Accounting Research and Development Foundation	4. Financial planning using "Treasury Stocks" - strategy and practice	3	Yes
		Accounting Research and Development Foundation	5. Discounts and premiums in corporate valuation	3	Yes
		Taiwan Corporate Governance Association	6. Remuneration committee's new challenges and international governance trends	3	Yes
		Taiwan Corporate Governance Association	7. An economic analysis of Taiwan and the global situation in a post-QE era	3	Yes
Supervisor	Wang, Yun-Chun (Note)	GreTai Securities Market	1. Seminar on insider equity holdings of GTSM and Emerging Stock Market listed companies	3	Yes
		Accounting Research and Development Foundation	2. Personal information protection, audit and cross-strait supervision	12	Yes
Independent Supervisor	Yeh, Hui-Hsin	ROC Certified Public Accountant Organization	1. How to assist customers to adopt IFRS	3	Yes
		ROC Certified Public Accountant Organization	2. Practical IFRS workshop for local companies	3	Yes
		ROC Certified Public Accountant Organization	3. Protecting taxpayers' interests - an administrative litigation perspective (1)	3	Yes

Title	Name	Host Organization	Course	Continuing Education Hours	In Line with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies"
		ROC Certified Public Accountant Organization	4. Protecting taxpayers' interests - an administrative litigation perspective (2)	3	Yes
		ROC Certified Public Accountant Organization	5. Training course for certified valuation analysts (Taichung)	36	Yes
		ROC Certified Public Accountant Organization	6. How Company Act and Securities and Exchange Act amendments affect shareholders and board of directors meetings in 2012	3	Yes
		ROC Certified Public Accountant Organization	7. Directors'/supervisors' responsibilities - a corporate governance perspective	3	Yes
		ROC Certified Public Accountant Organization	8. Regulations and practices regarding independent directors	3	Yes

Note : Supervisor Wang, Yun-Chun resigned on Jun. 7,2013.

**10. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company**

As of Dec. 31, 2013

Long-Term Investment (Note 1)	Ownership by Acter		Ownership by directors and supervisors, managers, and any companies controlled either directly or indirectly by the company		Total Ownership	
	Shares	%	Shares	%	Shares	%
HER SUO ENG., CO., LTD.	5,000,000	100%	0	0%	5,000,000	100%
NOVA TECHNOLOGY CORP.	15,299,000	100%	0	0%	15,299,000	100%
SHENG HUEI INTERNATIONAL CO., LTD	5,013,250	100%	0	0%	5,013,250	100%
NOVA TECHNOLOGY SINGAPORE PTE., LTD.	2,700,000	100%	0	0%	2,700,000	100%
NOVA TECHNOLOGY MALAYSIA SDN BHD	1,000,000	100%	0	0%	1,000,000	100%
PT. NOVAMEX INDONESIA	500,000	100%	0	0%	500,000	100%
ACTER INTERNATIONAL LIMITED	1,100,000	100%	0	0%	1,110,000	100%
NEW POINT GROUP LIMITED	200,000	100%	0	0%	200,000	100%
SHENG HUEI (SUZHOU) ENGINEERING CO., LTD.	Note 2	100%	0	0%	Note 2	100%
SHENG HUEI (SHENZHEN) ENGINEERING CO., LTD.	Note 2	100%	0	0%	Note 2	100%
SHENZHEN DINGMAO TRADE CO.,LTD	Note 2	100%	0	0%	Note 2	100%
ZHANGJIAGANG FREE TRADE ZONE FUYUINTERNATIONAL TRADE CO.,LTD.	Note 2	100%	0	0%	Note 2	100%
SHENG-HUEI ENGINEERING TECHNOLOGY CO., LTD.	Note 2	100%	0	0%	Note 2	100%
WINMAX TECHNOLOGY CORP.	Note 2	100%	0	0%	Note 2	100%
SCEC (SUZHOU) CORP.	Note 2	100%	0	0%	Note 2	100%
SCEC(SHANGHAI) CORP.	Note 2	46.03%	0	0%	Note 2	46.03%

Note 1 : Investments accounted for using the equity method.

Note 2 : Limited Company.

## IV. Capital Overview

### 1. Capital and Shares

#### 1.1 Source of Capital

Unit : NT\$/Share As of April 30, 2014

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
01/2002	10	5,000,000	50,000,000	5,000,000	50,000,000	Changed to the shareholding system The paid-in capital was NT\$50,000 thousand	None	Note 1
03/2002	10	5,000,000	50,000,000	5,000,000	50,000,000	NT\$50,000 thousand	None	Note 2
05/2002	10	10,000,000	100,000,000	10,000,000	100,000,000	Cash Capital Increase of NT\$50,000 thousand	None	Note 3
05/2004	10	18,000,000	180,000,000	12,000,000	120,000,000	Cash Capital Increase of NT\$9,000 thousand Capitalization of Profit NT\$11,000 thousand	None	Note 4
06/2004	10	18,000,000	180,000,000	13,334,000	133,340,000	Cash Capital Increase of NT\$13,340 thousand	None	Note 5
12/2004	10	26,000,000	260,000,000	20,000,000	200,000,000	Cash Capital Increase of NT\$66,660 thousand	None	Note 6
07/2005	10	26,000,000	260,000,000	23,000,000	230,000,000	Capitalization of Profit NT\$30,000 thousand	None	Note 7
08/2006	10	26,000,000	260,000,000	26,000,000	260,000,000	Capitalization of Profit NT\$30,000 thousand	None	Note 8

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
05/2009	10	72,000,000	720,000,000	35,155,065	351,550,650	Cash Capital Increase of NT\$25,000 thousand Conversion of Shares NT\$ 66,550,650	None	Note 9
07/2010	10	72,000,000	720,000,000	36,912,819	369,128,190	Capitalization of Profit NT\$17,577,540	None	Note 10
11/2010	10	72,000,000	720,000,000	41,535,819	415,358,190	Cash Capital Increase of NT\$46,230 thousand	None	Note 11
12/2011	10	72,000,000	720,000,000	46,135,819	461,358,190	Cash Capital Increase of NT\$46,000 thousand	None	Note 12

Note 1 : Approved no. Jing So Chung Zi 09131559950, 01/14/2002 for the change of corporate organization to a company limited by stock.

Note 2 : Approved no. Jing So Chung Zi 09131821100, 03/15/2002 for the change of company name to Acter Co., Ltd.

Note 3 : Approved no. Jing So Chung Zi 09101180760, 05/29/2002

Note 4 : Approved no. Jing So Chung Zi 09332148850, 05/21/2004

Note 5 : Approved no. Jing So Chung Zi 09332275530, 06/17/2004

Note 6 : Approved no. Jing So Chung Zi 09333145630, 12/08/2004

Note 7 : Approved no. Jing So Chung Zi 09432493840, 07/20/2005

Note 8 : Approved no. Jing So Chung Zi 09532720880, 08/22/2006

Note 9 : Approved no. Jing So Chung Zi 09832194870, 05/11/2009

Note 10 : Approved no. Jing So Chung Zi 09932364500, 07/28/2010

Note 11 : Approved no. Jing So Chung Zi 09932852750, 11/18/2010

Note 12 : Approved no. Jing So Chung Zi 10032805930, 12/01/2011

## 1.2 Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	46,135,819	25,864,181	72,000,000	GTSM Listed Company Stock

## 1.3 Information for Shelf Registration: Not applicable.

## 2. Composition of Shareholders

As of April 20, 2014

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	41	6,682	34	6,758
Shareholding (Shares)	0	117,000	5,825,754	36,597,103	3,595,962	46,135,819
Percentage	0.00%	0.25%	12.63	79.32%	7.80%	100.00%

## 3. Shareholding Distribution Status

### 3.1 Common Shares (The par value for each share is NT\$10)

As of April 20, 2014

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	649	109,003	0.24%
1,000 ~ 5,000	5,207	9,451,676	20.49%
5,001 ~ 10,000	495	3,913,793	8.48%
10,001 ~ 15,000	138	1,725,148	3.74%
15,001 ~ 20,000	92	1,686,053	3.65%
20,001 ~ 30,000	46	1,159,672	2.51%
30,001 ~ 50,000	51	1,931,969	4.19%
50,001 ~ 100,000	27	1,958,927	4.25%
100,001 ~ 200,000	18	2,543,186	5.51%
200,001 ~ 400,000	14	4,133,437	8.96%
400,001 ~ 600,000	11	5,050,113	10.95%
600,001 ~ 800,000	2	1,441,355	3.12%
800,001 ~ 1,000,000	2	1,749,342	3.79%
1,000,001 or over	6	9,282,145	20.12%
Total	6,758	46,135,819	100.00%

### 3.2 Preferred Shares

The Company did not issue any preferred share.

#### 4. List of Major Shareholders

As of April 20, 2014

Shareholder's Name	Shareholding	
	Shares	Percentage
Xiang-Hui Development Co., Ltd.	2,274,567	4.93%
Chiu-Chang Investment Co., Ltd	1,747,807	3.79%
Liang, Chin-Li	1,670,688	3.62%
Kao, Hsin-Ming	1,240,662	2.69%
Sumitomo Chemical Engineering Co., Ltd.	1,200,421	2.60%
Lin, Shu-E	1,148,000	2.49%
Deutsche Bank in custody for Taiwan Fund Corporation	911,179	1.97%
Li, Po-Sheng	838,163	1.82%
Yang, Jung-Tang	756,900	1.64%
Yuanta Commercial Bank in custody for Accurate Investments Limited	684,455	1.48%

#### 5. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$ ; Thousand Shares

Item	2012	2013	2014/01/01-2014/04/30 (Note 4)
<b>Market Price per Share</b>			
Highest Market Price	141.00	154.50	129.50
Lowest Market Price	93.50	115.00	115.00
Average Market Price	122.34	135.53	123.19
<b>Net Worth per Share</b>			
Before Distribution	61.36	62.83	64.06
After Distribution	51.36	61.83 (Note 5)	Not Applicable
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	46,136	46,136	46,136
Diluted Earnings Per Share	15.09	10.11	1.17
Adjusted Diluted Earnings Per Share	15.09	10.11	Not Applicable
<b>Dividends per Share</b>			
Cash Dividends	10	10 (Note 5)	Not Applicable
Stock Dividends			
• Dividends from Retained Earnings	-	-	Not Applicable

Item	2012	2013	2014/01/01-2014/04/30 (Note 4)
• Dividends from Capital Surplus	-	-	Not Applicable
Accumulated Undistributed Dividends	-	-	Not Applicable
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 1)	8.11	13.41	Not Applicable
Price / Dividend Ratio (Note 2)	12.234	13.55	Not Applicable
Cash Dividend Yield Rate (Note 3)	8.17%	7.38%	Not Applicable

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 4: The data of net worth per share and earnings per share were from the latest audited financial statement.

Note 5: The distribution of earnings for 2013 shall be determined by the 2014 Annual General Shareholders' Meeting.

## 6. Dividend Policy and Implementation Status

### 6.1 Dividend Policy

The dividend policy according to the Article of Incorporation provides as follows.

#### 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. Director and supervisor remuneration in the amount not exceeding 3% of the balance following reserves under subsections 1 to 4 above;
6. Employee bonus in the amount not less than 2% of the balance following reserves under subsections 1 to 4 above; employee stock bonus may also be distributed to employees of subsidiaries;
7. 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.

## **6.2 Proposed Distribution of Dividend**

The proposal for distribution of 2013 profits was passed at the Meeting of the Board of Directors on Feb. 24, 2014. This proposal, the remuneration of directors and supervisors of NT\$10,972,973, the employee bonus of NT\$21,321,994, and a cash dividend of NT\$461,358,190(NT\$10 per share), will be discussed at the annual shareholders' meeting on June 18, 2014.

## **7. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting**

There was no stock dividend distribution proposed or adopted at the most recent shareholders' meeting.

## **8. Employee Bonus and Directors' and Supervisors' Remuneration**

### **8.1 The percentages or ranges with respect to employee bonuses and director/supervisor remuneration, as set forth in the company's articles of incorporation.**

If there are earnings for distribution at the end of each fiscal year, the company shall first pay all taxes and dues, offset any loss of prior year(s), set aside a legal reserve at 10% of the remaining net earnings, and then allocate director's and supervisors' remuneration and employee bonus at most 3% and at least 2/% of the remaining earnings, respectively.

The remaining net earnings can be distributed together with prior accumulated undistributed retained earnings. The dividend distribution plan is drafted by the Board of Directors and submitted to the shareholder meeting for resolution. Cash dividend shall account for 10% or more of the total shareholder dividend.

### **8.2 The basis for estimating the amount of employee bonuses and director/supervisor remuneration, for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.**

#### **8.2.1 The basis for estimating the amount of employee bonuses and director/supervisor compensation**

Please refer to 6.1 Dividend Policy.

#### **8.2.2 The company doesn't distribute stock bonuses for the current period.**

#### **8.2.3 The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period**

Shall there be any difference between the actual distributed amount and the estimated figure,

it will be deemed as the changes in accounting estimates and will be recognized in the profit and loss account of the distributing year.

### **8.3 Profit Distribution of Year 2013 Approved in Board of Directors Meeting for Employee Bonus and Directors' and Supervisors' Remuneration**

#### **8.3.1 Distribution of cash bonuses or stock bonuses to employees, and remuneration of directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.**

8.3.1.1 Distribution of cash bonuses or stock bonuses to employees, and remuneration of directors and supervisors

The proposal for distribution of 2013 profits was passed at the Meeting of the Board of Directors on Feb. 24, 2014. The employee cash bonus is NT\$21,321,994 and the remuneration of directors and supervisors is NT\$10,972,973.

8.3.1.2 If there is any discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed : None.

#### **8.3.2 The amount of any proposed distribution of employee stock bonuses, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee bonuses.**

None.

#### **8.3.3 The annual report shall assess the effect upon imputed earnings per share of any proposed distribution of employee bonuses and director/supervisor compensation.**

Not applicable.

### **8.4 Information of 2012 Earnings Set Aside to Employee Bonus and Directors' and Supervisors' Remuneration**

#### **8.4.1 The actual distribution of employee bonuses and director/supervisor remuneration for the previous fiscal year(2012) are as follows.**

Employee Bonuses : NT\$35,121,907.

The remuneration of directors and supervisors :NT\$17,241,664.

#### **8.4.2 If there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor remuneration, additionally the discrepancy, cause, and how it is treated : None.**

**9. Buyback of Treasury Stock**

None.

**10. Issuance of Corporate Bonds**

None.

**11. Issuance of Preferred Stock**

None.

**12. Issuance of Global Depository Receipts**

None.

**13. Employee Stock Options**

None.

**14. New Restricted Employee Stocks**

None.

**15. Status of New Shares Issuance in Connection with Mergers and Acquisitions**

None.

**16. Financing Plans and Implementation**

None.

## V. Operational Highlights

### 1. Business Activities

#### 1.1 Business Scope

##### 1.1.1 Main areas of business operations

- 1.1.1.1 Turnkey engineering projects.
- 1.1.1.2 Cleanroom engineering.
- 1.1.1.3 Bio-medical engineering.
- 1.1.1.4 Energy technology services.
- 1.1.1.5 Air-conditioning electromechanical engineering.
- 1.1.1.6 Ice storage projects.
- 1.1.1.7 Industrial ventilation engineering.
- 1.1.1.8 Constant-temperature constant-humidity engineering.
- 1.1.1.9 Design and construction of pure water as well as wastewater systems.
- 1.1.1.10 Environmental engineering.
- 1.1.1.11 Water, gas, and chemical system integration engineering services for high-tech processes.
- 1.1.1.12 Design and construction of high-purity chemical supply systems.
- 1.1.1.13 Design and construction of high-purity gas supply systems.
- 1.1.1.14 Design and construction of volatile organic gas processing systems.
- 1.1.1.15 Design and construction of CMP solution supply systems.
- 1.1.1.16 Design and construction of shared systems for entire plants.
- 1.1.1.17 Repair and maintenance engineering.
- 1.1.1.18 High-tech equipment/materials sales and services.

##### 1.1.2 Revenue distribution

Unit ; NT\$ thousand ; %

Major Divisions	Total Sales in Year 2013	(%) of total sales
Construction Revenue	7,314,703	84.50%
Sales	1,293,637	14.94%
Other Operating Revenue	47,732	0.56%
Total	8,656,072	100%

### **1.1.3 Main products(Services)**

Currently, our primary services include the design and construction of cleanrooms, electromechanical equipment, and process pipelines for high-tech electronics and biomedical industries. In particular, we specialize in turnkey services (responsible for the overall design, construction, testing, and verification of integrated system solutions). Our services include the following (categorized according to services provided as well as industry type) :

- Cleanroom engineering for high-tech factory construction.
- Full-plant electromechanical system integration for high-tech factory construction.
- Full-plant electromechanical system integration for biomedical technology facilities.
- Air-conditioning electromechanical engineering for traditional industries.
- Other general electromechanical engineering and customer services.
- Energy conservation technology engineering services.
- Energy conservation equipment dealership and sales services.

### **1.1.4 New products (Services) planned for development**

Green energy certification.

## **1.2 Industry Overview**

### **1.2.1 Current Status and Development of the Industry**

With the development of Taiwan's economy and industry, traditional industries have transformed into high-tech industries, and with the rise of electronics, telecommunications, and biomedical industries, traditional electromechanical engineering has transformed into electromechanical system integration and cleanroom engineering services. Furthermore, due to the rise of high-tech industries, domestic cleanroom facility construction, and peripheral electromechanical systems integration, engineering services have also grown rapidly. Taiwan's cleanroom engineering service providers have benefited from the development of high-tech industries, especially the semiconductor and optoelectronic industries. With the demand for cleanroom technologies and services of these industries continuing to grow, domestic service providers will also continue to enjoy growth opportunities.

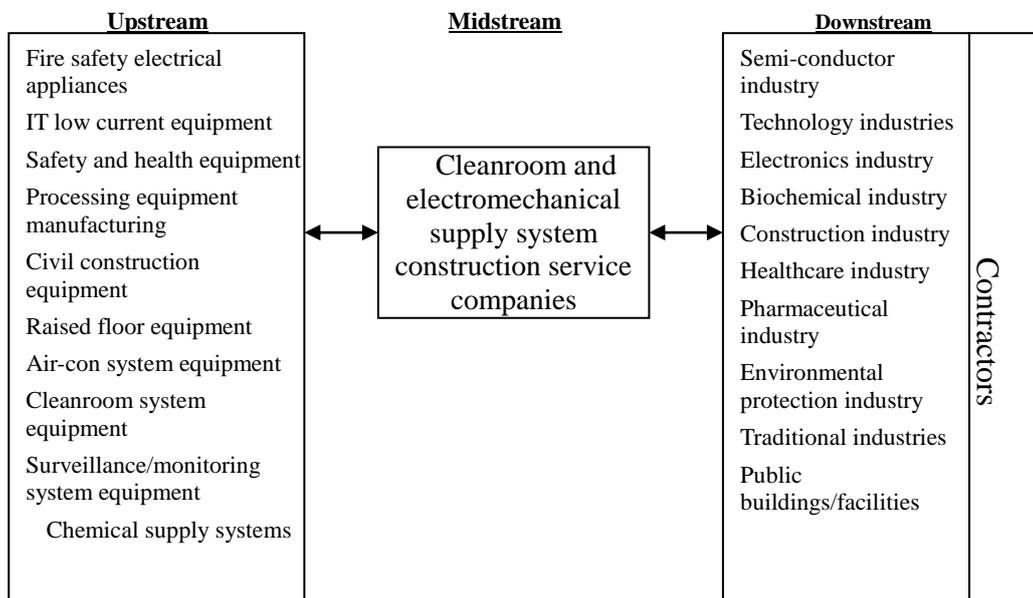
In recent years, due to the development of the semiconductor, optoelectronic, biomedical, and solar energy industries, as well as government policy to revitalize industrial areas and encourage companies that have moved offshore to return and invest domestically, demand for cleanroom engineering and process pipeline engineering services has grown dramatically. The electromechanical air-conditioning services industry is closely related to people's everyday lives and plays a critical role in providing central air conditioning systems for public facilities, cleanrooms for precision semiconductor processes, refrigerated storage

facilities for fresh meats and produce, low-temperature logistics and warehousing, as well as vacuum freezing and drying systems.

In recent years, mainland China has experienced rapid growth and has already become the largest industrial nation in the world. Its local high-tech industries are booming, with electromechanical systems integration engineering services playing a driving role in industrial development. Cleanrooms and electromechanical air-conditioning engineering services are destined to play a critical role in the 12th Five-Year Plan.

### 1.2.2 The Links between the Upstream, Midstream and Downstream segments of the Industry

The cleanrooms and electromechanical systems integration engineering services industry encompasses construction contractors and construction materials, equipment, and subcontractors, providing customers with full-plant electromechanical and cleanroom turnkey engineering services based on contractor requirements, by combining engineering disciplines and technologies from various professional fields. The relationships between upstream, midstream, and downstream service providers are shown in the figure below :



### **1.2.3 Development Trends for the Company's Products**

- 1.2.3.1 The systems integration engineering services industry is becoming increasingly important.
- 1.2.3.2 There is a trend towards joint venture projects or cross-industry alliances and turnkey services.
- 1.2.3.3 Safety and quality requirements are becoming increasingly strict.
- 1.2.3.4 Energy conservation and environmental protection awareness is on the rise.
- 1.2.3.5 User-friendly spatial integration is becoming increasingly popular.
- 1.2.3.6 High-tech product life cycles are becoming shorter, resulting in an increased need to quickly and safely adjust production lines.
- 1.2.3.7 Health awareness and preventive healthcare has become mainstream, creating a wealth of opportunities for the biotech industry.
- 1.2.3.8 Environmental protection

### **1.2.4 Competition for the Company's Products**

Engineering services have been a cornerstone for the advancement of civilization and industry. Human knowledge and intellect are continuing to evolve, while the industrial engineering market undergoes rapid changes. The key to survival and rapid growth in this highly competitive environment is being able to keep up with the pace of change. With competition between both foreign and domestic engineering service providers becoming increasingly fierce, economies of scale, increased efficiency, and integrated services are the keys to success. Sound engineering practices and professional techniques have always been critical to the expansion of engineering businesses and to the creation of new opportunities. The ability to quickly obtain sources of raw materials as well as provide customers with rapid and advanced engineering services will dictate whether or not a service provider will be able to achieve industry-leading status in today's competitive environment. This is why Acter continues to engage in the development of new system integration techniques, as well as research ways to conserve energy, with an emphasis on inter-system compatibility, in order to meet the integration needs of plant-wide systems.

## **1.3 Research and Development**

### **1.3.1 Technology and Research Development**

System integration engineering techniques are different from those of other industries and involve the rearrangement of working techniques and equipment in order to achieve higher

levels of performance. In addition, based on the requirements of the client industry, professional expertise from the fields of architecture, electromechanical engineering, air conditioning, fire prevention, instrumentation control, pipeline distribution, and project management need to be integrated and tailored to fit the customer's production environment. Since this involves a wide range of complex issues, there are usually many different service providers working independently and in parallel with each other, making it difficult to integrate all of their efforts. Furthermore, due to divisions of labor resulting in a high level of subcontracting as well as a large number of subcontractors working on relatively small parts of the overall project, engineering quality is difficult to control. In addition, different personnel and equipment need to be involved in different project phases, making the presence of experienced personnel with sound professional expertise extremely important in ensuring construction quality and on-time project delivery. Project durations are usually longer than the production times of other industries, with wider ranges of technical expertise being involved, making the accumulation of experience and sound construction techniques extremely important. In general, our company belongs to an industry with a high degree of professional division of labor and in what is considered a labor-intensive field.

### **1.3.2 Research and Development expenses during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report**

Unit : NT\$ thousand

Year	2013	As of April 30, 2014
Total R&D Expenses	43,683	7,829

### **1.3.3 Research and Development Achievements during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report**

We strive to develop innovative techniques, accumulate technical experience, and enhance performance. The following is a description of some of our unique and innovative construction techniques.

Category	Unique or innovative technique
Ice storage and energy conservation engineering	Taking advantage of mat foundations to store ice in order to offload peak loads
	Taking advantage of fire-extinguishing water tanks to store cold water in order to reduce the amount of space occupied and lower electricity contract capacities
Skyscrapers	Reduction of pipeline occupancy areas for ultra-cold ventilation systems
	42-story general-use buildings
Special types of engineering technologies	Exclusive integrated negative-pressure SARS technology for hospitals
	The Department of Health and Welfare's dedicated bio-chemical laboratory
Bio-tech engineering	Integrated technologies for the first H1N1 vaccine plant
	Cleanroom integration technologies for CGMP plants

Category	Unique or innovative technique
	Integration techniques for professional bio-tech drug production (Cordyceps sinensis) plants
	Biomedical equipment plant energy conservation electromechanical integration technologies
	GTP cleanroom integration engineering technology
Cleanroom turnkey engineering	Innovative techniques for the first PDP mass production plant
	Innovative techniques for Japanese light polarization board production plants
	Innovative techniques for professional TFT glass board production plants
	Special techniques for the 6" fab turnkey project in cooperation with Sony
	Innovative techniques for Taiwan's second-largest packaging and production plant
	Innovative techniques for the plant-wide electromechanical integration of a module plant
	Innovative techniques for a soft PCB board copper film plant
	Innovative techniques for a Japanese full-plant export components factory
	Innovative techniques for the electromechanical integration of an optoelectronics chemical materials production plant

Patent type	Patent name
Utility model	R-angle fixation base
	R-angle assembly component
	Internal angle
	Decorative/corrective materials
	Connection devices used for keel frames in cleaning rooms
	External angle materials
	Door frame materials
	Hidden suspension beam materials
	Suspension beam materials
	Light tube fixation components
	Chemical supplying system
	Three-way box for chemical supply systems
	Valve box for chemical supply systems
	Sampling box for chemical supply systems
	Pipeline connection device for chemical supply systems
	Acidic chemical supply control system
Monitoring and alert system for chemical substance supply	

## 1.4 Long-term and Short-term Development

### 1.4.1 Short-term Development

- 1.4.1.1 Energy conservation service expansion engineering.
- 1.4.1.2 Assisting biotech companies with factory upgrades.
- 1.4.1.3 Actively develop turnkey services for technology industries.
- 1.4.1.4 Establish industry-academia cooperative efforts in order to develop talent.
- 1.4.1.5 Integrate marketing services in order to boost customer satisfaction levels.

## **1.4.2 Long-term Development**

- 1.4.2.1 Integrate domestic and foreign business and resources.
- 1.4.2.2 Engage in horizontal integration and differentiated services.
- 1.4.2.3 Innovative techniques are an industry driver.

## **2. Market and Sales Overview**

### **2.1 Market Analysis**

#### **2.1.1 Sales (Service) Region**

Our company as well as our subsidiary companies currently provide cleanroom and electromechanical systems integration services, as well as water, gas, and chemical integration engineering services for process systems. We primarily serve the domestic, China, and Southeast Asian regions.

#### **2.1.2 Market Share (%)**

High-tech cleanrooms and electromechanical systems integration services for industrial plants are needed in a wide range of fields and sectors including the semiconductor industry, the optoelectronic industry, as well as the biomedical industry. In addition, domestic engineering companies participate in bidding on projects across a wide range of engineering fields, therefore, market share percentages calculated based on individual industries would not be able to reflect the actual state of the market, making it difficult to calculate our company's market share based on output on a consistent basis. However, in terms of engineering scale as well as technological maturity, there are only a few engineering companies that can compete with publically listed companies, and Acter is one of the few companies that can simultaneously service the optoelectronics, electronics, biochemical drug production, and residential construction industries, with a wealth of project experience. In 2012, the China Credit Information Service ranked Taiwan's large corporations for the past five years and created a corporate credit database - Acter ranked X (2013 rankings not yet announced) in the engineering technology services industry. In CommonWealth Magazine's survey of the top 1000 Greater China companies, in the service industry - engineering contractors category, Acter ranked 12th in 2013 and 11th in 2012.

#### **2.1.3 Demand and supply conditions for the market in the future, and the market's growth potential**

##### **2.1.3.1 Supply conditions for the market in the future**

There are currently many service providers providing cleanroom air conditioning electromechanical engineering services in Taiwan. Electromechanical systems integration services, on the other hand, require long-term accumulation of

experience and technological expertise. In some market segments, factors including professionalism of employees, company reputation, and past engineering accomplishments form entrance barriers, resulting in only a few service providers currently being able to provide professional electromechanical system integration services, with Acter being one of them.

#### 2.1.3.2 Demand conditions for the market in the future

Electromechanical engineering services business opportunities are created by factory expansion, plant upgrade, or maintenance projects of customers. Primary customer groups include high-tech manufacturers, biomedical manufacturers, and hospitals. In recent years, due to innovation in the global semiconductor, optoelectronics, and other electronics-related industries, the functionality and performance of electronic products has continued to advance, creating new market demand for the electronics industry and a bright future for the industry as well. Due to the characteristics of that industry, manufacturers are constantly planning upgrades and plant expansions, which ensures that demand for electromechanical systems integration as well as cleanrooms can be maintained at a certain level.

#### 2.1.3.3 The market's growth potential

Cleanroom electromechanical air conditioning systems are considered an important production facility for high-tech manufacturers, and particular emphasis is placed on the technological grade and sophistication of these systems. Industries, including semiconductors, optoelectronics, as well as biomedical, all rely on these types of equipment to achieve their required production environments. In addition, driven by continual industry upgrade requirements, market demand for cleanroom electromechanical systems is significantly increasing. Furthermore, domestic service providers have accumulated an abundant amount of high-tech factory construction experience in recent years, allowing their technological capabilities to significantly improve. Domestic service providers also have a price advantage as well as the advantage of being based locally and being able to provide local services, allowing them to compete head-to-head with foreign service providers. Looking to the future, demand for cleanrooms and electromechanical systems integration engineering will come from factory expansion and factory upgrade projects of semiconductor, optoelectronic, and biomedical manufacturers. Another source of future demand will come from the need for domestic manufacturers to establish new plants in mainland China, as well as Japanese and other foreign investors expanding their investments in the Southeast Asian region, which will in turn drive spending as well as capital expenditure for the establishment of factory facilities. Moreover, the biotech industry, which the government is currently heavily investing

in, is still in its infancy, with strong demand for cleanroom facilities as well as electromechanical systems integration engineering services. There is also a trend of manufacturers from Taiwan establishing factories in China, while China's 12th Five-Year Plan treats the development of its biotech, medical, and energy conservation industries as key goals, creating even more opportunities. Looking to the future, business opportunities in China are unlimited, therefore, the cleanroom and electromechanical engineering markets still have a lot of room for future growth.

## **2.1.4 competitive niche**

### **2.1.4.1 Exceptional construction performance and extensive service coverage**

Over the 35 years of the company's existence, it has been involved in the construction of commercial buildings, public infrastructure, department stores, hospitals, and facilities for green energy, optoelectronics, semiconductors, and biotech industries. It has built up a strong track record in the construction of air-conditioning, electrical and cleanroom facilities, making it one of the few local construction service companies that are able to deliver across different industries and across borders. Compared to its peers, the company is able to quickly adjust to changes in economic cycles, and hence is exposed to fewer business risks. In addition, the company has collaborated with Sumitomo Corporation in the establishment of the joint venture SCEC (Shanghai) Corporation specializing in petrochemical engineering in China.

### **2.1.4.2 A high quality image and reputation**

A "creator of quality space" is how the company positions itself. It delivers cutting-edge work spaces supported by comprehensive after-sale services/warranties that has gained it a sparkling reputation. The company is ISO-9001, ISO14001, OHSAS18001, and CANB certified. It is also the only company among its industry peers that has been recognized and rewarded for achievements in energy conservation. "Quality" and "reputation" are the critical intangible assets that give the company the assurance to win over customers.

### **2.1.4.3 A quality management team and modularized construction methods**

The company provides services to businesses on a project-by-project basis. It has project managers who engage customers directly to oversee construction progress and quality according to customer needs and the terms of construction agreements. The company's key project managers all have more than 10 years of experience in the industry, and each of them is well-versed in managing construction work. In addition, the company has set up a digital database of all previous construction

projects as a means to apply this abundant experience going forwards. The company offers modularized solutions to different types of customers and is therefore able to reduce design costs and respond to customers with optimal construction solutions in a timely manner.

#### 2.1.4.4 Specialized construction talents

The company's employees are well-versed in all facets of construction. It has placed great emphasis on training and recruitment since its establishment. Employees undertake regular training to develop skills applicable both in the integration of large-scale construction projects and in ensuring work quality. These training courses give our engineers a distinct advantage over competitors. The company also works with professional institutions in developing new construction design methods.

#### 2.1.4.5 Stringent cost control and complete after-sales services

The company places great emphasis on the cost control and after-sales services of its construction projects. In order to accurately estimate and control costs, the company maintains good relationships with, and has up-to-date information on, all the certified suppliers and contractors it works with, which gives it control over changes in the costs of purchasing and outsourcing. With regards to after-sales services, the company makes a commitment to serving customers during the warranty period exactly as agreed in the contract, and takes the initiative to resolve customer queries regarding their construction projects, which builds up sound relationships that help boost the company's reputation and competitiveness.

#### 2.1.4.6 Robust financial structure

Although the company is a provider of integrated system construction services, it outsources actual construction work to other subcontractors. Depending on the nature of the construction agreement, some of the materials and equipment needed for the job are purchased by the subcontractors while others are purchased by the company subject to proper procurement procedures. Subcontractors are required to have sufficient capital resources for payments such as tender bonds, performance bonds, material and equipment purchases, construction costs, and warranties, before they engage in large-scale integrated system projects. Meanwhile, the company maintains a robust financial structure with adequate working capital to cover any payments needed for construction work, and thereby assure customers' trust in the company.

## **2.1.5 Favorable and Unfavorable Factors in the Long-range Future, and the company's response to such factors.**

### 2.1.5.1 Favorable Factors

#### A. Technological development and plant upgrade

We are currently in an era characterized by rapidly evolving technology and emerging industries. Within a relatively short time, semiconductor manufacturing has been able to migrate from 4-inch to 20-inch wafers while LCD panel facilities are now in their 10th generation, not to mention emerging opportunities such as biotech, healthcare, energy conservation, environmental control.... The pace of technological development means a constant need for plant upgrade to keep up with production, and thus gives construction service providers an opportunity to thrive. One of the most prominent opportunities in the future will perhaps be biotech industries. A focus of recent government policy and an ongoing global trend, the growth of the biotech industries should not be underestimated. Due to the fact that biotech workplaces are subject to more stringent regulatory requirements and higher technology standards, the company is confident that its abundant experience in the sector stands it in good stead for future development.

#### B. As living standards rise living space requirements also rise

As living standards improve, people tend to make greater demand on the space in which they live, and construction companies with the ability to deliver quality living space will be able to capitalize on this growth.

#### C. Opportunities within the China market

China presents enormous and growing potential for Taiwanese businesses because of the similarities in language and culture unmatched by any foreign company. Over the years, investment from Taiwan in China has evolved from small businesses to large conglomerates, and from labor-intensive businesses to capital and technology-intensive businesses. The increasing amount of factory construction presents immense opportunities for the company's air-conditioning business in China, and our subsidiary, Sheng Huei (Suzhou) Engineering, has attained premium status as a top grade master contractor to secure these opportunities.

#### D. Growth in Southeast Asia Markets

Due to rising production costs in China, business operators are looking towards Southeast Asia as the next step of their development. In response to this trend, the company has set up subsidiaries in Singapore, Malaysia, Vietnam and Indonesia and transplanted its successful Taiwanese experience to quickly develop a working system.

Because of its early entry, the company is confident of securing a competitive advantage in this market.

E. The global biotech/healthcare markets

The biotech industry has been identified by governments around the world as a method of economic stimulation and healthcare reform. The United States, for example, has passed a USD940 billion healthcare reform bill, while China has also introduced RMB850 billion (equivalent to USD124.1 billion) worth of healthcare reforms. These initiatives are expected to act as a growth momentum for Taiwan's biotech industry in the years to come. Acter has been involved in the biotech industry for several years; it has the experience, the technology and the track record to help China accomplish its biotech goals.

2.1.5.2 Unfavorable Factors and the company's response to such factors

A. Slowdown in economic growth and migration of local industry has undermined demand for plant construction

The slowdown in economic growth in recent years had forced high-tech manufacturers to postpone or suspend plant expansion, a fact which is reflected in the revenue growth of cleanroom builders. Furthermore, given rising labor costs and the migration of high-tech companies to China and Southeast Asia, cleanroom builders are also being compelled to explore overseas opportunities, a trend that poses additional regulatory, investment and business risks to the company.

**Response strategies:**

Acter has accumulated many years of experience that gives it more bargaining power over materials and equipment suppliers than its competitors. In addition, the company serves a number of different industries which makes it less susceptible to the performance of one single industry. While customers are moving production facilities overseas, the company responded to this trend as early as 1996 by establishing subsidiaries in places such as Suzhou, Shenzhen, Shanghai, Vietnam, Singapore, Malaysia, and Indonesia, providing it with an advantage in overseas markets.

B. Price competition

The economic slump in recent years has caused cleanroom builders to compete intensively on price. Despite being more capable and experienced than its competitors, the company is also compelled to sacrifice profit margins to compete on price. Furthermore, many large construction companies are starting to offer cleanrooms as part of their factory turnkey solutions, and hence pose a threat to cleanroom specialists.

### **Response strategies:**

The company will compete for customers with an emphasis on the use of innovative technologies and construction methods to help customers reduce costs. Meanwhile, the company will aim to control human resources and administrative expenses and minimize construction risks by exercising proper work management and quality assurance, and deliver greater output efficiency by investing in talent training. The company will also keep up with new construction techniques by collaborating with academic and technical institutions in R&D projects, and earn customer trust to undertake more complex projects that mitigate the impact of reduced margins. To remain price competitive, the company will leverage the strong partnership it has with suppliers and control costs to its advantage.

#### C. Intensifying competition from international industry peers

Construction projects in China are becoming more and more competitive not only in terms of pricing, but also in terms of capabilities of local competitors. Given the service intensive nature of the company's cleanroom business, the company needs to constantly improve its technical and management capabilities to meet uncertainties and changes in economic cycles. The training, attrition and aging of service talent all pose risks to the company's business.

### **Response strategies:**

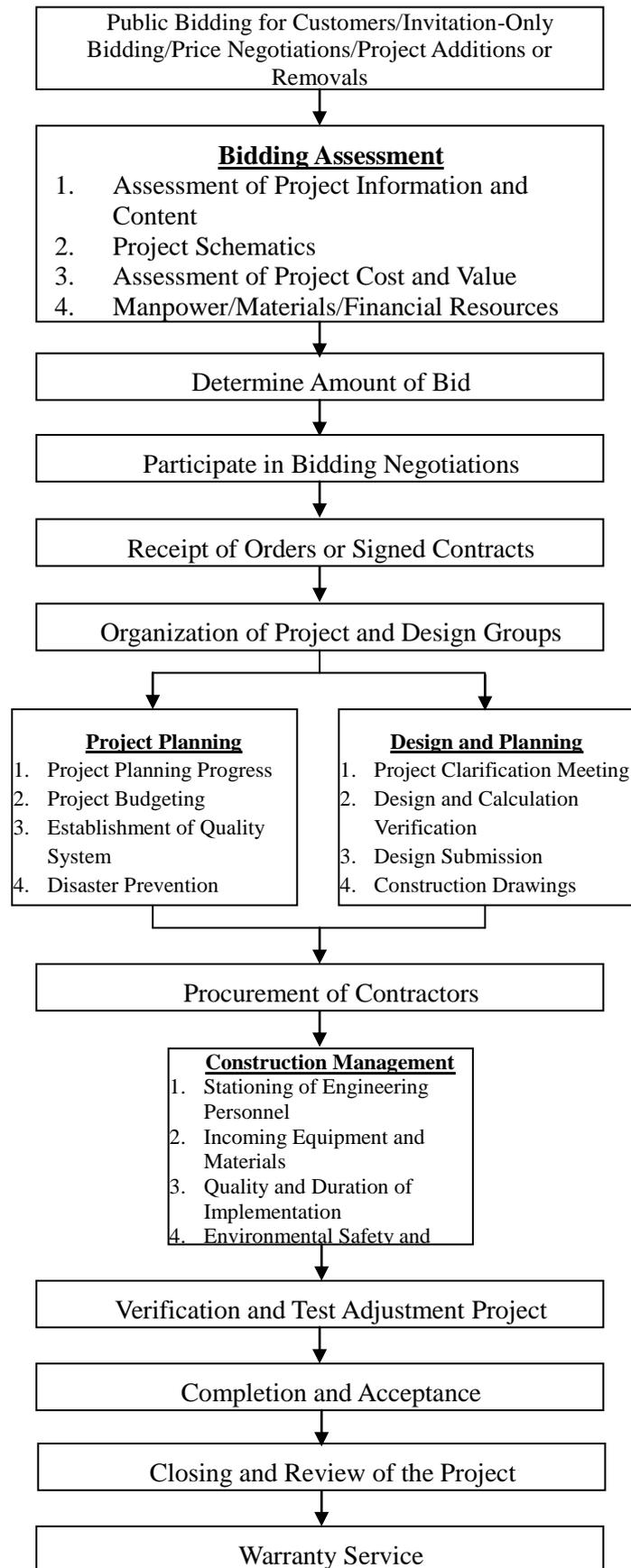
For more than 30 years, the company has grown its business through differentiation and specialized construction techniques. This method has proven to be effective not only in Taiwan, but in China and Southeast Asia as well. It has been our goal to play the role of a pioneer in industry upgrade and optimization. We respond to changes in the construction market by striving for outstanding innovation and services that set us apart; over time, this becomes the means by which we compete in the market. Furthermore, the company is taking a proactive step towards globalization and hopes to develop a business presence outside of China in the shortest time possible.

## **2.2 The Production Procedures of Main Products**

### **2.2.1 Major Products and Their Main Uses**

The company specializes in the design and installation of cleanroom facilities, a service that helps manufacturers manufacture products in a dust-free environment with controlled temperature and humidity for the highest precision, yield and product quality.

## 2.2.2 Major Products and Their Production Processes



## **2.3 Supply Status of Main Materials**

Our company's materials and equipment procurement operations are carried out according to contractual agreements put in place for different projects, and are mainly divided into two models: (1) subcontracting projects to subcontractors, including all labor and materials requirements, and (2) making procurements ourselves. Construction materials and equipment our company purchases include various types of machines, air conditioning equipment, fan equipment, pumps, water towers, electrical generators, cleanroom equipment, electrical wires and cables, pipeline materials, valves, power distribution panels, buses, raised floor panels, vibration/shock proofing equipment, control equipment, lighting equipment, interior materials, and fire safety equipment, etc. These products are all purchased from domestic suppliers that we enjoy stable relationships with.

**2.4 A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures**

**2.4.1 Major Suppliers Information for the Last Two Calendar Years**

Unit : NT\$ thousand

Item	2012				2013				As of March 31, 2014			
	Company Name	Amount	(%)	Relation with Issuer	Company Name	Amount	(%)	Relation with Issuer	Company Name	Amount	(%)	Relation with Issuer
	Others	6,924,539	100	-	Others	7,156,555	100	-	Others	1,169,733	100	-
	Net Total Supplies	6,924,539	100	-	Net Total Supplies	7,156,555	100	-	Net Total Supplies	1,169,733	100	-

Note 1: The reason for increases or decreases of the amount was due to business demand.

Note 2 : There were no suppliers accounting for 10 percent or more of the company's total procurement amount in 2012, 2013 and 2014 as of March 31.

**2.4.2 Major Clients (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years**

Unit : NT\$ thousand

Item	2012				2013				As of March 31, 2014			
	Company Name	Amount	(%)	Relation With Issuer	Company Name	Amount	(%)	Relation With Issuer	Company Name	Amount	(%)	Relation With Issuer
1	Client A	1,040,203	12.56	None	None	None	None	None	None	None	None	None
	Others	7,242,190	87.44	-	Others	8,656,072	100.00	-	Others	1,369,289	100.00	-
	Net Sales	8,282,393	100.00	-	Net Sales	8,656,072	100.00	-	Net Sales	1,369,289	100.00	-

Note 1: The reason for increases or decreases of the amount was due to business demand.

## 2.5 Production over the Last Two Years

Unit: NT\$ thousand

Output Major Products (or by departments)	Year	2012			2013		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Cleanroom electromechanical integration engineering	Note	Note		4,042,660	Note	Note	4,116,358
Consumer industry electromechanical integration engineering	Note	Note		515,606	Note	Note	1,169,457
Biomedical integration engineering	Note	Note		901,902	Note	Note	502,383
Water gasification supply integration engineering	Note	Note		575,911	Note	Note	786,561
High-tech equipment and materials sales and services	Note	Note		876,355	Note	Note	1,042,348
Total	Note	Note		6,912,434	Note	Note	7,617,107

Note : Due to the characteristics of the industry, the major products cannot be measured using production capacity or production quantity.

## 2.6 Shipments and Sales over the Last Two Years

Unit: NT\$ thousand

Shipments & Sales  Major Products (or by departments)	Year	2013				2014			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Cleanroom electromechanical integration engineering	Note	4,815,228	Note	Note	Note	4,604,860	Note	Note	
Consumer industry electromechanical integration engineering	Note	589,855	Note	Note	Note	1,286,868	Note	Note	
Biomedical integration engineering	Note	1,040,025	Note	Note	Note	580,342	Note	Note	
Water gasification supply integration engineering	Note	513,513	Note	188,424	Note	814,464	Note	76,731	
High-tech equipment and materials sales and services	Note	915,462	Note	219,886	Note	1,190,703	Note	102,104	
Total	Note	7,874,083	Note	408,310	Note	8,477,237	Note	178,835	

Note : Due to the characteristics of the industry, the major products cannot be measured using production capacity or production quantity.

### 3. Human Resources

Year		2012	2013	As of April 30, 2014
Number of Employees	Direct Employees	739	746	747
	Indirect Employees	221	210	206
	Total	960	956	953
Average Age		32.62	32.83	30.56
Average Years of Service		3	3.37	3.33
Education	Ph.D.	0	0	0
	Masters	50	44	49
	Bachelor's Degree	407	399	396
	Senior High School	448	454	436
	Below Senior High School	55	59	72

### 4. Disbursements for Environmental Protection

**Total losses (including damage awards) and fines for environmental pollution for the 2 most recent fiscal years, and during the current fiscal year up to the date of printing of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible)**

None.

### 5. Labor Relations

#### 5.1 List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests

##### 5.1.1 Employee Benefit Plans

To win employees' loyalty, the company provides employees with labor and national health insurance and has established an Employee Welfare Committee to oversee employee benefits such as health check-ups, annual company trips, recreational activities and year-end celebrations, while serving as a bridge for communication of employer and employee opinions. Below are the company's key employee benefits :

- A. Labor insurance, national health insurance, group insurance, pension plan, and health check-ups
- B. A variety of subsidies such as child birth, wedding, funeral, injury, illness, and disaster relief.
- C. The company offers cash gifts on occasions such as birthdays, Dragon Boat Festival, Mid-Autumn Festival etc, as well as other compensation including year-end bonus, year-end banquet lucky draw, profit distribution and share subscription.
- D. Group trips, recreational events and birthday parties are organized for employees on a regular basis.
- E. The company strives to achieve stable growth and thus secure employees' work rights.

### 5.1.2 Continuing Education, Training

Talent training has been identified by the company as a key to human resource management and a sustainable solution to respond to rapidly changing technologies. For this reason, the company has organized a range of workshops and training courses that aim to enhance employees' skills and knowledge, and subsidizes employee participation in external training in the hope that they may contribute what they learn to improve the quality of work and generate profits for the company. The following is a list of training courses offered to employees in recent years :

Unit : session ; count ; hour ; NT\$

Course type	No. of sessions	Total participant count	Total hours	Total expense
Specialized training	236	1,965	5,038.5	2,012,007
General knowledge training	18	714	1,624.5	
Orientation	124	246	498.5	
On-the-job training	99	556	1,030.5	
Total	477	3,481	8,192	

Below is a description of courses offered to employees:

- 5.1.2.1 Specialized training: these courses are offered to enhance employees' work skills and practical experience, and include training on sales skills, construction design and supervision, project management, project cost estimation, 3D drawing, quality management, and work site safety. These courses are carried out in a lecture format combined with the practical experience of project managers.
- 5.1.2.2 General knowledge training: the company organizes seminars on a variety of topics such as self-development, time management, listening and communication to help employees develop a positive attitude towards their jobs. These courses

also give them the chance to learn about their own potential and encourage them to participate in mental and physical activities.

5.1.2.3 Orientation: these are training courses given to new hires upon arrival. They provide an introduction to the company's welfare system, work culture, and basic work practices such as construction management, procurement, information processing and accounting.

5.1.2.4 On-the-job training: introduction to equipment alarm systems.

### **5.1.3 Retirement Systems, and the Status of their Implementation**

The company has an employee retirement policy in place. It has assembled a Pension Supervisory Committee and contributes 2% of employees' monthly salaries into a pension account held with the Bank of Taiwan. Since July 1, 2005, the company has adopted the new pension system where the company contributes 6% of employees' salaries into individual pension accounts.

### **5.1.4 The Status of Labor-Management Agreements and Measures for Preserving Employees' Rights and Interests**

5.1.4.1 The company values employees' opinions and is dedicated to building an environment of open communication. Departmental meetings are held on a regular basis where opinions can be expressed openly and directed to the personnel responsible. Managers are also designated to oversee timely responses to such opinions.

5.1.4.2 Due to harmonious employer-employee relations, there were no employment-related disputes in the last year.

### **5.1.5 Employee share subscription and profit sharing**

An employee profit sharing program has been introduced as a means of aligning employees' goals with those of the company by allowing employees to share in the company's good performance. At the end of each financial year, earnings are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for statutory reserve. Any balance remaining after that will have a certain percentage allocated as employee bonus. For every rights issue, the company will reserve a certain percentage to be subscribed by employees at their own volition. The company also plans to issue new restricted employee shares in 2014. As for employees of subsidiaries, the company has also arranged to allow employees to subscribe to the shares issued by their respective subsidiaries.

**5.2 List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect**

None.

**6. Important Contracts**

Agreement	Counterparty	Period	Major Contents	Restrictions
Financing Contract	Taiwan Cooperative Bank	2013/04/02~2014/04/17(Contract renewals in progress - Acter Co., Ltd.) 2013/11/02~2014/11/22 (Her Suo) 2013/10/04~2014/10/03 (Nova Technology) 2013/05/22~2014/05/22 (Sheng Huei (Suzhou)) 2013/11/03~2014/11/02 (Winmax)	Overall credit limit	None
Financing Contract	Mega International Commercial Bank	2013/06/23~2014/06/22 (Acter Co., Ltd.) 2013/08/19~2014/08/18 (Her Suo) 2013/11/03~2014/11/02 (Nova Technology & Winmax)	Overall credit limit	None
Financing Contract	Hua Nan Bank	2013/11/08~2014/11/08 (Acter Co., Ltd.& Sheng Huei (Vietnam) & Winmax & NTS) 2014/03/13~2015/03/13 (Nova Technology) 2013/05/22~2014/05/22 (Sheng Huei (Suzhou))	Overall credit limit	None
Financing Contract	Shin Kong Bank	2013/10/02~2014/10/02 (Acter Co., Ltd) 2013/05/10~2014/05/09 (Nova Technology)	Overall credit limit	None
Financing Contract	Taishin International Bank	2013/11/22~2014/11/30 (Acter Co., Ltd) 2013/12/13~2014/11/30 (Sheng Huei (Suzhou) & Winmax)	Overall credit limit	None
Financing Contract	Bank of Shanghai	2013/05/10~2014/05/10 (Acter Co., Ltd) 2013/10/15~2014/10/14 (Sheng Huei (Shenzhen))	Overall credit limit	None
Financing Contract	Yuanta Bank	2013/04/02~2014/04/01 (Contract renewals in progress -NTS)	Overall credit limit	None
Financing Contract	Fist Sino Bank	2012/06/28~2013/06/30(Contract renewals in progress -Sheng Huei (Shenzhen)& Sheng Huei (Suzhou) &	Overall credit limit	None

Agreement	Counterparty	Period	Major Contents	Restrictions
		Fuyu)		
Financing Contract	Bank SinoPac	2014/03/24~2015/03/31	Financing for external debt	None
Financing Contract	HSBC	2013/07/26~2014/07/25 (Sheng Huei (Shenzhen)& Sheng Huei (Suzhou) & Fuyu)	Overall credit limit	None
Financing Contract	TC Bank	2013/06/30~2014/06/30 (Sheng Huei (Shenzhen)& Sheng Huei (Suzhou)) 2013/12/13~2014/11/30(Winmax)	Financing for external debt Financing for capital discrepancy	None
Financing Contract	China Development Industrial Bank	2014/02/21~2015/02/20 (Sheng Huei (Suzhou))	Financing for external debt	None
Financing Contract	CTBC Bank	2013/04/10~2014/04/12 (Contract renewals in progress - Sheng Huei (Suzhou))	Overall credit limit	None
Financing Contract	China Construction Bank	2013/07/04~2014/07/03(Sheng Huei (Suzhou))	Overall credit limit	None
Engineering Contract	Daxin Materials Corp	Work completed and inspected according to schedule from 2013/04/11	Engineering Contract	Guaranteed commitment
Engineering Contract	TTY Biopharm Co., Ltd.	Work completed and inspected according to schedule from 2013/08/20	Engineering Contract	Guaranteed commitment
Engineering Contract	Taiwan Green Point Enterprise Co.,Ltd.	Work completed and inspected according to schedule from 2013/08/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Ta Mao Construction Co., Ltd.	Work completed and inspected according to schedule from 2013/06/04	Engineering Contract	Guaranteed commitment
Engineering Contract	JDC - Taiwan Branch	Work completed and inspected according to schedule from 2012/02/15	Engineering Contract	Guaranteed commitment
Engineering Contract	Y F Chemical Corp.	Work completed and inspected according to schedule from 2012/11/01	Engineering Contract	Guaranteed commitment
Engineering Contract	JDC - Taiwan Branch	Work completed and inspected according to schedule from 2012/12/25	Engineering Contract	Guaranteed commitment
Engineering Contract	Chainta Construction Development Co., Ltd.	Work completed and inspected according to schedule from 2013/01/25	Engineering Contract	Guaranteed commitment
Engineering Contract	Li Jin Engineering Co., Ltd.	Work completed and inspected according to schedule from 2012/03/05	Engineering Contract	Guaranteed commitment
Engineering Contract	Bionime Corporation	Work completed and inspected according to schedule from 2012/04/09	Engineering Contract	Guaranteed commitment
Engineering	Kuo Yuan Construction Co.,	Work completed and inspected	Engineering	Guaranteed

Agreement	Counterparty	Period	Major Contents	Restrictions
Contract	Ltd. Pubao Construction Co., Ltd.	according to schedule from 2011/11/11	Contract	commitment
Engineering Contract	CTCI Corporation	Work completed and inspected according to schedule from 2011/09/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Kuo Mei Real Estate Development Co., Ltd.	Work completed and inspected according to schedule from 2011/02/10	Engineering Contract	Guaranteed commitment
Engineering Contract	Huaku Development Co., Ltd.	Work completed and inspected according to schedule from 2014/11/24	Engineering Contract	Guaranteed commitment
Engineering Contract	Jia Yuan Construction Co., Ltd.	Work completed and inspected according to schedule from 2009/12/07	Engineering Contract	Guaranteed commitment
ASP	Wintek Corporation	Work completed and inspected according to schedule from 2013/06/01	ASP for Materials and Equipment	Joint Guarantee
Engineering Contract	Acter Co., Ltd - Toppan Chunghwa Electronics Corporation	Work completed and inspected according to schedule from 2014/04/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Acter Co., Ltd - China Ecotek Corp.	Work completed and inspected according to schedule from 2012/05	Engineering Contract	Guaranteed commitment
Engineering Contract	Acter Co., Ltd - Chung Hsiang Electrical & Plumbing Co. Ltd.	Work completed and inspected according to schedule from 2011/05	Engineering Contract	Guaranteed commitment
Sales Contract	Nanjing CEC Panda LCD Technology Co., Ltd.	Work proceeding according to schedule from 2014/04/08	Supply agreement for imported chemical supply system Chemical supply system for new generation ultra-high definition LCD panel (G108)	Guaranteed commitment
Engineering Contract	Guangdong Goworld Co., Ltd.	Work proceeding according to schedule from 2013/08 to 2014/06	Engineering Contract	Guaranteed commitment
Engineering Contract	Dongguan Taixin Hospital	Work proceeding according to schedule from 2010/01 to 2014/06	Engineering Contract	Guaranteed commitment
Engineering Contract	Dongguan Taiwanese Entrepreneurs Building	Work proceeding according to schedule from 2010/09 to 2014/06	Engineering Contract	Guaranteed commitment
Engineering	Taisin (Suzhou) Travel Kit	Work completed and inspected	Engineering	Guaranteed

Agreement	Counterparty	Period	Major Contents	Restrictions
Contract	Co.,Ltd.	according to schedule from 2013/06/01	Contract	commitment
Engineering Contract	Suzhou Hyperion Geocrystal Co., Ltd.	Work completed and inspected according to schedule from 2011/06/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Chingtao Dinglin Co., Ltd.	Work completed and inspected according to schedule from 2013/07/09	Engineering Contract	Guaranteed commitment

## VI. Financial Information

### 1. Five-Year Financial Summary

#### 1.1 Condensed Balance Sheet

##### 1.1.1 Condensed Consolidated Balance Sheet-IFRS

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary(Note 1)					Financial data as of 2014/03/31 (Note 1)
		2009	2010	2011	2012	2013	
Current assets							6,128,727
Property, plant and equipment							344,763
Intangible assets							14,087
Other assets							229,418
Total assets							6,716,995
Current liabilities	Before distribution						3,492,641
	After distribution						Not applicable
Non-current liabilities							245,005
Total liabilities	Before distribution						3,737,646
	After distribution						Not applicable
Equity attributable to owners of the parent		Not applicable					
Common stock							461,359
Capital surplus							898,766
Retained earnings	Before distribution						1,553,382
	After distribution						Not applicable
Other equity							41,998
Treasury stock							0
Non-controlling interest							23,844
Total shareholders' equity	Before distribution						2,979,349
	After distribution						Not applicable

Note 1 : Financial information in 2012 and 2013 has been audited by CPA and Financial information for the period as of the quarter preceding the date of printing of the annual report was reviewed by CPA.

Note 2 : The distribution of 2013 profits shall be determined by the 2014 annual shareholders' meeting.

## 1.1.2 Condensed Standalone Balance Sheet-IFRS

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary(Note 1)				
		2009	2010	2011	2012	2013
Current assets					2,668,464	2,357,410
Property, plant and equipment					163,465	160,134
Intangible assets					5,953	5,623
Other assets					1,583,163	1,781,102
Total assets					4,421,045	4,304,269
Current liabilities	Before distribution				1,412,228	1,222,246
	After distribution				1,873,586	Not applicable
Non-current liabilities					177,957	183,438
Total liabilities	Before distribution				1,590,185	1,405,684
	After distribution				2,051,543	Not applicable
Equity attributable to owners of the parent				Not applicable		
Common stock					461,359	461,359
Capital surplus					896,599	896,599
Retained earnings	Before distribution				1,495,529	1,499,592
	After distribution				1,034,171	Not applicable
Other equity					(22,627)	41,035
Treasury stock					0	0
Non-controlling interest					0	0
Total shareholders' equity	Before distribution				2,830,860	2,898,585
	After distribution				2,369,502	Not applicable

Note 1 : Financial information in 2012 and 2013 has been audited by CPA.

Note 2 : The distribution of 2013 profits shall be determined by the 2014 annual shareholders' meeting.

### 1.1.3 Condensed Consolidated Balance Sheet-ROC GAAP

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary ( Note )				
		2009	2010	2011	2012	2013
Current assets		2,475,592	4,741,162	6,230,789	6,467,289	Not Applicable
Funds & Long-term investments		10,270	11,452	50,968	10,669	
Fixed assets		72,601	74,798	267,533	340,451	
Intangible assets		5,853	8,995	57,098	56,717	
Other assets		42,661	51,186	44,592	45,790	
Total assets		2,606,977	4,887,593	6,650,980	6,920,916	
Current liabilities	Before distribution	1,562,206	2,916,802	4,034,822	4,038,198	
	After distribution	1,720,404	3,332,160	4,496,180	4,499,556	
Long-term liabilities		0	0	0	0	
Other liabilities		44,078	77,827	134,499	169,116	
Total liabilities	Before distribution	1,606,284	2,994,629	4,169,321	4,207,314	
	After distribution	1,764,482	3,409,987	4,630,679	4,668,672	
Common stock		351,551	415,359	461,359	461,359	
Capital surplus		234,769	539,869	896,599	896,599	
Retained earnings	Before distribution	399,303	949,666	1,093,972	1,342,079	
	After distribution	241,105	534,308	632,614	880,721	
Unrealized gain or loss on financial instruments		4,450	5,848	(1,662)	4,608	
Cumulative translation adjustments		10,620	(15,067)	34,606	11,127	
Net loss unrecognized as pension cost		0	(2,711)	(3,215)	(2,170)	
Total shareholders' equity	Before distribution	1,000,693	1,892,964	2,481,659	2,713,602	
	After distribution	842,495	1,477,606	2,020,301	2,252,244	

Note : Financial information in 2009~ 2012 has been audited by CPA. The Financial information in 2013 was prepared in accordance with IFRS. Please refer to the tables above.

### 1.1.4 Condensed Standalone Balance Sheet- ROC GAAP

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary (Note)				
		2009	2010	2011	2012	2013
Current assets		976,045	2,314,645	2,138,383	2,694,531	Not Applicable
Funds & Long-term investments		634,875	824,362	1,352,776	1,473,693	
Fixed assets		44,021	47,122	161,838	163,465	
Intangible assets		2,393	4,145	12,608	12,383	
Other assets		35,214	36,081	35,920	34,520	
Total assets		1,692,548	3,226,355	3,701,525	4,378,592	
Current liabilities	Before distribution	650,593	1,264,238	1,102,322	1,521,817	
	After distribution	808,791	1,679,596	1,563,680	1,983,175	
Long-term liabilities		0	0	0	0	
Other liabilities		41,262	69,153	117,544	143,173	
Total liabilities	Before distribution	691,855	1,333,391	1,219,866	1,664,990	
	After distribution	850,053	1,748,749	1,681,224	2,126,348	
Common stock		351,551	415,359	461,359	461,359	
Capital surplus		234,769	539,869	896,599	896,599	
Retained earnings	Before distribution	399,303	949,666	1,093,972	1,342,079	
	After distribution	241,105	534,308	632,614	880,721	
Unrealized gain or loss on financial instruments		4,450	5,848	(1,662)	4,608	
Cumulative translation adjustments		10,620	(15,067)	34,606	11,127	
Net loss unrecognized as pension cost		0	(2,711)	(3,215)	(2,170)	
Total shareholders' equity	Before distribution	1,000,693	1,892,964	2,481,659	2,713,602	
	After distribution	842,495	1,477,606	2,020,301	2,252,244	

Note : Financial information in 2009~ 2012 has been audited by CPA. The Financial information in 2013 was prepared in accordance with IFRS. Please refer to the tables above.

## 1.2 Condensed Statement of Income

### 1.2.1 Condensed Consolidated Statement of Income-IFRS

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary					Financial data as of 2014/03/31 (Note)
		2009	2010	2011	2012	2013	
Operating revenue					8,282,393	8,656,072	1,369,289
Gross profit					1,369,959	1,038,965	158,473
Income from operations					942,739	564,321	54,857
Non-operating income(expenses)					(26,525)	56,010	7,720
Income before tax					916,214	620,331	62,577
Income from continuing operations - after tax					696,137	466,391	51,899
Loss of discontinued operation					0	0	0
Net income					696,137	466,391	51,899
Other comprehensive income - after tax					(11,621)	62,692	2,935
Total comprehensive income					684,516	529,083	54,834
Net income attributable to owners of the parent					696,137	466,391	53,790
Net income attributable to non-controlling interest					0	0	(1,891)
Total comprehensive income attributable to owners of the parent					684,516	529,083	55,029
Total comprehensive income attributable to non-controlling interest					0	0	(195)
Earnings per share					15.09	10.11	1.17

Note : Financial information in 2012 and 2013 has been audited by CPA and Financial information for the period as of the quarter preceding the date of printing of the annual report was reviewed by CPA.

## 1.2.2 Condensed Standalone Statement of Income-IFRS

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary(Note)				
		2009	2010	2011	2012	2013
Operating revenue					3,725,030	3,183,429
Gross profit					719,599	458,676
Income from operations					582,017	333,450
Non-operating income(expenses)					239,167	222,753
Income before tax					821,184	556,203
Income from continuing operations - after tax					696,137	466,391
Loss of discontinued operation					0	0
Net income					696,137	466,391
Other comprehensive income - after tax					(11,621)	62,692
Total comprehensive income					684,516	529,083
Net income attributable to owners of the parent					696,137	466,391
Net income attributable to non-controlling interest					0	0
Total comprehensive income attributable to owners of the parent					684,516	529,083
Total comprehensive income attributable to non-controlling interest					0	0
Earnings per share					15.09	10.11

Note : Financial information in 2012 and 2013 has been audited by CPA.

### 1.2.3 Condensed Consolidated Statement of Income-ROC GAAP

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary ( Note )				
		2009	2010	2011	2012	2013
Operating revenue		4,602,739	6,250,357	8,537,578	8,497,916	Not applicable
Gross profit		601,716	1,223,068	1,111,385	1,409,686	
Income from operations		338,984	910,891	767,525	981,733	
Non-operating income		25,038	37,494	41,959	30,816	
Non-operating expenses		4,420	16,862	9,325	57,298	
Income from operations of continued segments - before tax		359,602	931,523	800,159	955,251	
Income from operations of continued segments - after tax		253,880	726,139	559,664	709,533	
Income from discontinued departments		0	0	0	0	
Extraordinary gain or loss		0	0	0	0	
Cumulative effect of accounting principle changes		0	0	0	0	
Net income		253,880	726,139	559,664	709,533	
Earnings per share		7.55	19.32	13.30	15.38	

Note : Financial information in 2009~ 2012 has been audited by CPA. The Financial information in 2013 was prepared in accordance with IFRS. Please refer to the tables above.

## 1.2.4 Condensed Standalone Statement of Income- ROC GAAP

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary ( Note )				
		2009	2010	2011	2012	2013
Operating revenue		1,975,686	3,091,742	3,427,618	3,308,493	Not applicable
Gross profit		211,302	616,846	403,726	648,173	
Income from operations		135,164	494,276	274,829	510,027	
Non-operating income		165,464	357,539	390,412	355,158	
Non-operating expenses		1,119	4,065	1,346	30,977	
Income from operations of continued segments - before tax		299,509	847,750	663,895	834,208	
Income from operations of continued segments - after tax		253,880	726,139	559,664	709,533	
Income from discontinued departments		0	0	0	0	
Extraordinary gain or loss		0	0	0	0	
Cumulative effect of accounting principle changes		0	0	0	0	
Net income		253,880	726,139	559,664	709,533	
Earnings per share		7.55	19.32	13.30	15.38	

Note : Financial information in 2009~ 2012 has been audited by CPA. The Financial information in 2013 was prepared in accordance with IFRS. Please refer to the tables above.

## 2. Auditors' Opinions from 2009 to 2013

Year	CPA Firm	CPA's Name	Auditing Opinion
2009	KPMG	Wu, Whe-Land Wei, Hsing-Hai	Unqualified opinion
2010	KPMG	Wu, Whe-Land Wei, Hsing-Hai	Unqualified opinion
2011	KPMG	Wu, Whe-Land Wei, Hsing-Hai	Unqualified opinion
2012	KPMG	Wu, Whe-Land Kuo, Shih-Hua	Unqualified opinion
2013	KPMG	Wu, Whe-Land Chen, Cheng-Hsueh	Unqualified opinion

### 3. Five-Year Financial Analysis

#### 3.1 Financial Analysis-IFRS(Consolidated Financial Statements)

Item ( Note 3 )		Year	Financial analysis in the past five years(Note 1)					As of 2014/03/31 (Note 2)
		2009	2010	2011	2012	2013		
Financial structure(%)	Ratio of liabilities to assets					59.08	58.62	55.64
	Ratio of long-term capital to property, plant and equipment					893.13	866.70	935.23
Solvency (%)	Current ratio					166.37	166.41	175.47
	Quick ratio					110.37	103.34	111.49
	Times interest earned ratio					24,245.01	10,516.38	4,298.19
Operating ability	Accounts receivable turnover (turns)					3.81	4.11	2.64
	Average collection period					95.80	88.80	138.25
	Inventory turnover (turns)					0.98	0.97	0.64
	Accounts payable turnover (turns)					3.06	3.28	2.20
	Average days in sales					372.44	376.28	570.31
	Property, plant and equipment turnover (turns)					27.24	25.65	16.12
	Total assets turnover (turns)					1.19	1.24	0.79
Profitability	Return on total assets (%)					10.09	6.77	0.80
	Return on stockholders' equity (%)					25.59	16.28	1.83
	Ratio of Pre-tax income to issued capital (%) (Note 7)					198.59	134.46	13.56
	Profit ratio (%)					8.40	5.39	3.92
	Earnings per share (\$)					15.08	10.11	1.17
Cash flow	Cash flow ratio (%)					19.41	(4.73)	4.19
	Cash flow adequacy ratio (%)					85.50	54.62	62.08
	Cash reinvestment ratio (%)					9.46	(20.67)	4.47
Leverage	Operating leverage					1.01	1.03	1.12
	Financial leverage					1.00	1.01	1.03
Key performance indicator	Revenue growth rate(%)					(24.99)	4.51	(36.72)
	Net income growth rate(%)					(3.10)	(33.00)	(53.86)

Item ( Note 3 )	Year	Financial analysis in the past five years(Note 1)					As of 2014/03/31 (Note 2)
		2009	2010	2011	2012	2013	
Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)							
1.The decrease in times interest earned ratio was mainly due to the decrease in income before tax by 32.29%.							
2.The decrease in return on total assets and return on stockholders' equity was mainly due to the decrease in net income by 33%.							
3.The ratio of Pre-tax income to issued capital decreased due to the decrease in income before tax by 32.29%.							
4.The decrease in profit ratio and Earnings per share was mainly due to the decrease in net income by 33%.							
5.The decrease in Cash flow ratio was mainly due to the fact that billings made towards the end of 2013 were still within the terms of payment and hence uncollected.							
6.The decrease in cash flow adequacy ratio and cash reinvestment ratio was mainly due to the change of cash flow from operating activities from a net inflow to a net outflow in 2013.							
7.The increase in Revenue growth rate was mainly due to continued growth of revenue.							
8.The decrease in net income growth rate was mainly due to lower gross profit margin of construction projects undertaken in 2013, which resulted in a 27.43% reduction in net operating margin.							

Note 1 : Financial information in 2012 and 2013 has been audited by CPA.

Note 2 : Financial information for the period as of the quarter preceding the date of printing of the annual report was reviewed by CPA

Note 3 : Formulas for the above table are as follows.

1. Financial Structure

(1) Ratio of liabilities to assets = Total liability / Total assets

(2) Ratio of long-term capital to property, land and equipment = (Net shareholders' equity + Long-term liability) / Net property, land and equipment

2. Solvency

(1) Current ratio: Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability

(3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year

3. Operating ability

(1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)

(2) Days sales in accounts receivable = 365 / Account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory amount

(4)Account payable turnover (including accounts payable and notes payable derived from

business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)

(5) Average days in sales = 365 / Inventory turnover

(6) Property, land and equipment turnover = Net sales / Net property, land and equipment

(7) Total assets turnover = Net sales / Total assets

#### 4. Profitability

(1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets

(2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity

(3) Profit ratio = Net income (loss) / Net sales

(4) Earnings per share = (Net income attributable to owners of the parent – preferred stock dividend) / Weighted average stock shares issued

#### 5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activity / Current liability

(2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years

(3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Property, land and equipment + Long term investment + Other assets + Working capital)

#### 6. Leverage

(1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (note 6)

(2) Degree of financial leverage = Operating income / (Operating income – interest expense)

#### 7. Key performance Indicator

(1) Revenue growth rate = (This year's revenue - Last year's revenue) / Last year's revenue

(2) Net income growth rate = (This year's Net Income - Last year's Net Income) / Last year's Net Income

Note 4: The following factors are to be included in the consideration for the calculation of earnings per share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year end.
2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred shares are not cumulative, preferred stock dividend should be deducted from net income if there is any but it needs not be added to net loss if there is any.

Note 5: The following factors are to be included for consideration for the analysis of cash flow:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Cash Flow Statement.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross Property, land and equipment for the total Property, land and equipment before deducting the cumulative depreciation.

Note 6: Issuer should classify operating cost and operating expense according to fixed and variable category. If the classification is estimated and subjective, it should correspond with rationality and consistency.

Note 7: In the case of shares issued by a company with no par value or a par value other than NT\$10 per share, the calculation of ratio of the paid-in capital shall be replaced by ratio of the equity attributable to owners of the parent.

### 3.2 Financial Analysis-IFRS(Standalone Financial Statements)

Item ( Note 2 )	Year	Financial analysis in the past five years (Note 1)					
		2009	2010	2011	2012	2013	
Financial structure (%)	Ratio of liabilities to assets	Not applicable				35.96	32.65
	Ratio of long-term capital to property, plant and equipment					1,840.63	1,924.64
Solvency (%)	Current ratio					188.95	192.87
	Quick ratio					155.17	164.64
	Times interest earned ratio					12,374,759.47	13,645,906.57
Operating ability	Accounts receivable turnover (turns)					4.23	3.53
	Average collection period					86.28	103.39
	Inventory turnover (turns)					1.12	0.90
	Accounts payable turnover (turns)					3.32	2.78
	Average days in sales					325.89	405.55
	Property, plant and equipment turnover (turns)				22.90	19.67	
Profitability	Total assets turnover (turns)				0.89	0.72	
	Return on total assets (%)				16.81	10.69	
	Return on stockholders' equity (%)				25.59	16.28	

Item (Note 2)	Year	Financial analysis in the past five years (Note 1)				
		2009	2010	2011	2012	2013
	Ratio of Pre-tax income to issued capital (%) (Note 6)				177.99	120.55
	Profit ratio (%)				18.68	14.65
	Earnings per share (\$)				15.09	10.11
Cash flow	Cash flow ratio (%)				57.26	26.74
	Cash flow adequacy ratio (%)				88.66	89.53
	Cash reinvestment ratio (%)				11.53	(4.35)
Leverage	Operating leverage				1.01	1.02
	Financial leverage				1.00	1.00
Key performance indicator	Revenue growth rate(%)				3.35	(14.53)
	Net income growth rate(%)				(3.10)	(33.00)

Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. The increase in average days in sales was mainly due to the decrease in cost of goods sold by 9.3% and the decrease in inventory turnover by 19.64%.
2. The decrease in return on total assets and return on stockholders' equity was mainly due to the decrease in net income by 33%.
3. The ratio of Pre-tax income to issued capital decreased due to the decrease in income before tax by 32.27%.
4. The decrease in profit ratio and earnings per share was mainly due to the decrease in net income by 33%.
5. The decrease in cash flow ratio and cash reinvestment ratio was mainly due to a 32.27% reduction in pre-tax profit, and a significant reduction of cash inflow.
6. The decrease in revenue growth rate was mainly due to the lesser volume of orders received in 2013, which had a direct impact on revenue.
7. The decrease in net income growth rate was mainly due to the lower gross profit margin on projects undertaken in 2013, which reduced net income by 33%.

Note 1 : Financial information in 2012 and 2013 has been audited by CPA.

Note 2 : Formulas for the above table are as follows.

#### 1. Financial Structure

(1) Ratio of liabilities to assets = Total liability / Total assets

(2) Ratio of long-term capital to property, land and equipment = (Net shareholders' equity + Long-term liability) / Net property, land and equipment

#### 2. Solvency

(1) Current ratio: Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability

(3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year

### 3. Operating ability

(1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)

(2) Days sales in accounts receivable = 365 / Account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory amount

(4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)

(5) Average days in sales = 365 / Inventory turnover

(6) Property, land and equipment turnover = Net sales / Net property, land and equipment

(7) Total assets turnover = Net sales / Total assets

### 4. Profitability

(1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets

(2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity

(3) Profit ratio = Net income (loss) / Net sales

(4) Earnings per share = (Net income attributable to owners of the parent – preferred stock dividend) / Weighted average stock shares issued

### 5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activity / Current liability

(2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years

(3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Property, land and equipment + Long term investment + Other assets + Working capital)

### 6. Leverage

(1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (note 5)

(2) Degree of financial leverage = Operating income / (Operating income – interest expense)

### 7. Key performance Indicator

(1) Revenue growth rate = (This year's revenue - Last year's revenue) / Last year's revenue

(2) Net income growth rate = (This year's Net Income - Last year's Net Income) / Last year's Net Income

Note 3: The following factors are to be included in the consideration for the calculation of earnings per share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year end.

2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred shares are not cumulative, preferred stock dividend should be deducted from net income if there is any but it needs not be added to net loss if there is any.

Note 4: The following factors are to be included for consideration for the analysis of cash flow:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Cash Flow Statement.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross Property, land and equipment for the total Property, land and equipment before deducting the cumulative depreciation.

Note 5: Issuer should classify operating cost and operating expense according to fixed and variable category. If the classification is estimated and subjective, it should correspond with rationality and consistency.

Note 6: In the case of shares issued by a company with no par value or a par value other than NT\$10 per share, the calculation of ratio of the paid-in capital shall be replaced by ratio of the equity attributable to owners of the parent.

### 3.3 Financial Analysis-ROC GAAP(Consolidated Financial Statements)

Item ( Note 2 )		Year	Five-Year Financial Summary ( Note1 )					
			2009	2010	2011	2012	2013	
Financial structure (%)	Ratio of liabilities to assets		61.61	61.22	62.68	60.79	Not applicable	
	Ratio of long-term capital to fixed assets		1,378.35	2,530.77	927.61	797.06		
Solvency (%)	Current ratio		158.46	162.64	154.42	160.15		
	Quick ratio		127.55	117.08	112.51	107.32		
	Times interest earned ratio		29,075.55	71,690.22	19,801.08	25,273.81		
Operating ability	Accounts receivable turnover (turns)		4.96	5.13	4.53	3.91		
	Average collection period		73.58	71.15	80.57	93.35		
	Inventory turnover (turns)		1.22	1.14	1.33	1.04		
	Accounts payable turnover (turns)		3.91	3.71	3.66	3.13		
	Average days in sales		299.18	320.17	274.43	350.96		
	Fixed assets turnover (turns)		66.02	84.80	49.87	27.95		
	Total assets turnover (turns)		1.88	1.66	1.48	1.25		
Profitability	Return on total assets (%)		10.41	19.42	9.76	10.50		
	Return on stockholders' equity (%)		32.30	50.18	25.58	27.31		
	Ratio to issued capital (%)	Operating income		96.42	219.30	166.36		212.79
		Pre-tax income		102.29	224.26	173.43		207.05
	Profit ratio (%)		5.51	11.61	6.55	8.34		
	Earnings per share (\$)		7.55	19.32	13.30	15.38		
Cash flow	Cash flow ratio (%)		5.13	35.56	8.19	17.66		
	Cash flow adequacy ratio (%)		59.69	85.83	63.54	79.15		
	Cash reinvestment ratio (%)		(2.35)	43.99	(3.30)	8.77		
Leverage	Operating leverage		1.04	1.00	1.01	1.01		
	Financial leverage		1.00	1.00	1.01	1.00		
Key Performance Indicator	Revenue growth rate(%)		19.11	35.79	36.59	(0.46)		
	Net income growth rate(%)		69.16	186.01	(22.92)	26.77		
Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.) : Not applicable.								

Note 1 : Financial information in 2009~ 2012 has been audited by CPA. The Financial information in 2013 was prepared in accordance with IFRS. Please refer to the tables above.

Note 2 : Formulas for the above table are as follows.

#### 1. Financial Structure

- (1) Ratio of liabilities to assets = Total liability / Total assets
- (2) Ratio of long-term capital to fixed assets = (Net shareholders' equity + Long-term liability) / Net fixed assets
2. Solvency
- (1) Current ratio: Current assets / current liability
- (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability
- (3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year
3. Operating ability
- (1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)
- (2) Days sales in accounts receivable = 365 / Account receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory amount
- (4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)
- (5) Average days in sales = 365 / Inventory turnover
- (6) Fixed assets turnover = Net sales / Net fixed assets
- (7) Total assets turnover = Net sales / Total assets
4. Profitability
- (1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets
- (2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity
- (3) Profit ratio = Net income (loss) / Net sales
- (4) Earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued
5. Cash flow
- (1) Cash flow ratio = Net cash flow from operating activity / Current liability
- (2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years
- (3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long term investment + Other assets + Working capital)
6. Leverage
- (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (note 6)
- (2) Degree of financial leverage = Operating income / (Operating income – interest expense)
7. Key performance Indicator

(1) Revenue growth rate = (This year's revenue - Last year's revenue)/ Last year's revenue

(2) Net income growth rate =(This year's Net Income - Last year's Net Income)/ Last year's Net Income

Note 3: The following factors are to be included in the consideration for the calculation of earnings per share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year end.
2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred shares are not cumulative, preferred stock dividend should be deducted from net income if there is any but it needs not be added to net loss if there is any.

Note 4: The following factors are to be included for consideration for the analysis of cash flow:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Cash Flow Statement.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross fixed assets for the total fixed assets before deducting the cumulative depreciation.

Note 5: Issuer should classify operating cost and operating expense according to fixed and variable category. If the classification is estimated and subjective, it should correspond with rationality and consistence.

### 3.4 Financial Analysis-ROC GAAP(Standalone Financial Statements)

Item ( Note 2 )		Year	Five-Year Financial Summary ( Note1 )			
		2009	2010	2011	2012	2013
Financial structure (%)	Ratio of liabilities to assets	40.88	41.33	32.96	38.03	Not applicable
	Ratio of long-term capital to fixed assets	2,273.20	4,017.09	1,533.42	1,660.04	
Solvency (%)	Current ratio	150.02	183.09	193.99	177.06	
	Quick ratio	116.91	141.00	160.81	145.99	
	Times interest earned ratio	3,487.9	135,727.78	158,865.75	125,710.55	

Item ( Note 2 )		Year	Five-Year Financial Summary ( Note1 )				
		2009	2010	2011	2012	2013	
Operating ability	Accounts receivable turnover (turns)	5.16	5.28	4.18	3.76		
	Average collection period	71	69	87	97		
	Inventory turnover (turns)	0.80	1.15	1.35	1.01		
	Accounts payable turnover (turns)	3.51	4.02	3.91	2.94		
	Average days in sales	456	317	270	361		
	Fixed assets turnover (turns)	44.86	67.84	32.81	20.34		
	Total assets turnover (turns)	1.19	1.26	0.99	0.82		
Profitability	Return on total assets (%)	15.27	29.52	16.16	17.56		
	Return on stockholders' equity (%)	32.30	50.19	25.59	27.31		
	Ratio to issued capital (%)	Operating income	38.45	119.00	59.57	110.55	
		Pre-tax income	85.20	204.10	143.90	180.82	
	Profit ratio (%)	12.85	23.49	16.33	21.45		
	Earnings per share (\$)	7.55	19.32	13.30	15.38		
Cash flow	Cash flow ratio (%)	13.55	31.21	24.25	52.59		
	Cash flow adequacy ratio (%)	108.06	82.81	60.67	86.48		
	Cash reinvestment ratio (%)	0.00	12.01	-5.78	11.91		
Leverage	Operating leverage	1.02	1.00	1.01	1.01		
	Financial leverage	1.00	1.00	1.00	1.00		
Key Performance Indicator	Revenue growth rate(%)	(6.52)	56.49	10.86	(3.48)		
	Net income growth rate(%)	69.17	186.02	(22.93)	26.78		
Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.) : Not applicable.							

Note 1 : Financial information in 2009~ 2012 has been audited by CPA. The Financial information in 2013 was prepared in accordance with IFRS. Please refer to the tables above.

Note 2 : Formulas for the above table are as follows.

1. Financial Structure

(1) Ratio of liabilities to assets = Total liability / Total assets

(2) Ratio of long-term capital to fixed assets = (Net shareholders' equity + Long-term liability) / Net fixed assets

2. Solvency

- (1) Current ratio: Current assets / current liability
- (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability
- (3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year

### 3. Operating ability

- (1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)
- (2) Days sales in accounts receivable = 365 / Account receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory amount
- (4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)
- (5) Average days in sales = 365 / Inventory turnover
- (6) Fixed assets turnover = Net sales / Net fixed assets
- (7) Total assets turnover = Net sales / Total assets

### 4. Profitability

- (1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets
- (2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity
- (3) Profit ratio = Net income (loss) / Net sales
- (4) Earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued

### 5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activity / Current liability
- (2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years
- (3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long term investment + Other assets + Working capital)

### 6. Leverage

- (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (note 6)
- (2) Degree of financial leverage = Operating income / (Operating income – interest expense)

### 7. Key performance Indicator

- (1) Revenue growth rate = (This year's revenue - Last year's revenue) / Last year's revenue
- (2) Net income growth rate = (This year's Net Income - Last year's Net Income) / Last year's Net Income

Note 3: The following factors are to be included in the consideration for the calculation of earnings per

share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year end.
2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred shares are not cumulative, preferred stock dividend should be deducted from net income if there is any but it needs not be added to net loss if there is any.

Note 4: The following factors are to be included for consideration for the analysis of cash flow:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Cash Flow Statement.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross fixed assets for the total fixed assets before deducting the cumulative depreciation.

Note 5: Issuer should classify operating cost and operating expense according to fixed and variable category. If the classification is estimated and subjective, it should correspond with rationality and consistency.

#### **4. Supervisors' Report in the Most Recent Year**

##### **Acter Co., Ltd. Supervisor's Review Report**

This company's 2013 business report, financial statements, and earnings distribution proposal have been prepared and issued by the board of directors. Of these, the financial statement has been audited by Hui-Lan Wu CPA and Cheng-Hsueh Chen CPA of KPMG under commission to the board, and the auditor has issued an audit report giving an unqualified opinion. The foregoing business report, financial statements, and earnings distribution proposal have been reviewed by the supervisors, who have found them to comply with relevant requirements of the Company Act. The foregoing report has been prepared in accordance with Article 219 of the Company Act.

2014 shareholders' meeting of Acter Co., Ltd.

Acter Co., Ltd.

Supervisor: Wu, Bi-Huei

Supervisor: Yeh, Huei-Sing

February 24, 2014

**5. Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012, and Independent Auditors' Report**

Please refer to page 159 ~ page 217 of this annual report.

**6. Impact on the company's financial situation if the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report**

None.

## VII. Review and Analysis of Financial Conditions, Financial Performance, and Risk Management

### 1. Financial Position

Unit: NT\$ thousand

Item	Year	2012	2013	Difference	
				Amount	%
Current Assets		6,453,221	6,477,953	24,732	0.38
Non-Current Assets		466,228	527,329	61,101	13.11
<b>Total Assets</b>		<b>6,919,449</b>	<b>7,005,282</b>	<b>85,833</b>	<b>1.24</b>
Current Liabilities		3,878,756	3,892,753	13,997	0.36
Non-Current Liabilities		209,833	213,944	4,111	1.96
<b>Total Liabilities</b>		<b>4,088,589</b>	<b>4,106,697</b>	<b>18,108</b>	<b>0.44</b>
Capital stock		461,359	461,359	0	0
Capital surplus		896,599	896,599	0	0
Retained Earnings		1,495,529	1,499,592	4,063	0.27
Other Equity		(22,627)	41,035	63,662	281.35
<b>Total Equity</b>		<b>2,830,860</b>	<b>2,898,585</b>	<b>67,725</b>	<b>2.39</b>
<p>1. Analysis of changes in financial ratios: Other equity increased due to exchange rate changes that increased cumulative translation adjustments.</p> <p>2. Effect of change on financial condition : The Company's financial condition is without significant change.</p> <p>3. Future response actions : Not applicable.</p>					

### 2. Financial Performance

Unit: NT\$ thousand

Item	Year	2012	2013	Difference	Percentage change(%)
Cost of Sales		6,912,434	7,617,107	704,673	10.19
Gross Profit		1,369,959	1,038,965	(330,994)	(24.16)
Operating Expenses		427,220	474,644	47,424	11.10
Operating Income		942,739	564,321	(378,418)	(40.14)
Non-operating Income and Gains		30,816	63,886	33,070	107.31
Non-operating Expenses and Losses		57,341	7,876	(49,465)	(86.26)
Income Before Tax		916,214	620,331	(295,883)	(32.29)
Tax Expense		220,077	153,940	(66,137)	(30.05)
Net Income		696,137	466,391	(229,746)	(33.00)

1. Analysis of changes in financial ratios:
- (1) The decrease in gross profit was mainly due to the lower gross profit of projects undertaken in 2013, which resulted in a 27.43% reduction in gross profit margin.
  - (2) The decrease in operating profit was mainly due to the decrease in gross profit margin by 27.43%.
  - (3) The increase in non-operating income and gains was mainly due to the recognition of equity-accounted gains, and exchange results that turned positive from previous losses.
  - (4) The decrease in non-operating expenses and losses was mainly due to the absence of impairment losses on financial assets in 2013.
  - (5) The decrease in tax expense was mainly due to the decrease in income before tax by 32.29%.
  - (6) The decrease in income before tax and net income was mainly due to the lower gross profit of projects undertaken in 2013, which resulted in a 27.43% reduction in gross profit margin.
2. Expected sales volume and basis for estimates :  
Please refer to page 3 “2.2.2 Expected sales volume and basis for estimates” of this annual report.
3. Effect of change on the company’s future business :  
The Company’s business scope is without significant change.
4. Future response actions : Not applicable.

### 3. Cash Flow

#### 3.1 Cash Flow Analysis for the Current Year(2013)

Item	Year	2012	2013	Variance %
Cash Flow Ratio (%)		19.41	(4.73)	(124.37)
Cash Flow Adequacy Ratio (%)		85.5	54.62	(36.12)
Cash Reinvestment Ratio (%)		9.48	(20.67)	(318.04)

Analysis of financial ratio change:

1. The decrease in cash flow ratio was mainly due to the fact that billings made towards the end of 2013 were still within the terms of payment and hence uncollected.
2. The decrease in cash flow adequacy ratio and cash reinvestment ratio was mainly due to the change of cash flow from operating activities from a net inflow to a net outflow in 2013.

#### 3.2 Remedy for Cash Deficit and Liquidity Analysis

None.

### 3.3 Cash Flow Analysis for the Coming Year(2014)

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow(Inflow) from Investing and Financing Activities (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
1,456,226	553,195	428,422	1,580,999	None	None

Analysis of change in cash flow for the coming year:

1. Operating Activities : The cash inflow will be generating from construction revenue.
2. Investing Activities : The cash outflow will be mainly due to financing plans and the acquisition of property.
3. Financing Activities : The cash outflow will be mainly due to cash dividend payment.

#### 4. Major Capital Expenditure Items

None.

#### 5. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

##### 5.1 Investment Policy

Acter aims to become a globalized organization, first by securing a strong foothold in Asian markets, and then gradually replicating its successful experience to other parts of the world. This strategy begins with the Greater China region, where the company already has subsidiaries in Suzhou, Shenzhen and Shanghai, and will be expanding its presence to Chengdu, Xiamen, Tianjin etc. Each new subsidiary will be run by a dedicated team in order to closely serve local industry. Apart from cleanroom construction and turnkey engineering services, the company has also joined with Sumitomo Chemical Co., Ltd. in a strategic alliance to establish two joint ventures: SCEC (Shanghai) Corporation and SCEC (Suzhou) Corporation, to enter China's petrochemical industry. In the early stages of their establishment, Acter focused on replicating its successful management model and developing a team of elite local talent; today, both joint ventures are becoming self-sustainable and show potential. Southeast Asia is another one of the company's overseas business focuses. Acter established a presence here as early as 2010 by creating a subsidiary named Nova Technology Singapore Pte. Ltd. (NTS) in Singapore. This Singaporean subsidiary has turned out to be a successful foundation for promoting the company's cleanroom services to chemical and petrochemical industries throughout emerging Asian nations. In the future, Acter will continue to expand its business reach deep within Southeast Asia, with plans to set up in Penang, Malaysia, by 2012, and Jakarta, Indonesia, by 2013. By which time, NTS will play a role as a support center that supplies Malaysian and Indonesian counterparts with raw materials, technical know-how, and human resources. Once

the Southeast Asian subsidiaries have formed a functional network, they will provide more flexibility to the company's engineering services in Southeast Asia. Below is a list of subsidiaries that the company has established in recent years:

#### **5.1.1 NOVA TECHNOLOGY MALAYSIA SDN. BHD.**

To gain entry into the Malaysian market, the company invested in a Malaysian subsidiary named Nova Technology Malaysia SDN. BHD. (NTM) in 2012 through its Singaporean subsidiary - Nova Technology Singapore (NTS). NTM is 100% owned by NTS.

Acter currently aims to become a globalized organization with Asia its primary focus. Having assessed global market conditions, Acter has identified Southeast Asia, with the largest ethnic Chinese population outside of Greater China, as its next regional focus.

Southeast Asia is an emerging market that has recently captured the attention of foreign investors. Manufacturers from all over the world, especially electronics, technology, construction and petrochemical related, have established presences in Malaysia. The company's entry into Southeast Asia began with the establishment of Vietnamese and Singaporean subsidiaries which acted as a springboard into the Malaysian market.

The company has invested in NTS and collaborated with Sumitomo Chemical Singapore Pte Ltd as part of its long-term strategy in the Southeast Asia market. It recently entered the Malaysian market by establishing a local subsidiary 100%-owned by NTS. The two subsidiaries will be able to support each other in terms of logistics, know-how and human resources because of their geographical advantage, and thereby promote NTS' status as a Southeast Asian headquarters.

#### **5.1.2 SHENZHEN DINGMAO TRADE CO.,LTD**

In 2012, the company established Shenzhen Dingmao Trade Co., Ltd. (Shenzhen Dingmao) through its subsidiary - Sheng Huei (Suzhou) Engineering Co., Ltd. (Sheng Huei Suzhou) to expand coverage of the company's equipment sales.

#### **5.1.3 SCEC (SUZHOU) CORP.**

In 2013, the company's subsidiary - Sheng Huei (Suzhou) Engineering Co., Ltd. joined Sumitomo Chemical Engineering Singapore Pte. Ltd. (a subsidiary of Sumitomo Chemical Engineering Co., Ltd., Japan) in the establishment of a joint venture called SCEC (Suzhou) Corporation, which attained status as a grade 3 contractor in the same year. As of March 31, 2014, the company had a 57.81% indirect shareholding interest in Sheng Huei (Suzhou) Engineering Co., Ltd.

#### **5.1.4 PT. NOVAMEX INDONESIA**

To further explore business opportunities in Southeast Asia, the company created a subsidiary named PT.NOVAMEX INDONESIA in Jakarta, Indonesia, in July 2013. This subsidiary has

been receiving purchase orders since 2013 and is seeing its business grow.

## **5.2 Main Causes for Profits or Losses and Improvement Plans**

### **5.2.1 Main Causes for Profits or Losses**

The minor loss on investment recognized is mainly due to the fact that these new companies are in an early stage of business development, and require some time to adjust and source business opportunities.

### **5.2.2 Improvement Plans**

The company will seek to implement its management model with the new subsidiaries, while in the meantime developing an elite team of local talent that is capable of handling existing technologies. New investments created in recent years have all commenced business relationships with local customers, and we are confident of their potential to turn profitable and become local industry leaders.

## **5.3 Investment Plans for the Coming Year**

Investors from Japan and other foreign countries are showing growing interest in Southeast Asia. While the inflow of capital is driving up local consumption and capital expenditure, the company has capitalized on this trend by establishing a local presence throughout Southeast Asia. The company will continue down this path over the next year, to adopt a globalized strategy that creates optimum returns for investors.

## 6. Analysis of Risk Management

### 6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

#### 6.1.1 Interest Rates

##### 6.1.1.1 Effects of Changes in Interest Rates on Corporate Finance

The interest income or interest expenses to net operating revenues were below 0.3% in 2012 and 2013. The effect of interest rate movements on net income was limited.

Unit : NT\$ thousand

Item \ Year	2013	The 1 <sup>st</sup> Quarter of 2014
Interest Income(1)	8,547	2,641
Interest Expenses(2)	5,955	1,491
Net Operating Revenue(3)	8,656,072	1,369,289
Ratio of Interest Income to Net Operating Revenue (1)/(3)	0.10%	0.19%
Ratio of Interest Expenses to Net Operating Revenue (2)/(3)	0.07%	0.11%

##### 6.1.1.2 Future Response Measures

The company's interest expenses were incurred mainly due to the utilization of short-term working capital financing offered by banks. The company will continue maintaining close relationships with banking partners in order to borrow funds at more favorable rates and reduce interest expenses.

#### 6.1.2 Foreign exchange rates

##### 6.1.2.1 Effects of Changes in Foreign Exchange Rates on Corporate Finance

The company is a construction services provider and not an importer/exporter. Although some of its raw materials are purchased from overseas suppliers and are denominated in foreign currencies, the NTD17,404,000 in exchange gains (losses) in 2013 was relatively insignificant compared to overall revenue and operating profits. For this reason, changes in exchange rates should not cause any significant impact on the company's revenues and profitability.

Unit : NT\$ thousand

Item \ Year	2013	The 1 <sup>st</sup> Quarter of 2014
Income/Loss from Foreign Exchange Transactions	17,404	(4)
Net Operating Revenue	8,656,072	1,369,289

Item	Year	2013	The 1 <sup>st</sup> Quarter of 2014
Ratio of Income/Loss from Foreign Exchange Transactions to Net Operating Revenue(%)		0.2011	(0.0003)
Operating Income		564,321	54,857
Ratio of Income/Loss from Foreign Exchange Transactions to Operating Income (%)		3.0841	(0.0073)

#### 6.1.2.2 Future Response Measures

Although exchange rate fluctuations have little effect on the company's operations, the company still attempts to mitigate exchange risks by closely monitoring exchange rate information provided by its banking partners, and by reflecting exchange rate fluctuations into the pricing of its sales and purchases.

### 6.1.3 Inflation

#### 6.1.3.1 Effects of Changes in Inflation on Corporate Finance

The changes in inflation does not have a significant impact on the company's profits and business operations during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

#### 6.1.3.2 Future Response Measures

The company constantly monitors price changes in the market, and maintains good relations with suppliers to minimize the effect of cost variations on profitability. At the same time, the company has strict budget and internal controls in place to keep operating costs and expenses within reasonable levels.

### 6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

**6.2.1 The Company did not engage in any high-risk or high-leveraged investments during the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report.**

**6.2.2 The company has established the "Procedure for Loaning of Company Funds" which was reported to and approved by the shareholders meeting as the basis for making loans to others. The transactions and procedures related to lending are based on the company's "Procedure for Loaning of funds."**

**6.2.3 The company has established the "Procedure for Endorsements and Guarantees" which was reported to and approved by the shareholders meeting as the basis for making endorsements and guarantees for others. The transactions and procedures related to making endorsement and**

**guarantees are based on the company’s “Procedure for Endorsements Guarantees.”**

**6.2.4 The Company didn’t conduct any derivative transactions during the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report. Shall such needs arise due to business operation, the transaction will be processed in accordance with the Company’s internal policy “Procedure for Acquisition and Disposal of Assets.”**

### **6.3 Future Research & Development Projects and Corresponding Budget**

The R&D focus of system integration engineering is different from that of other industries in that system integration engineering is a customized solution developed based on a project owner's needs, for which the company is required to explore different combinations of construction techniques, materials and equipment to deliver the best solution, while developing an operating system and environment that satisfies customers' production requirements. Due to the high dependency on customers' industry characteristics, the company's R&D efforts are largely focused on industry-specific innovations. In order to excel in innovation, the company has developed a fundamental research, design and management procedure that brings different teams of researchers to develop a tightly integrated customer solution. Below is a description of the company's future R&D plans :

- 6.3.1 Patent development: as at the end of 2013, the company had registered more than 30 patents in China; most of them relating to construction methods, applications and new materials, and software programming of a chemical equipment supply system.
- 6.3.2 Talent incubation and academia-industry cooperation: the company has comprehensive on-the-job training programs in place to help employees develop skills required, and works with scholars to explore new innovations. The company has been collaborating with National Taipei University of Technology, National Taiwan University of Science and Technology, and National Chin-Yi University of Technology in an internship program since 2006, and joined with Tunghai University in 2014 to open an Acter Elite Course as well as allying with Feng Chia University.
- 6.3.3 Energy-saving technologies: in light of rising global emphasis on energy-saving, green and low-carbon lifestyles, the company has devoted many resources into research on energy-saving construction techniques and products that help customers reduce costs by making more efficient use of available resources, and improving business competitiveness.
- 6.3.4 Biotech research: as the world's population ages and the domestic government devotes a sizable chunk of resources into biotech R&D, the biotech industry appears to have a great deal going for it, but is also faced with the pressure of an industry-wide upgrade. To meet this trend,

the company will shift its R&D focus towards studying biotech producers' needs and ways of helping them grow.

- 6.3.5 Studies on rationalized production procedures: in-depth studies on project owners' production procedures are helpful to facilitate communications with them. Doing so allows the company to make adjustments and help project owners optimize the efficiency of their production environment. Due to the extensive range of industries that the company's services touch on, it is imperative for the company to gain in-depth knowledge of production procedures involved before recommending any solutions to customers.

6.3.6 Corresponding Budget

Unit : NT\$ thousand

Research projects	Current Progress	Expected research expenditure in the future	Completion Date	Project Description	Major factors that will impact future success
Patented technologies	We are continually applying for related patents	5,000	Dec. 2014	For improvements and applications of techniques and materials, as well as the production of chemical equipment.	<ul style="list-style-type: none"> <li>• Personnel participate in research</li> <li>• Encouragement and support from management</li> </ul>
Construction patents	In preparation	20,000	Dec. 2014	We plan to apply for construction project patents in Suzhou.	<ul style="list-style-type: none"> <li>• Personnel participation</li> <li>• Integrated innovation</li> </ul>
Developing talent as well as industry-academia cooperation	Opening of Acter Elite courses	500	Dec. 2014	On-the-job training strengthens job skills, while cooperative R&D projects with academia pursue further innovation and breakthroughs.	<ul style="list-style-type: none"> <li>• Combining academic knowledge with practice</li> <li>• Passing down technical applications</li> </ul>
GMP Forum	Expected to be held in August of 2014	500	Aug. 2014	<ol style="list-style-type: none"> <li>1. How the academic pharmaceutical field selects service providers to execute GEP/GMP effectiveness verification operations.</li> <li>2. Engage in technical exchange with ISPE and PITDC personnel.</li> <li>3. Officials from China's SFDA visit Acter.</li> <li>4. We have formed a strategic alliance with DDC Consultants, which is an international firm of consultants based in the United States, and anticipate that our global visibility will increase significantly, thereby promoting Acter's engineering knowhow, corporate image, and product value on a global scale in order to achieve effective marketing results.</li> </ol>	<ul style="list-style-type: none"> <li>• Technical exchange with foreign counterparts as well as incorporation of foreign technologies</li> <li>• Establishment of industry-government-academia cooperation models</li> <li>• Establishment of a global image</li> </ul>

#### **6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The company constantly monitors changes in key policies and regulations around the world. The company also gathers market intelligence and adjusts business strategies to better control its financial performance. There have been no changes in key policies or regulations, locally or overseas, that have caused significant impact on the company's financial performance during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

#### **6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales**

In light of the relocation of many tech industries to Southeast Asia and China, the company has established subsidiaries in strategic locations such as Singapore, Malaysia, Vietnam, Shenzhen, Suzhou, Shanghai, and Zhangjiagang. This expanded network has enabled the company to cover a broader area and reach more customers. There have been no changes in technology or the overall industry that have caused significant impact on the company's financial performance during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

#### **6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

The company has strived to upgrade its technical know-how in line with market trends since incorporation. It places a primary focus on quality, technology and service, and is dedicated to helping customers adopt the latest technologies. Over the years, the company has provided engineering services to a number of well-known companies including Siliconware Precision Industries, TSMC, and Corning (Taiwan). There has been no negative impact on the company's image requiring crisis management during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

#### **6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

The Company has no ongoing merger and acquisition activities.

#### **6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

Apart from Her Suo Engineering Co., Ltd.'s plan to purchase office premises, no other subsidiary has any plant expansion planned so far. The company currently does not have any plans to expand its plants.

#### **6.9 Risks Relating to and Response to Excessive Concentration of Purchasing**

## **Sources and Excessive Customer Concentration**

The company provides construction services on a project-by-project basis. It mainly serves manufacturing companies and has no fixed customers. However, for large projects, there may be cases where revenue is earned from a few concentrated customers over a short period of time. As a means of controlling credit risks, the company performs credit assessments on customers before a project begins, and closely monitors customers' operations and market information once a project has kicked off.

The company conducts purchasing according to the nature and progress of construction, while adhering strictly to procurement and outsourcing procedures. There has been no concentration of purchasing during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

### **6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

The shareholdings of the Company's directors and supervisors have been stable during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report, and there have been no major transfers or swaps of shares.

### **6.11 Effects of, Risks Relating to and Response to Changes in Control over the Company**

There was no changes in control over the company during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

### **6.12 Litigious or Non-litigious Matters**

#### **6.12.1 Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.**

#### **6.12.2 Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.**

### **6.13 Other Major Risks**

None.

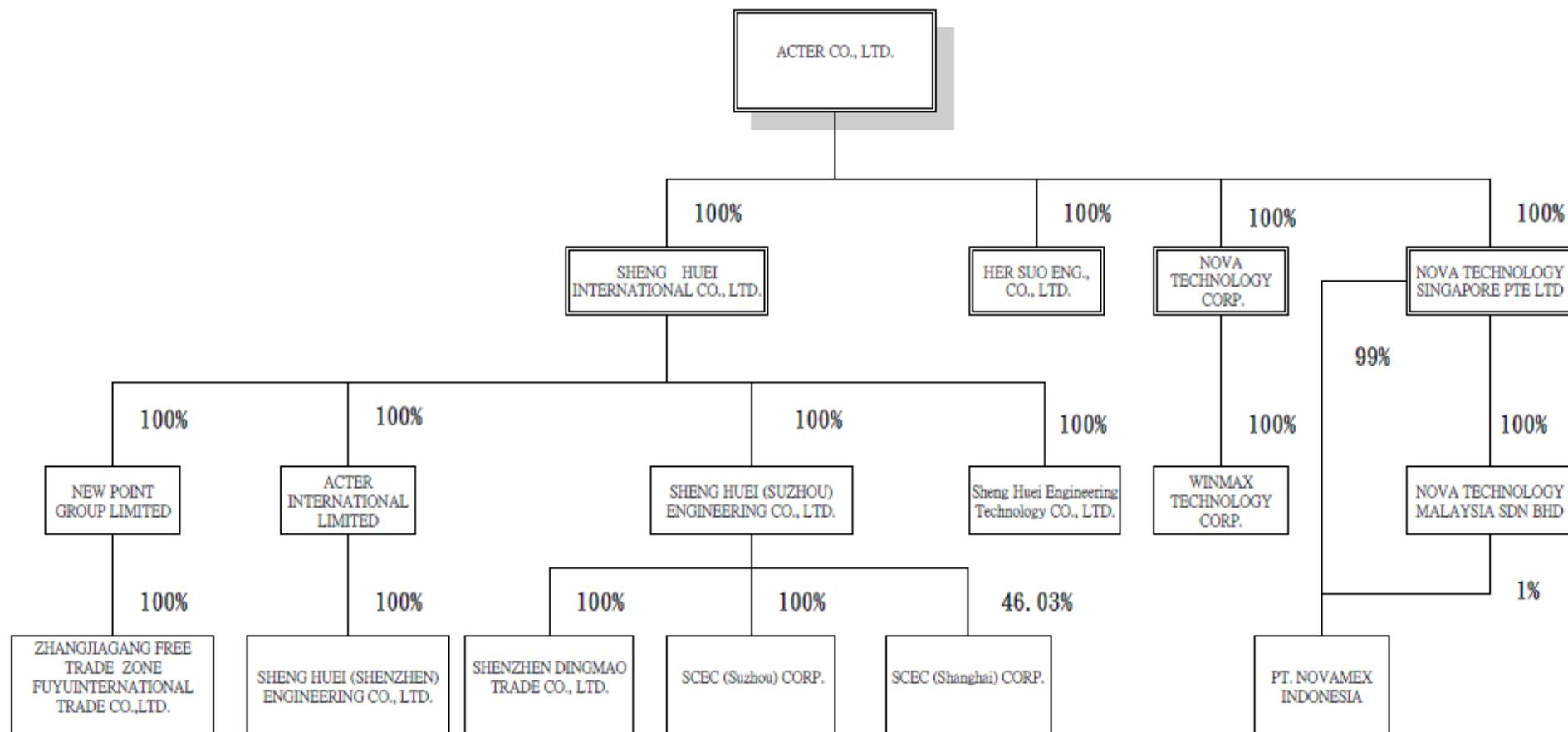
## **7. Other Important Matter**

None

## VIII. Special Disclosure

### 1. Summary of Affiliated Companies

#### 1.1 Organizational chart of the affiliates(Dec. 31, 2013)



## 1.2 Basic Information on Affiliates

Dec. 31, 2013

Name of Affiliate	Date of Incorporation	Place of Registration	Paid-in Capital (in thousands)	Business Activities
SHENG HUEI INTERNATIONAL CO., LTD.	2003.07.15	Samoa	NT\$150,147 (USD5,013)	Overseas investment holdings
HER SUO ENG., CO., LTD.	1998.04.30	Hsinchu County, Taiwan	NT\$50,000	Electronics equipments, wholesale equipments, as well as wholesale chemical and mechanical equipments, etc.
NOVA TECHNOLOGY CORP.	1997.06.13	Hsinchu County, Taiwan	NT\$152,990	Electronics equipments, wholesale equipments, as well as wholesale chemical and mechanical equipments, etc.
NOVA TECHNOLOGY SINGAPORE PTE., LTD.	1999.11.10	Singapore	NT\$63,935 (SGD2,700)	Automated semiconductor supply system services
NEW POINT GROUP LIMITED	2008.03.10	Brunei	NT\$5,990 (USD200)	Purchase and sale for cleanrooms and HVAC equipments, and overseas investment holdings, etc.
ACTER INTERNATIONAL LIMITED	2007.11.20	Kowloon, Hong Kong	NT\$32,945 (USD1,100)	Purchase and sale for cleanrooms and HVAC equipments, and overseas investment holdings, etc.
SHENG HUEI (SUZHOU) ENGINEERING CO., LTD.	2003.08.29	Jiangsu, China	NT\$263,689 (USD7,980)	Design, installation, technical support, and post-sales servicing for electromechanical equipments, HVAC equipments, and cleanrooms
SHENG HUEI ENGINEERING TECHNOLOGY CO., LTD.	2007.05.02	Vietnam.	NT\$2,995 (USD100)	Consumer and industrial installation of electrical appliance protection systems, central air conditioning systems, wastewater and gas emissions processing systems, as well as fire safety systems
WINMAX TECHNOLOGY CORP.	2002.06.13	Shanghai, China	NT\$151,426 (USD4,890)	Design and production of gas-bottle containers, valve boxes, and liquid transport containers
NOVA TECHNOLOGY	2011.11.24	Malaysia	NT\$9,844	Automated semiconductor supply system services

Name of Affiliate	Date of Incorporation	Place of Registration	Paid-in Capital (in thousands)	Business Activities
MALAYSIA SDN BHD.			(RM1,000)	
PT. NOVA MEX INDONESIA	2013.6.24	Indonesia	NT\$15,060 (USD500)	Trading of large-scale machinery, equipments, as well as other materials and resources
ZHANGJIAGANG FREE TRADE ZONE FUYU INTERNATIONAL TRADE CO.,LTD. TRADE CO., LTD.	2008.06.04	Jiangsu, China	NT\$5,990 (USD200)	Import and export businesses, electronics products, electromechanical equipments, transshipment trading of mainly construction materials, trade between domestic corporations in bonded areas, trade with corporations external to the area with import/export rights, trade-related services
SHENG HUEI (SHENZHEN) ENGINEERING CO., LTD.	2005.06.21	Shenzhen, China	NT\$159,634 (USD5,330)	Design, installation, technical support, and post-sales servicing for electromechanical equipments, HVAC equipments, and cleanrooms
SHENZHEN DINGMAO TRADE CO.,LTD	2012.10.31	Shenzhen, China	NT\$2,474 (RMB500)	Sale of electromechanical equipments and accessories, mechanical equipments and accessories, pipeline equipments, cooling equipments, heating equipments, construction materials, decorative materials, electronic products, instrumentations and gauges, chemical products, and raw materials; domestic trade; import and export of goods and technologies
SCEC (SUZHOU) CORP.	2013.02.05	Jiangsu, China	NT\$18,799 (RMB3,800)	Design and technical support services for the design, installation, and repair of smart buildings, cleanroom systems, electromechanical systems, electromechanical equipments, petrochemical equipments, and pipeline equipments

Note : ACTER TRADING CO., LTD. and SUZHOU DING-MAO ENGINEERING CO., LTD. completed the liquidation procedures in 2013.

### 1.3 Directors, Supervisors, Presidents of Affiliates

Dec. 31, 2013 ; Unit : Shares ; %

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage
HER SUO ENGINEERING CO., LTD.	Chairman	ACTER CO., LTD.(Representative : Liang, Chin-Li)	5,000,000	100%
	Director	ACTER CO., LTD. (Representative : Tsai, Chih-Cheng)		
	Director	ACTER CO., LTD. (Representative : Hsu, Chung-Cheng)		
	Supervisor	ACTER CO., LTD. (Representative : Chen, Chih-Hao)		
	President	Tsai, Chih-Cheng		
SHENG HUEI INTERNATIONAL CO., LTD.	Chairman	ACTER CO., LTD. (Representative : Liang, Chin-Li)	5,013,250	100%
	Director	ACTER CO., LTD. (Representative : Yang, Jung-Tang)		
	Director	ACTER CO., LTD. (Representative : Hu, Tai-Tsen)		
	Supervisor	None		
SHENG HUEI (SUZHOU) ENGINEERING CO., LTD.	Chairman	SHENG HUEI INTERNATIONAL (Representative : Chang, Feng-Ho)	Note 1	100%
	Director	SHENG HUEI INTERNATIONAL (Representative : Ma, Wei)		
	Director	SHENG HUEI INTERNATIONAL (Representative : Liang, Chin-Li)		
	Supervisor	SHENG HUEI INTERNATIONAL (Representative : Hsu, Chung-Cheng)		
	President	Chang, Feng-Ho		
SHENZHEN DINGMAO TRADE CO.,LTD	Chairman	SHENG HUEI (SUZHOU) ENGINEERING CO., LTD. (Representative : Chen, Chih-Hao)	Note 1	100%
	Director	SHENG HUEI (SUZHOU) ENGINEERING CO., LTD. (Representative : Chang, Feng-Ho)		
	Director	SHENG HUEI (SUZHOU) ENGINEERING CO., LTD. (Representative : Liang, Chin-Li)		
	Supervisor	SHENG HUEI (SUZHOU) ENGINEERING CO., LTD. (Representative : Hsu, Chung-Cheng)		
	President	Chen, Chih-Hao		

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage
SHENG HUEI (SHENZHEN) ENGINEERING CO., LTD.	Chairman	ACTER INTERNATIONAL LIMITED (Representative : Chen, Chih-Hao)	Note1	100%
	Director	ACTER INTERNATIONAL LIMITED (Representative : Hsu, Chung-Cheng)		
	Director	ACTER INTERNATIONAL LIMITED (Representative : Liang, Chin-Li)		
	Supervisor	ACTER INTERNATIONAL LIMITED (Representative : Chang, Feng-Ho)		
	President	Chen, Chih-Hao		
ACTER INTERNATIONAL LIMITED	Chairman	SHENG HUEI INTERNATIONAL (Representative : Liang, Chin-Li)	1,100,000	100%
	Director	SHENG HUEI INTERNATIONAL (Representative : Yang, Jung-Tang)		
	Director	SHENG HUEI INTERNATIONAL (Representative : Hu, Tai-Tsen)		
	Supervisor	None		
NEW POINT GROUP LIMITED	Chairman	SHENG HUEI INTERNATIONAL (Representative : Liang, Chin-Li)	200,000	100%
	Director	SHENG HUEI INTERNATIONAL (Representative : Yang, Jung-Tang)		
	Director	SHENG HUEI INTERNATIONAL (Representative : Hu, Tai-Tsen)		
	Supervisor	None		
ZHANGJIAGANG FREE TRADE ZONE FUYU INTERNATIONAL TRADE CO.,LTD. TRADE CO., LTD.	Chairman	NEW POINT GROUP LIMITED (Representative : Liang, Chin-Li)	Note 1	100%
	Director	NEW POINT GROUP LIMITED (Representative : Yang, Jung-Tang)		
	Director	NEW POINT GROUP LIMITED (Representative : Chang, Feng-Ho)		
	Supervisor	NEW POINT GROUP LIMITED (Representative : Chang, Ching-Chuan)		
NOVA TECHNOLOGY CORP.	Chairman	ACTER CO., LTD. (Representative : Liang, Chin-Li)	15,299,000	100%
	Director	ACTER CO., LTD. (Representative : Hsu, Chung-Cheng)		
	Director	ACTER CO., LTD. (Representative : Sung, Ping-Chung)		
	Supervisor	ACTER CO., LTD. (Representative : Tsai, Chih-Cheng)		
	President	Hsu, Chung-Cheng		
WINMAX TECHNOLOGY CORP.	Chairman	NOVA TECHNOLOGY CORP. (Representative : Hsu, Chung-Cheng)	Note 1	100%
	Director	NOVA TECHNOLOGY CORP. (Representative : Chang, Feng-Ho)		
	Director	NOVA TECHNOLOGY CORP. (Representative : Ma, Wei)		
	Supervisor	NOVA TECHNOLOGY CORP. (Representative : Liang, Chin-Li)		

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage
NOVA TECHNOLOGY SINGAPORE PTE. LTD.	President	Ma, Wei		
	Director	ACTER CO., LTD. (Representative : Hsu, Chung-Cheng)	2,700,000	100%
	Director	ACTER CO., LTD. (Representative : Liang, Chin-Li)		
	Supervisor	None		
NOVA TECHNOLOGY MALAYSIA SDN. BHD.	Director	NOVA TECHNOLOGY SINGAPORE (Representative : Hsu, Chung-Cheng)	1,000,000	100%
	Director	NOVA TECHNOLOGY SINGAPORE (Representative : Liang, Chin-Li)		
	Director	NOVA TECHNOLOGY SINGAPORE (Representative : Yang, Jung-Tang)		
	Director	NOVA TECHNOLOGY SINGAPORE (Representative : Feng, Tai-Fang)		
	Director	NOVA TECHNOLOGY SINGAPORE (Representative : Tsai, Cheng-Yu)		
	Supervisor	None		
SHENG HUEI ENGINEERING TECHNOLOGY CO., LTD.	Chairman	SHENG HUEI INTERNATIONAL (Representative : Tseng, Wen-Jan)	Note 1	100%
	Supervisor	None		
	President	Tseng, Wen-Jan		
SCEC (SUZHOU) CORP.	Chairman	SHENG HUEI INTERNATIONAL (Representative : Hsu, Chung-Cheng)	Note 1	100%
	Director	SHENG HUEI INTERNATIONAL (Representative : Liang, Chin-Li)		
	Director	SHENG HUEI INTERNATIONAL (Representative : Chang, Feng-Ho)		
	Supervisor	Ma, Wei		
	President	Hsu, Chung-Cheng		
PT. NOVAMEX INDONESIA	Chairman	NOVA TECHNOLOGY SINGAPORE (Representative : Hsu, Chung-Cheng)	500,000	100%
	Supervisor	NOVA TECHNOLOGY SINGAPORE (Representative : Yang, Wei-Chao)		

Note 1 : The company is a limited company and doesn't issue shares.

Note 2 : ACTER TRADING CO., LTD. and SUZHOU DING-MAO ENGINEERING CO., LTD. completed the liquidation procedures in 2013.

## 1.4 Operation Status of Affiliates

Dec. 31, 2013 : Unit : NT\$ thousand

Company Name	Capital Stock	Total Assets	Total Liabilities	Net Equity	Net Revenue	Operating Income	Net Income (Loss)	Basic Earnings Per Share
HER SUO ENGINEERING CO., LTD.	50,000	298,928	186,106	112,822	527,876	37,976	31,885	6.38
NOVA TECHNOLOGY CORP.	152,990	787,543	352,326	435,217	877,373	59,240	96,885	6.33
WINMAX TECHNOLOGY CORP.	151,426	851,110	580,000	271,110	695,943	50,988	62,386	Note 1
NOVA TECHNOLOGY SINGAPORE PTE., LTD.	63,935	55,580	21,379	34,201	31,943	(14,006)	(14,677)	Note 1
NOVA TECHNLOGY MALAYSIA SDN BHD.	9,844	13,841	8,097	5,744	41,940	(1,423)	(1,887)	Note 1
PT. NOVAMEX INDONESIA	15,060	25,592	11,900	13,692	5,144	1,628	1,246	Note 1
SHENG HUEI INTERNATIONAL CO., LTD.	150,147	1,122,844	2,019	1,120,825	0	(22)	81,482	Note 1
SHENG HUEI (SUZHOU) ENGINEERING CO., LTD.	263,689	1,412,781	773,970	638,811	2,388,853	56,689	40,944	Note 1
SHENZHEN DINGMAO TRADE CO.,LTD	2,474	7,637	4,040	3,597	34,130	1,628	1,110	Note 1
SHENG HUEI ENGINEERING TECHNOLOGY CO., LTD.	2,995	52,104	42,147	9,957	49,574	7,780	6,057	Note 1
ACTER INTERNATIONAL LIMITED	32,945	239,932	11,472	228,460	0	(27)	(30,941)	Note 1
SHENG HUEI (SHENZHEN) ENGINEERING CO., LTD.	159,634	528,793	290,430	238,363	423,424	(29,247)	(25,624)	Note 1
NEW POINT GROUP LIMITED	5,990	280,003	117,814	162,189	54,396	5,417	56,732	Note 1
SCEC (SUZHOU) CORP.	18,799	50,362	36,844	13,518	35,503	(6,823)	(5,133)	Note 1
ZHANGJIAGANG FREE TRADE ZONE FUYU INTERNATIONAL TRADE CO.,LTD. TRADE CO., LTD.	5,990	600,998	483,242	117,756	556,448	60,099	51,667	Note 1

Note 1: The company is a limited company, so it's not applicable.

Note 2 : ACTER TRADING CO., LTD. and SUZHOU DING-MAO ENGINEERING CO., LTD. completed the liquidation procedures in 2013.

**2. Private Placement Securities in the Most Recent Years**

None.

**3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years**

None.

**4. other matters that require additional description**

None.

**IX. Any situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report**

None.

## **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, 2013, 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. 27 endorsed by the Financial Supervisory Commissions R.O.C. 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 24, 2014



安侯建業聯合會計師事務所

KPMG

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## Independent Auditors' Report

The Board of Directors  
Acter Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Acter Co., Ltd. (the "Company") and subsidiaries as of December 31, 2013 and 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred in the first paragraph present fairly, in all material respects, the consolidated financial position of Acter Co., Ltd. and subsidiaries as of December 31, 2013 and 2012 and January 1, 2012, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations as well as SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China with effective dates.

We have audited the parent – company – only financial statements as of and for the years ended December 31, 2013 and 2012 on which we have expressed an unqualified opinion.

Hsinchu, Taiwan (the Republic of china)  
February 24, 2014

### Note to Readers

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.



**Acter Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2013, and 2012**  
**(In Thousands of New Taiwan Dollars)**

		<u>2013</u>		<u>2012</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Operating revenues:</b>					
4521	Construction revenue (Note 6(4) and 7)	\$ 7,321,479	85	7,140,457	86
4529	Less: allowances	<u>(6,776)</u>	<u>-</u>	<u>(1,824)</u>	<u>-</u>
		7,314,703	85	7,138,633	86
4110	Sales	1,293,637	15	1,096,735	13
4800	Other operating revenue	<u>47,732</u>	<u>-</u>	<u>47,025</u>	<u>1</u>
		8,656,072	100	8,282,393	100
<b>Operating cost:</b>					
5520	Construction cost (Note 7)	6,517,139	75	6,008,019	72
5110	Cost of goods sold (Note 6(5))	1,088,476	13	895,462	11
5800	Other operating cost	<u>11,492</u>	<u>-</u>	<u>8,953</u>	<u>-</u>
		<u>7,617,107</u>	<u>88</u>	<u>6,912,434</u>	<u>83</u>
		<u>1,038,965</u>	<u>12</u>	<u>1,369,959</u>	<u>17</u>
<b>Gross profit</b>					
Operating expenses:					
6100	Selling	111,100	1	94,476	1
6200	General and administrative	319,861	4	310,302	4
6300	Research and development	<u>43,683</u>	<u>1</u>	<u>22,442</u>	<u>-</u>
		<u>474,644</u>	<u>6</u>	<u>427,220</u>	<u>5</u>
		<u>564,321</u>	<u>6</u>	<u>942,739</u>	<u>12</u>
<b>Operating income</b>					
<b>Non-operating income and expenses:</b>					
7050	Finance costs	(5,955)	-	(3,795)	-
7010	Other income (Note 6(14))	26,012	-	23,634	-
7070	Share of gain(loss) of associates accounted for using equity method	4,203	-	(17,308)	-
7020	Other gains and losses, net (Note 6(14))	<u>31,750</u>	<u>1</u>	<u>(29,056)</u>	<u>(1)</u>
		<u>56,010</u>	<u>1</u>	<u>(26,525)</u>	<u>(1)</u>
7900	<b>Profit before tax</b>	620,331	7	916,214	11
7950	<b>Income tax expense</b> (Note 6(11))	<u>153,940</u>	<u>2</u>	<u>220,077</u>	<u>3</u>
8200	<b>Profit</b>	<u>466,391</u>	<u>5</u>	<u>696,137</u>	<u>8</u>
<b>Other comprehensive income, net of tax :</b>					
8310	Foreign currency translation differences – foreign operations	54,825	1	(27,235)	-
8325	Net change in fair value of available-for-sale financial assets	8,837	-	18,920	-
8360	Actuarial gain from defined benefit plans	759	-	1,359	-
8370	Share of other comprehensive income of subsidiaries and associates	<u>(1,729)</u>	<u>-</u>	<u>(4,665)</u>	<u>-</u>
		<u>62,692</u>	<u>1</u>	<u>(11,621)</u>	<u>-</u>
8500	<b>Comprehensive income</b>	<u>\$ 529,083</u>	<u>6</u>	<u>684,516</u>	<u>8</u>
<b>Profit attributable to:</b>					
8610	Shareholders of the parent	<u>\$ 466,391</u>	<u>5</u>	<u>696,137</u>	<u>8</u>
<b>Comprehensive income attributable to:</b>					
8710	Shareholders of the parent	<u>\$ 529,083</u>	<u>6</u>	<u>684,516</u>	<u>8</u>
<b>Earnings per share (attributable to shareholders of the parent)</b> (Note 6(13))					
9750	<b>Basic earnings per share(In New Taiwan Dollars)</b>	<u>\$ 10.11</u>		<u>15.09</u>	
9850	<b>Diluted earnings per share(In New Taiwan Dollars)</b>	<u>\$ 10.04</u>		<u>14.97</u>	

See accompanying notes to consolidated financial statements.

**Acter Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the Years ended December 31, 2013 and 2012**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to Shareholders of the Parent						Other equity interest			Total equity
	Common stock	Capital surplus	Retained earnings			Total	Foreign currency translation adjustments	Unrealized gains(losses) on available-for-sale financial assets	Total	
			Legal reserve	Special reserve	Unappropriated earnings					
<b>Balance, January 1, 2012</b>	\$ 461,359	896,599	160,418	11,930	1,091,708	1,264,056	-	(14,312)	(14,312)	2,607,702
Appropriation and distribution of retained earnings for the year ended 2012:										
Legal reserve	-	-	55,966	-	(55,966)	-	-	-	-	-
Special reserve	-	-	-	27,860	(27,860)	-	-	-	-	-
Cash dividends	-	-	-	-	(461,358)	(461,358)	-	-	-	(461,358)
	461,359	896,599	216,384	39,790	546,524	802,698	-	(14,312)	(14,312)	2,146,344
Comprehensive income for the year ended 2012										
Profit	-	-	-	-	696,137	696,137	-	-	-	696,137
Changes in comprehensive income	-	-	-	-	(3,306)	(3,306)	(27,235)	18,920	(8,315)	(11,621)
Total comprehensive income	-	-	-	-	692,831	692,831	(27,235)	18,920	(8,315)	684,516
<b>Balance, December 31, 2012</b>	\$ 461,359	896,599	216,384	39,790	1,239,355	1,495,529	(27,235)	4,608	(22,627)	2,830,860
Appropriation and distribution of retained earnings for the year ended 2013:										
Legal reserve	-	-	70,953	-	(70,953)	-	-	-	-	-
Cash dividends	-	-	-	-	(461,358)	(461,358)	-	-	-	(461,358)
Reversal of special reserve	-	-	-	(2,905)	2,905	-	-	-	-	-
	461,359	896,599	287,337	36,885	709,949	1,034,171	(27,235)	4,608	(22,627)	2,369,502
Comprehensive income for the year ended 2013										
Profit	-	-	-	-	466,391	466,391	-	-	-	466,391
Changes in comprehensive income	-	-	-	-	(970)	(970)	54,825	8,837	63,662	62,692
Total comprehensive income	-	-	-	-	465,421	465,421	54,825	8,837	63,662	529,083
<b>Balance, December 31, 2013</b>	\$ 461,359	896,599	287,337	36,885	1,175,370	1,499,592	27,590	13,445	41,035	2,898,585

See accompanying notes to consolidated financial statements.

**Acter Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years ended December 31, 2013 and 2012**  
**(All Amount Expressed in Thousands of New Taiwan Dollars)**

	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 620,331	916,214
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation (Including investment property)	19,301	14,194
Amortization	6,041	3,811
Provision for bad debt expense	19,054	18,064
Provision for inventory obsolescence	22,829	100
Gain on disposal of available-for-sale financial assets	(3,781)	(5,323)
Impairment loss on financial assets	-	28,659
Share of loss (gain) of associates accounted for using equity method	(4,203)	17,308
Other	(13,433)	(9,294)
	45,808	67,519
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Notes receivable	82,799	23,110
Accounts receivable	(235,236)	(64,095)
Construction contracts receivable	(340,982)	65,969
Inventories	(60,639)	(1,772)
Other financial assets	5,480	180,164
	(548,578)	203,376
<b>Changes in operating liabilities:</b>		
Notes payable	(40,686)	(200,455)
Accounts payable	170,367	188,955
Construction contracts payable	(56,194)	(196,843)
Advance sales revenue	(164,325)	(17,531)
Other current liabilities	(13,809)	4,842
	(104,647)	(221,032)
Total adjustments	(607,417)	49,863
Cash inflow generated from operations	12,914	966,077
Interest received	8,438	12,892
Interest paid	(5,416)	(4,064)
Income taxes paid	(200,317)	(221,710)
<b>Net cash generated from (used in) operating activities</b>	(184,381)	753,195
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets carried at amortized cost	-	2,423
Acquisition of available-for-sale financial assets	(277,480)	(813,764)
Proceeds from disposal of available-for-sale financial assets	267,145	658,343
Acquisition of investment accounted for using equity method	-	(5,857)
Acquisition of property, plant and equipment	(11,268)	(88,490)
Proceeds from disposal of property, plant and equipment	702	61
Increase in other non-current assets	(624)	(3,529)
<b>Net cash used in investing activities</b>	(21,525)	(250,813)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	135,672	(8,006)
Payment of cash dividends	(461,358)	(461,358)
<b>Net cash used in financing activities</b>	(325,686)	(469,364)
Effect of exchange rate changes on cash and cash equivalents	52,823	(32,381)
Net increase (decrease) in cash and cash equivalents	(478,769)	637
Cash and cash equivalents at beginning of year	1,934,995	1,934,358
Cash and cash equivalents at end of year	\$ 1,456,226	1,934,995

See accompanying notes to consolidated financial statements.

**Acter Co., Ltd. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**  
**(Expressed in thousands of New Taiwan dollars, unless otherwise specified)**

**1. Organization and business scope**

Acter Co., Ltd. (the “Company”) was incorporated on February 19, 1979, under the approval of the Ministry of Economic Affairs, R.O.C. The consolidated financial statements of the Company as of and for the year ended December 31, 2013 comprised the Company and its subsidiaries (together referred to as the “Group”). The Company is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. The principal operating activities of the rest of the Group entities are described in Notes 4 (3). Acter’s common shares were publicly listed on the Over-the-Counter Market (“OTC”) on November 10, 2010.

**2. Approval date and procedures of the consolidated financial Statements**

The consolidated financial statements for the years ended December 31, 2013 and 2012 was authorized for issue by the Board of Directors on February 24, 2014.

**3. New standards and interpretations not yet adopted**

(1) New standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”) but not yet in effective in Taiwan.

The International Accounting Standards Board (“IASB”) issued the International Financial Reporting Standard 9 Financial instruments (“IFRS 9”) on November 2009, which is in effective on January 1, 2013 (in December 2011, the IASB postponed the effective date to January 1, 2015 and in November 2013, the IASB abolished the effective date as January 1, 2015 for preparers of financial reports to have sufficient time in translating to IFRSs and the new effective date has not been announced). IFRS 9 endorsed by FSC, early adoption is not permitted, and companies shall follow the guidance in accordance to the 2009 version of the International Accounting Standards 39 Financial instruments (“IAS 39”). As of the reporting date, the effective date has not been announced. At the adoption of this new standard, it is expected that there will be impact on the classification and measurement of financial instruments in the consolidated financial statements.

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

(2) New standards and interpretations not yet approved by the FSC

A summary of the new standards and amendments issued by the IASB that may have an impact on the consolidated financial statements that have not yet been approved by the FSC:

<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description</u>	<u>Effective date per IASB</u>
May 12, 2011 June 28, 2012	<ul style="list-style-type: none"> <li>• IFRS 10 Consolidated Financial Statements</li> <li>• IFRS 12 Disclosure of Interests in Other Entities</li> <li>• Amended IAS 28 Investment in Associates and Joint Ventures</li> </ul>	<ul style="list-style-type: none"> <li>• On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities) other than consolidation process, in which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (concepts from joint controlled assets and joint controlled operations), and joint venture (concepts from jointly controlled entities), and removal of the proportionate consolidation method.</li> <li>• “On June 28, 2012, issuance of amendments clarifying the guidance over the transition period.” Upon the adoption of the new standards and amendments, there will be a change whether the Group has control over certain investees and it is also expected that there will be a possible increase in the disclosed information about the equity of subsidiaries and associates.</li> </ul>	January 1, 2013
May 12, 2011	<ul style="list-style-type: none"> <li>• IFRS 13 Fair Value Measurement</li> </ul>	<ul style="list-style-type: none"> <li>• Replaces fair value measurement guidance in other standards, and consolidated as one single guidance. The measurement on assets or liabilities is not affected if the above guidance is adopted.</li> </ul>	January 1, 2013
June 16, 2011	<ul style="list-style-type: none"> <li>• Amended IAS 1 Presentation of Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>• Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently.</li> </ul>	July 1, 2012
June 16, 2011	<ul style="list-style-type: none"> <li>• Amended IAS 9 Employee Benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminates of the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) into profit or loss; in addition, requires the immediate recognition of past service cost.</li> </ul>	January 1, 2013

The Group is still working on assessing the impact of the consolidated financial statements at the time of adoption.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****4. Summary of Significant accounting policies**

The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements, except when otherwise indicated. These consolidated financial statements include the statement of financial position as of January 1, 2012, prepared for the purpose of the first-year adoption of the International Financial Reporting Standards, International Accounting Standards (IAS), IFRIC Interpretations, and Standard Interpretations Committee (SIC) Interpretations approved by the FSC (hereinafter, referred to as the IFRSs approved by the FSC).

The significant accounting policies presented in the consolidated financial statements are summarized as follows:

**(1) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (hereinafter, referred to the Regulations) and the International Financial Reporting Standards endorsed by the FSC.

These are the Group's first IFRS consolidated annual financial statements for part of the year covered by the first IFRS (endorsed by the FSC) annual financial statements, and IFRS 1 First-time Adoption of the International Financial Reporting Standards has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Group is provided in note 15.

**(2) Basis of preparation****A. Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated balance sheets:

- a. Financial instruments measured at fair value through profit or loss are measured at fair value;
- b. Available-for-sale financial assets are measured at fair value;
- c. The defined benefit asset is recognized as plan assets, plus, unrecognized past service cost, less, the present value of the defined obligation.

**B. Functional and presentation currency**

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(Continued)

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the control commences until the date that the control ceases. Gains or Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			2013.12.31	2012.12.31	2012.1.1
(a) The Company	Nova Technology Corp. (Nova Tech)	Wholesaling of electronic and chemical equipment	100%	100%	100%
	HerSuo Engineering Co., Ltd. (Her Suo)	Construction and set-up of freezing equipment	100%	100%	100%
	Sheng Huei International Co., Ltd. (Sheng Huei International)	Holding company	100%	100%	100%
	Nova Technology Singapore Pte., Ltd. (NTS)	Auto-supply system for semiconductors	100%	100%	100%
(b) Nova Tech	Winmax Technology Corp.	Design and manufacture of air containers and liquid containers	100%	100%	100%
(c) Sheng Huei International	Sheng Huei (Suzhou) Engineering Co., Ltd.	Construction and set-up of electronic equipment and air conditioners	100%	100%	100%
	Acter Trading Co., Ltd. (Acter Trading)(Note 4)	Agent for electronic equipment importing and exporting	-	100%	100%
	Acter International Ltd. (Acter International)	Holding company and trading of clean rooms and air conditioners	100%	100%	100%
	New Point Group Ltd. (New Point)	Holding company and trading of clean rooms and air conditioners	100%	100%	100%
	Sheng Huei Engineering Technology Co., Ltd.	Set-up of electronic protection systems and central air conditioners	100%	100%	100%
(d) NTS	Nova Technology Malaysia Sdn. Bhd.(NTM)	Auto-supply system for semiconductors	100%	100%	-

(Continued)

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			2013.12.31	2012.12.31	2012.1.1
	Novamex Indonesia, PT. (NMI) (Note 3)	Huge machinery and other goods trading	100% (Note 5)	-	-
(e) Sheng Huei (Suzhou) Engineering Co., Ltd.	Shenzhen Ding –Mao Trade Co., Ltd. (Note 1)	Electronic equipment and machinery trading	100%	100%	-
	SCEC (Suzhou) Corporation (Note 2)	Construction and set-up of electronic equipment and air conditioners	100%	-	-
(f) Acter International	Sheng Huei (Shenzhen) Engineering Co., Ltd.	Construction and set-up of electronic equipment and air conditioners	100%	100%	100%
	Suzhou Ding-Mao Engineering Co., Ltd. (Suzhou Ding-Mao)(Note 4)	Construction and set-up of electronic equipment and air conditioners	-	100%	100%
(g) New Point	Zhangjiagang Free Trade Zone Fuyu Internation Trade Co., Ltd. (Fuyu)	Agent for electronic equipment importing and exporting	100%	100%	100%

Note 1: Sheng Huei (Suzhou) Engineering Co., Ltd. invested 100% shares of Shenzhen Ding-Mao in Shenzhen in October 2012.

Note 2: Sheng Huei (Suzhou) Engineering Co., Ltd. invested 100% shares of SCEC (Suzhou) Corporation in Suzhou in February 2013.

Note 3: NTS invested 100% shares of NMI in Indonesia in July 2013.

Note 4: Acter Trading and Suzhou Ding-Mao completed the liquidation procedures in December 2013.

Note 5: The ownership consists of 99% shareholding by NTS and 1% shareholding by NTM.

C. Subsidiaries excluded from consolidation: None.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

## (4) Foreign currency

## A. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following accounts which are recognized in other comprehensive income:

- Available-for-sale equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

## B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and are presented in the exchange differences on translation of foreign financial statements in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****(5) Classification of current and non-current assets and liabilities**

An operating cycle (usually one year to two year) is a criterion to make judgment on whether assets or liabilities related to construction contracts are classified as current or non-current. The rest assets and liabilities are classified according to the following criteria:

**1. An entity shall classify an asset as current when it meets one of the following conditions:**

- A. It holds the asset primarily for the purpose of trading;
- B. It expects to realize the asset within twelve months after the reporting period; or
- C. The asset is cash and cash equivalent unless, the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

**2. An entity shall classify a liability as current when:**

- A. It holds the liability primarily for the purpose of trading;
- B. The liability is due to be settled within twelve months after the reporting period or
- C. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

**(6) Cash and cash equivalents**

Cash and cash equivalents comprised of cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

**(7) Financial instruments**

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

**A. Financial assets**

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

## a. Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is held-for-trading or is designated as financial assets at fair value through profit or loss.

Financial assets classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than the ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- Performance of the financial asset is evaluated on a fair value basis.
- Hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial assets classified under this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent valuation is measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, trade date accounting is used.

## b. Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary financial instruments are recognized in other comprehensive income and unrealized gains (losses) on available-for-sale financial assets in equity. When an available-for-sale investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, under other income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, trade date accounting is used.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost less any impairment loss, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date when the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income of profit or loss.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

Interest income from investment in bond security is recognized in profit or loss under other income.

c. Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market, comprising trade receivables and other receivables. At initial recognition, these assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is recognized and derecognized as applicable, trade date accounting is used.

Interest income is recognized in profit or loss under other income.

d. Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. Such impairment loss is not reversible in subsequent periods.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

The carrying amount of a financial asset is reduced for an impairment loss, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then impairment loss is reversed against profit or loss.

Impairment losses and recoveries are recognized in profit or loss under “other gains and losses, net”.

e. Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available for sale financial assets is recognized as profit or loss under “other gains and losses, net”.

On partial derecognition of a financial assets, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available for sale financial assets is reclassified to profit or loss under “other gains and losses, net”.

B. Financial liabilities and equity instruments

a. Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Equity instruments are any contractual agreement that can manifest the Group’s residual interest after assets less liabilities. Equity instruments issued are recognized based on amount of consideration received, less, the direct cost of issuing.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognized as distributions within equity upon approval by the Group's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if the dividend payments are not discretionary.

Compound financial instruments issued by the Group comprise convertible bonds payable that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

At initial recognition, the liability component of a compound financial instrument is recognized at fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially based on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, under non-operating income and expense.

On conversion, financial liability is reclassified to equity without recognizing any gain or loss.

b. Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. At initial recognition, the Group designates financial liabilities as at fair value through profit or loss under one of the following situations:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis;
- ii. Performance of the financial liabilities is evaluated on a fair value basis;
- iii. Hybrid instrument contains one or more embedded derivatives.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss under “non-operating income and expenses”.

Financial liabilities at fair value through profit or loss is measured at cost if it sells borrowed unquoted equity investment whose fair value cannot be reliably measured and that it is to be delivered to the obligator of the equity investment. It is included in financial liabilities measured at cost.

The Group provides and designates financial guarantee contract and loan commitments as at fair value through profit or loss, any gains and losses are recognized in profit or loss.

c. Other financial liabilities

At initial recognition, financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which consist of loans and borrowings, and trade and other payables are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss under finance cost.

d. Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expires.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in “non-operating income and expenses”.

e. Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****C. Derivative financial instruments, including hedge accounting**

The Group holds derivative financial instruments to hedge its foreign currency and interest rate fluctuation exposures. At initial recognition, derivatives are recognized at fair value; and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein, are recognized in profit or loss under “non-operating income and expenses”. When a derivative is designated as a hedging instrument, the timing for recognizing gain or loss is determined based on the nature of the hedging relationship. When the result of the valuation at fair value of a derivative instrument is positive, it is classified as a financial asset; otherwise, it is classified as a financial liability.

Derivatives linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of unquoted equity instruments are classified as financial assets, which are measured at amortized cost. These derivatives are classified as financial liabilities measured at cost.

**(8) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(9) Construction Contracts**

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost, plus, profit recognized to date (see note 6(4)) less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group’s contract activities based on normal operating capacity.

Construction contracts in progress is presented as the amount due from customers for contract work in the statements of financial position for all contracts in which costs incurred, plus, recognized profits exceed progress billings. If progress billings exceed costs incurred, plus, recognized profits, then the difference is presented as amount due to customers for contract work in the statement of financial position.

**(10) Investment in associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of investment includes transaction costs. The carrying amount of investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The Group's share of the profit or loss and other comprehensive income of equity accounted investees are included, after adjustments to align the said investees' accounting policies with those of the Group, in the condensed consolidated financial statements from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(11) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(12) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined based on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss under other gains and losses.

**B. Subsequent cost**

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

**C. Depreciation**

Depreciation is calculated based on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciable amount of an asset is determined based on the cost less its residual value. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life, and therefore, is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- a. Buildings 20~49 years
- b. Other facilities 3~12 years
- c. The significant portion of plant and building consists of its main building and miscellaneous parts, which are estimated over their useful life within 10~49 years.
- d. The significant portion of other facilities consists of transportation vehicles and others, which are estimated over their useful life within 2~9 years.

(Continued)

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expectation of useful life differs from the previous estimate, the change(s) is accounted for as a change in an accounting estimate.

(13) Intangible assets

A. Other Intangible Assets

Other intangible assets that are acquired by the Group are measured at cost, less, accumulated amortization and any accumulated impairment losses.

B. Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

C. Amortization

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date when they are made available for use. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

Computer software cost      1~10 years

The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually at each financial year-end. Any change thereof is accounted for as a change in accounting estimate.

(14) Impairment – Non-derivative financial assets

The Group assesses non-derivative financial assets for impairment (except for inventories, assets arising from construction contracts, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such is deemed as an impairment loss, which is recognized immediately in profit or loss.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization), if no impairment loss had been recognized.

For the purpose of impairment testing, goodwill acquired in a business combination from the acquisition date is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

**(15) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and an outflow of economic benefits is possibly required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

**(16) Revenue****A. Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international trade where FOB shipping point is mainly adopted, transfers occur upon loading the goods onto the relevant carrier at the port. For domestic trade, transfers usually occur when the product is received at the customer's warehouse.

**B. Construction contracts**

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. If Contract costs related to future activity of the contract incur, they can be recognized as assets to the recoverable extent.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs; survey of work performed or completion of a physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

**(17) Employee benefits****A. Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

**B. Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on bonds (market yields of government bonds) that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses at 1 January, 2012, the date for the first time adoption of IFRS as endorsed by the FSC, were recognized in retained earnings. All actuarial gains and losses arising subsequently from defined benefit plans are recognized in other comprehensive income.

**C. Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(18) Income Taxes**

Income tax expense includes current tax and deferred tax, which are recognized as profit or loss except for the involvement in business combination and direct recognition in equity or other comprehensive income.

Current tax includes expected current tax payable or tax refund receivable calculated by taxable income (loss) for the year multiplied by legal tax rate or substantial legislative tax rate on the reporting date, and any prior year income tax payable adjustment.

Deferred tax is measured and recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for corresponding tax bases. Deferred tax is not recognized when temporary differences arise from the following situations:

- A. Initial recognition of assets and liabilities in non business combination transactions. Such transactions do not influence the accounting income and taxable income (loss).
- B. Temporary differences arising from investment in subsidiaries and joint ventures, and reversal of them is not expected in the probable foreseeable future.
- C. Initial recognition of goodwill.

(Continued)

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

Deferred tax is measured on the tax rate for the period of expected asset realization or settlement of liabilities, with legal tax rate or substantial legislative tax rate on reporting date as a basis.

Deferred tax asset and deferred tax liability offset occurs when the following criteria is met:

- A. A legal enforcement exists to offset current income tax asset and liability; and
- B. Deferred tax asset and liability relates to taxpayers as the following, whose tax is levied by the same taxing authority:
  - i. Taxpayer remains the same; or
  - ii. Taxpayer differs, yet each taxpayer intends to settle the current tax liability and asset on a netting basis or have the asset realized and settle the liability simultaneously, in the future with a significant amount of recoverable deferred tax asset and settlement of deferred tax liability.

A deferred tax asset is recognized for the unused taxable losses and unused tax credits carry forward, and deductible temporary differences to the extent that future taxable income is probably available for use. It is also subject to re-evaluation in every subsequent reporting date, and downward adjustment is made to the extent that realization of related income tax benefit is not probable.

(19) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share are calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(20) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

**5. Major sources of accounting assumptions, judgments and estimation uncertainty**

The preparation of the consolidated financial statements in conformity with the International Accounting Standards endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

## 6. Significant account disclosure

## (1) Cash and cash equivalents

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Petty cash and cash on hand	\$ 1,552	1,565	2,261
Checking and demand deposits	810,915	1,079,933	1,808,442
Time deposits	144,794	204,392	123,655
Cash equivalent - repurchased commercial paper	498,965	649,105	-
	<b><u>\$ 1,456,226</u></b>	<b><u>1,934,995</u></b>	<b><u>1,934,358</u></b>

Please refer to note 6(15) for the disclosure of sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

## (2) Investment in financial assets

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Current:			
Available-for-sale financial assets			
Beneficiary securities - open-end funds	\$ 249,004	248,842	82,143
Financial assets carried at amortized cost			
The 3-year international bond issued by Deutsche Bank (under other current assets)	-	-	2,423
Non-current:			
Available-for-sale financial assets			
Xantia Corporation Co., Ltd.	21,396	6,942	22,692
Holy Stone Healthcare Co., Ltd.	19,595	-	-
Financial assets carried at cost			
Taichung International Entertainment Co., Ltd. (under other noncurrent assets)	45	45	45
	<b><u>\$ 290,040</u></b>	<b><u>255,829</u></b>	<b><u>107,303</u></b>

- A. The aforesaid financial assets were not pledged as collateral.
- B. The credit risk, currency risk and interest risk related to the financial instruments was disclosed in note 6 (15).
- C. The original name of Xantia Corporation Co., Ltd. is Sunner Solar Corporation Co., Ltd. It is renamed due to business combination with other corporation and its own segment restructure on July 5, 2013.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (3) Notes and accounts receivable, and other receivables net

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
From operating activities:			
Notes receivable	\$ 174,891	257,690	280,800
Accounts receivable	1,997,196	1,761,959	1,697,866
Less: Allowance for impairment	(64,820)	(43,289)	(25,729)
	<b>\$ 2,107,267</b>	<b>1,976,360</b>	<b>1,952,937</b>
Other receivables	35,634	31,041	39,353
Total	<b>\$ 2,142,901</b>	<b>2,007,401</b>	<b>1,992,290</b>

A. Accounts receivable includes retained construction receivable, which amounted to \$22,899, \$30,416 and \$23,651 as of December 31, 2013 and 2012 and January 1, 2012, respectively.

B. The notes and accounts receivable are not discounted or pledged.

C. Impairment loss is the difference between the carrying amount and the amount expected to be collected. The movement in the allowance for impairment with respect to notes and accounts receivable and other receivables for the year ended December 31, 2013 and 2012 were as follows:

	<b>2013</b>	<b>2012</b>
Balance, January 1	\$ 43,289	25,729
Impairment loss recognized	19,054	18,064
Effect of exchange rate changes	2,477	(504)
Balance, December 31	<b>\$ 64,820</b>	<b>43,289</b>

## (4) Construction contracts

## A. Construction revenue and loss

Construction contract revenue of the Group has been determined based on the percentage—of—completion method. The extent of completion is determined based on contract costs incurred for work performed to date in proportion to the estimated total contract costs. Any expected excess of the total contract costs over the total contract revenue is immediately recognized as construction cost.

	<b>2013</b>	<b>2012</b>
Construction revenue recognized in the periods	<b>\$ 7,307,480</b>	<b>7,125,003</b>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## B. Construction-in-progress

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Accumulated construction costs incurred (including contract costs that relate to future activity )	\$ 7,011,608	6,678,261	5,776,379
Add: Accumulated construction profit and losses	477,958	422,214	481,594
	7,489,566	7,100,475	6,257,973
Less: Progress billings	(6,434,234)	(6,442,319)	(5,730,691)
	<u>\$ 1,055,332</u>	<u>658,156</u>	<u>527,282</u>
Construction contracts receivable presented as an asset	\$ 1,390,413	1,049,431	1,115,400
Construction contracts payable presented as a liability	(335,081)	(391,275)	(588,118)
	<u>\$ 1,055,332</u>	<u>658,156</u>	<u>527,282</u>
Accumulated advance received	<u>\$ 3,533</u>	<u>509</u>	<u>3,540</u>

## (5) Inventories

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Finished goods and merchandise	\$ 436,544	441,390	433,980
Work in process and semi-finished goods	294,639	262,732	313,160
Raw materials	120,601	87,023	42,233
	851,784	791,145	789,373
Less: provision for inventory devaluation	(23,052)	(223)	(123)
	<u>\$ 828,732</u>	<u>790,922</u>	<u>789,250</u>
Carrying amount of inventories subject to pledge	<u>\$ -</u>	<u>-</u>	<u>-</u>

For the years ended December 31, 2013 and 2012, the Group wrote down an operating cost of \$22,829 and \$100, respectively, from the write-down of inventory cost to net realizable value.

## (6) Investment in equity-accounted investees

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Carrying amount of the investment in associates	<u>\$ 6,497</u>	<u>3,620</u>	<u>15,562</u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

- A. The Group's shareholding in associates and share of gain (loss) of associative accounted for using equity method are as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
SCEC International (HK) Company Limited (SCEC)	-	46.03%	45%
SCEC (Shanghai) Corporation	46.03%	-	-
Leading Tek Corporation	-	32.26%	32.26%
	<b>For the year ended December 31</b>		
	<u>2013</u>	<u>2012</u>	
Share of gain (loss) of associates accounted for using equity method	<u>\$ 4,203</u>	<u>(17,308)</u>	

- B. Summary of financial information for the investments in associates, which is not adjusted for the Group's shareholding, were as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Total assets	43,187	7,863	34,639
Total liabilities	29,071	-	-
	<u>\$ 14,116</u>	<u>7,863</u>	<u>34,639</u>
	<u>2013</u>	<u>2012</u>	
Revenues	<u>\$ 37,166</u>	<u>-</u>	
Profit for the period	<u>\$ 494</u>	<u>(37,602)</u>	

Associates invested by the Company do not have quoted price. The investments accounted for using equity method were not pledged.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (7) Property, plant and equipment

	<u>Land</u>	<u>Building and construction</u>	<u>Other facilities</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<b>Cost:</b>					
Balance on January 1, 2013	\$ 151,631	153,198	87,233	-	392,062
Additions	-	-	11,268	-	11,268
Disposals	-	-	(8,759)	-	(8,759)
Reclassifications	-	(4,412)	661	-	(3,751)
Effect of movements in exchange rates	-	4,478	3,143	-	7,621
Balance on December 31, 2013	<u>\$ 151,631</u>	<u>153,264</u>	<u>93,546</u>	<u>-</u>	<u>398,441</u>
Balance on January 1, 2012	\$ 151,631	87,994	66,073	4,842	310,540
Additions	-	-	19,629	68,861	88,490
Disposals	-	-	(4,937)	-	(4,937)
Reclassifications	-	65,889	7,780	(73,669)	-
Effect of movements in exchange rates	-	(685)	(1,312)	(34)	(2,031)
Balance on December 31, 2012	<u>\$ 151,631</u>	<u>153,198</u>	<u>87,233</u>	<u>-</u>	<u>392,062</u>
<b>Depreciation:</b>					
Balance on January 1, 2013	\$ -	11,632	39,979	-	51,611
Depreciation	-	6,038	12,918	-	18,956
Disposals	-	-	(7,672)	-	(7,672)
Reclassifications	-	(2,080)	1,118	-	(962)
Effect of movements in exchange rates	-	381	1,689	-	2,070
Balance on December 31, 2013	<u>\$ -</u>	<u>15,971</u>	<u>48,032</u>	<u>-</u>	<u>64,003</u>
Balance on 1 January 2012	\$ -	8,118	34,889	-	43,007
Depreciation	-	3,145	10,704	-	13,849
Disposals	-	-	(4,367)	-	(4,367)
Reclassifications	-	507	(507)	-	-
Effect of movements in exchange rates	-	(138)	(740)	-	(878)
Balance on December 31, 2012	<u>\$ -</u>	<u>11,632</u>	<u>39,979</u>	<u>-</u>	<u>51,611</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2013	<u>\$ 151,631</u>	<u>137,293</u>	<u>45,514</u>	<u>-</u>	<u>334,438</u>
Balance on December 31, 2012	<u>\$ 151,631</u>	<u>141,566</u>	<u>47,254</u>	<u>-</u>	<u>340,451</u>
Balance on January 1, 2012	<u>\$ 151,631</u>	<u>79,876</u>	<u>31,184</u>	<u>4,842</u>	<u>267,533</u>

Please refer to Note 8 for details of the property, plant and equipment pledged as collateral.

## (8) Provisions

The movement in the provisions with respect to warranties was as follows:

	<u>2013</u>	<u>2012</u>
Balance on January 1	\$ 140,455	159,334
Provisions made during the period	98,000	129,051
Provisions used during the period	(112,914)	(146,357)
Effect of movements in exchange rates	3,389	(1,573)
Balance on December 31	<u>\$ 128,930</u>	<u>140,455</u>

(Continued)

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

The Group's warranty provision is estimated based on historical data of the construction contract. Most liabilities are expected to occur during the warranty period that is mentioned in the contract since completion of the construction.

(9) Short-term loans

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Unsecured bank loans	\$ 180,975	93,069	90,969
Secured bank loans	106,857	59,091	69,197
	<u>\$ 287,832</u>	<u>152,160</u>	<u>160,166</u>
Unused facilities	<u>\$ 2,504,425</u>	<u>2,547,863</u>	<u>2,152,191</u>
Interest Rate	<u>1.5%~2.06%</u>	<u>1%~2.15%</u>	<u>1.25%~6.56%</u>

For the following risk exposure information about the Group's interest, currency, and liquidity, please refer to Note 6(15).

For details of the related assets pledged as collateral, please refer to Note 8.

(10) Employee benefits

A. Defined benefit plans

The movement in the present value of defined benefit obligations and fair value of plan assets were as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Present value of defined benefit obligation	\$ 45,167	43,478	39,537
Fair value of plan assets	(12,519)	(10,368)	(8,440)
Recognized liabilities (assets) for defined benefit obligations	<u>\$ 32,648</u>	<u>33,110</u>	<u>31,097</u>

The Group makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and the average monthly salary for six months prior to retirement.

(a) Composition of plan assets

The Group set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to these funds, its minimum earnings in the annual distributions on the final financial statements shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

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## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

The Group's labor pension reserve account balance in the Bank of Taiwan amounted to \$12,519 as of December 31, 2013. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(b) The movement in present value of the defined benefit obligations

	<u>2013</u>	<u>2012</u>
Balance, January 1	\$ 43,478	39,537
Service cost and interest for the period	761	791
Actuarial loss (gain)	928	3,150
Balance, December 31	<u>\$ 45,167</u>	<u>43,478</u>

(c) The movement in fair value of defined benefit plan assets

	<u>2013</u>	<u>2012</u>
Balance, January 1	\$ 10,368	8,440
Benefit paid from plan assets	1,995	1,838
Expected return on plan assets	198	178
Actuarial losses	(42)	(88)
Balance, December 31	<u>\$ 12,519</u>	<u>10,368</u>

(d) The expenses recognized in profit or loss

	<u>2013</u>	<u>2012</u>
Interest cost	\$ 761	791
Expected return on plan assets	(198)	(178)
	<u>563</u>	<u>613</u>
Operating cost	67	104
Operating expense	496	509
	<u>\$ 563</u>	<u>613</u>

(e) Actuarial gains and losses are recognized in other comprehensive income

	<u>2013</u>	<u>2012</u>
Recognition for the period	<u>\$ (970)</u>	<u>(3,238)</u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (f) Actuarial assumptions

## i. For actuaries for present value of defined benefit obligations

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Discount rate	2.00%	1.75%
Expected return rate on plan assets	2.00%	1.75%
Future salary rate increases	3.00%	3.00%

## ii. For actuaries for cost of defined benefit plan

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Discount rate	1.75%	1.75%
Expected return rate on plan assets	1.75%	1.75%
Future salary rate increases	3.00%	3.00%

The expected ratio was based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return ratio was based exclusively on historical returns, without adjustments..

## (g) Experience adjustments based on historical information

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Present value of defined benefit obligation	\$ 45,167	43,478	39,537
Fair value of plan assets	(12,519)	(10,368)	(8,440)
(Surplus) deficit in the plan	<b>\$ 32,648</b>	<b>33,110</b>	<b>31,097</b>
Experience adjustments arising on plan liabilities	<b>\$ 928</b>	<b>3,150</b>	<b>-</b>
Experience adjustments arising on plan assets	<b>\$ 42</b>	<b>88</b>	<b>-</b>

(h) When calculating the present value of the defined benefit obligation, the Group must use judgment and estimates to determine the actuarial assumptions at the reporting date, including staff turnover and future salary changes. Any changes in actuarial assumptions could materially affect the Group to determine the amount of the benefit obligations.

As of December 31, 2013, the Group's book value of accrued pension liabilities was \$32,648. When there is an increased (decreased) of 0.25% of the discount rate at the reporting date, it would have decreased the accrued pension liabilities by \$2,090 or increased the accrued pension liabilities by \$2,204. When there is an increased (decreased) of 0.25% in the future salary rate, it would have increased the accrued pension liabilities by \$2,150 or decreased the accrued pension liabilities by \$2,120.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## B. Defined contribution plans

The Group contributes an amount at the rates of 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance and Council of Labor Affairs in accordance with the provisions of the Labor Pension Act. The Group's contributions to the Bureau of the Labor Insurance for the employees' pension benefits require no further additional payment of legal or constructive obligations.

For the years ended December 31, 2013 and 2012, the Group set aside \$42,256 and \$31,748, respectively, of the pension costs under the defined contribution method.

## (11) Taxes

## A. Income tax expense

The amount of income tax expense for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Current income tax expense:		
Current period	\$ 160,657	195,496
10% surtax on undistributed earnings	21,152	5,427
Prior years income tax adjustment	<u>(7,594)</u>	<u>7,761</u>
	<u>174,215</u>	<u>208,684</u>
Deferred tax expense:		
Origination and reversal of temporary difference	<u>(20,275)</u>	<u>11,393</u>
Income tax expense	<u><b>\$ 153,940</b></u>	<u><b>220,077</b></u>

The amount of tax income expense recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Foreign currency translation differences — foreign operations	<u><b>11,252</b></u>	<u><b>(5,578)</b></u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

Reconciliation of income tax expense (benefit) and income before tax were as follows:

	<u>2013</u>	<u>2012</u>
Profit before tax	\$ 620,474	916,214
Tax rate according to the Group's location	105,481	155,756
Effect of difference in tax rate of foreign jurisdiction	50,918	67,002
Effect on income tax due to permanent difference		
Gain on domestic investment in equity-accounted investee	(21,891)	(22,672)
Prior years income tax adjustment	(7,594)	7,761
Others	68	2,149
Effect on income tax due to temporary difference	5,806	4,654
10% surtax on undistributed earnings	21,152	5,427
Total	<u>\$ 153,940</u>	<u>220,077</u>

## B. Deferred tax asset and liability

Deferred tax asset:

	<u>January 1, 2012</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2012</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2013</u>
Warranty cost	10,236	(577)	-	9,659	(1,168)	-	8,491
Estimated construction loss	5,338	(912)	-	4,426	(4,426)	-	-
Loss carry forward	3,166	2,171	-	5,337	3,906	-	9,243
Allowance for decline in realizable value of inventory	21	17	-	38	3,335	-	3,373
Construction cost	-	-	-	-	5,439	-	5,439
Others	13,265	(8,922)	-	4,343	6,570	-	10,913
	<u>32,026</u>	<u>(8,223)</u>	<u>-</u>	<u>23,803</u>	<u>13,656</u>	<u>-</u>	<u>37,459</u>

Deferred tax liability:

	<u>January 1, 2012</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2012</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2013</u>
Gain on investment in foreign equity-accounted investee	131,224	27,457	-	158,681	6,715	-	165,396
Construction Revenue	38,781	(25,300)	-	13,481	(13,481)	-	-
Foreign currency translation differences for foreign operations	8,456	-	(5,578)	2,878	-	11,252	14,130
Others	358	1,013	-	1,371	147	-	1,518
	<u>178,819</u>	<u>3,170</u>	<u>(5,578)</u>	<u>176,411</u>	<u>(6,619)</u>	<u>11,252</u>	<u>181,044</u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## C. Income tax examination and approval

The income tax returns of the Company, Hersuo and Nova Technology, have been examined by the tax authorities through year 2011.

## D. Integrated income tax information

The Company's integrated income tax information were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Unappropriated earnings in 1998 and after	<u>\$ 1,175,370</u>	<u>1,239,355</u>	<u>1,091,708</u>
Balance of the Imputation Credit Account	<u>\$ 147,789</u>	<u>104,612</u>	<u>101,008</u>
		<u><b>2013(Estimated)</b></u>	<u><b>2012(Actual)</b></u>
Creditable ratio for distributed to domestic shareholders of earnings		<u><b>12.57%</b></u>	<u><b>14.91%</b></u>

According to the amendment by the Ministry of Finance on October 17, 2013 under Decree No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above.

## (12) Capital and other equity

## A. Issuance of common stock

As of December 31, 2013 and 2012 and January 1, 2012, the authorized common stock was \$720,000 and the issued common stock amounted to \$461,359, with a par value of \$10 per share.

## B. Capital surplus

The components of the capital surplus were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
From issuance of common stock	<u>\$ 896,599</u>	<u>896,599</u>	<u>896,599</u>

In accordance with Amended Company Act, effective January 2012, realized capital reserves can only be capitalized or distributed as cash dividends after offsetting against losses. The aforementioned realized capital reserves include share premiums and donation gains. In accordance with Securities Offering and Issuance Guidelines, the amount of capital surplus that can be capitalized shall not exceed 10 percent of the paid-in capital.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****C. Legal reserve**

In accordance with the Company Act, 10 percent of net income should be set aside after offsetting accumulated deficits, if any, as legal reserve, until it is equal to issued common stock. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the legal reserve either by new shares or by cash of up to 25 percent of the paid-in capital.

**D. Special reserve**

The difference between the total net reduction of other shareholders' equity and the carrying amount of special earnings reserve as stated above shall be reclassified as a special earnings reserve during earnings distribution. Other prior accumulated debit balance of stockholders equity was recognized as additional special reserve from prior undistributed earnings, and distributions were prohibited. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

The Company recognized a special reserve amounting to \$11,930 on January 1, 2012, and was revolved to be reversed during shareholders' meeting in 2012. The net increase in retained earnings due to the first adoption of IFRS 1 on the conversion date to IFRS amounting to \$39,790, shall be recorded as special reserve under related rules. The apportioned earnings are reversed to the extent the percentage the special reserve is originally recognized when related assets are used, disposed of or reclassified. The total net changes in special reserve amounted to \$27,860, and the accumulated balance amounted to \$39,790.

**E. Retained earnings and earnings distribution**

According to Acter's articles of incorporation, 10% of the annual earnings, after offsetting any accumulated deficit and payment of income taxes due, if any, shall be set aside as a legal reserve. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remainder of such appropriation should be as follows:

- i. 2% or more as bonuses to employees. However, Acter may include employees of subsidiaries in profit sharing in the form of stock.
- ii. 3% as remuneration to directors.
- iii. The remaining balance, excluding (i) and (ii), is partially reserved depending on the business environment, growth status, and long-term finance planning. After deducting the aforementioned partially reserve, the remaining balance, plus, any unappropriated earnings in previous years shall be used for distribution of stockholders' bonuses by the board of directors, depending on the capital status and economic development in the current year. Cash bonuses should not be less than 10% of the total stockholders' bonuses, and they will be recommended by the board of directors and resolved in the stockholders' meeting.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

Based on the abovementioned earnings distribution policy and taking into account the present operating conditions, the employee bonuses in the amounts of \$21,322 and \$35,122 were accrued for December 31, 2013 and 2012, respectively; and remuneration to directors and supervisors in the amounts of \$10,973 and \$17,242 were accrued for December 31, 2013 and 2012, respectively. If the employee bonuses were paid in stock, the number of shares would be determined by dividing the total approved bonus amount by the closing market price of Acter's stock one day prior to the stockholders' resolution and considering the ex-dividend effect. However, if the aforementioned employee bonuses are modified by the stockholders' meeting in the following year, the adjustment will be treated as a change in accounting estimate and will be reflected in the statement of operations in the actual distribution year.

The distribution of employee bonuses and directors' and supervisors' remuneration for the year ended December 31, 2013 was estimated to be \$32,295, and is subject to the proposal of the board of directors and a resolution of the stockholders' meeting. Relevant information would be available on the Market Observation Post System of the Taiwan Stock Exchange after the abovementioned meetings.

On June 19, 2013, and June 18, 2012, the meeting of stockholders of Acter approved the distribution plan of retained earnings proposed by the board of directors. For 2012 and 2011, respectively, information about dividends per share, employees' bonuses and directors' and supervisors' remuneration is as follows:

	<u>2012</u>	<u>2011</u>
Dividends per share (In New Taiwan Dollars):		
Cash	<u>10.00</u>	<u>10.00</u>
Employees' bonuses – cash	35,122	17,232
Directors' and supervisors' remuneration	<u>17,242</u>	<u>14,428</u>
	<u><b>\$ 52,364</b></u>	<u><b>31,660</b></u>

The above earnings distribution, which was charged to expense, had no difference from the resolution of Acter's board of directors and its accounting records.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## F. Other equity interest

	<b>Foreign currency translation differences for foreign operations</b>	<b>Investment in available-for-sale financial assets</b>
Balance, January 1, 2013	\$ (27,235)	4,608
Foreign currency translation differences (net of tax):		
The Group	54,825	-
Unrealized gains(losses) on available-for-sale financial assets:		
The Group	-	8,837
Balance, December 31, 2013	<u>\$ 27,590</u>	<u>13,445</u>
Balance, January 1, 2012	\$ -	(14,312)
Foreign currency translation differences (net of tax):		
The Group	(27,235)	-
Unrealized gains(losses) on available-for-sale financial assets:		
The Group	-	18,920
Balance, December 31, 2012	<u>\$ (27,235)</u>	<u>4,608</u>

## (13) Earnings per share (“EPS”)

	<b>2013</b>	<b>2012</b>
Profit attributable to common shareholders	<u>466,391</u>	<u>696,137</u>
Weighted average number of common shares (In thousand shares)	<u>46,136</u>	<u>46,136</u>
<b>Basic Earnings per share (In New Taiwan Dollars)</b>	<u>10.11</u>	<u>15.09</u>
Profit attributable to common shareholders	<u>466,391</u>	<u>696,137</u>
Weighted average number of common shares (In thousand shares)	46,136	46,136
Add: effect on potential common stock—employee bonuses (In thousand shares)	<u>331</u>	<u>377</u>
Diluted weighted average number of common shares (In thousand shares)	<u>46,467</u>	<u>46,513</u>
<b>Diluted Earnings per share (In New Taiwan Dollars)</b>	<u>10.04</u>	<u>14.97</u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (14) Non-operating income and expenses

## Other revenue

	<u>2013</u>	<u>2012</u>
Interest income	\$ 8,547	12,719
Rental income	2,166	2,533
Others	15,299	8,382
	<u>\$ 26,012</u>	<u>23,634</u>

## Other income and losses

	<u>2013</u>	<u>2012</u>
Exchange gain (loss) on foreign currency	\$ 17,404	(5,210)
Gain on disposal of investment	3,781	5,323
Impairment loss on financial assets	-	(28,659)
Others	10,565	(510)
	<u>\$ 31,750</u>	<u>(29,056)</u>

## (15) Financial Instruments

## A. Credit risk

## (a) Exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure. As of December 31, 2013 and 2012 and January 1, 2012, the maximum exposures to credit risk amounted to \$3,864,962, \$4,209,691 and \$4,349,433, respectively.

## (b) Impairment losses

Aging analysis of receivables on the balance sheet date was as follows:

	<u>December 31, 2013</u>		<u>December 31, 2012</u>		<u>January 1, 2012</u>	
	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment
Not past due	\$ 704,866	-	676,518	-	1,061,869	-
Past due 1- 120days	1,277,149	122	1,199,720	37	1,028,324	71
Past due 121 - 180 days	115,722	4,422	48,524	1,790	198,146	10,728
Past due 180 - 360 days	59,043	10,745	95,777	16,867	34,227	4,863
Past due 360 - 540days	30,402	12,161	39,575	15,830	29,633	9,178
Past due more than 541 days	37,370	37,370	9,029	8,765	6,462	889
	<u>\$ 2,224,552</u>	<u>64,820</u>	<u>2,069,143</u>	<u>43,289</u>	<u>2,358,661</u>	<u>25,729</u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## B. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payment:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2013</b>						
Non-derivative financial liabilities						
Secured bank loans	\$ 106,856	108,151	108,151	-	-	-
Unsecured bank loans	180,976	182,041	182,041	-	-	-
Notes payable	155,881	155,881	155,881	-	-	-
Accounts payable and provisions (including related parties)	<u>2,227,938</u>	<u>2,227,938</u>	<u>2,137,274</u>	<u>77,694</u>	<u>12,970</u>	<u>-</u>
	<u><b>\$ 2,671,651</b></u>	<u><b>2,674,011</b></u>	<u><b>2,583,347</b></u>	<u><b>77,694</b></u>	<u><b>12,970</b></u>	<u><b>-</b></u>
<b>December 31, 2012</b>						
Non-derivative financial liabilities						
Secured bank loans	\$ 59,091	60,286	60,286	-	-	-
Unsecured bank loans	93,069	93,676	93,676	-	-	-
Notes payable	196,567	196,567	196,567	-	-	-
Accounts payable and provisions (including related parties)	<u>2,051,389</u>	<u>2,051,389</u>	<u>1,837,460</u>	<u>205,173</u>	<u>8,692</u>	<u>64</u>
	<u><b>\$ 2,400,116</b></u>	<u><b>2,401,918</b></u>	<u><b>2,187,989</b></u>	<u><b>205,173</b></u>	<u><b>8,692</b></u>	<u><b>64</b></u>
<b>January 1, 2012</b>						
Non-derivative financial liabilities						
Secured bank loans	\$ 69,197	72,276	72,276	-	-	-
Unsecured bank loans	90,969	91,563	91,563	-	-	-
Notes payable	397,022	397,022	397,022	-	-	-
Accounts payable and provisions (including related parties)	<u>1,872,706</u>	<u>1,872,706</u>	<u>1,782,672</u>	<u>84,296</u>	<u>5,664</u>	<u>74</u>
	<u><b>\$ 2,429,894</b></u>	<u><b>2,433,567</b></u>	<u><b>2,343,533</b></u>	<u><b>84,296</b></u>	<u><b>5,664</b></u>	<u><b>74</b></u>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

## C. Currency risk

## (A) Exposure to currency risk

The Group's significant exposures to foreign currency risk were as follows:

	<u>December 31, 2013</u>			<u>December 31, 2012</u>			<u>January 1, 2012</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 4,419	29.95	132,355	4,970	29.136	144,815	1,438	30.29	43,564
CNY	262,766	4.9472	1,299,957	291,112	4.6741	1,360,685	310,863	4.81	1,496,028
SGD	1,222	23.6796	28,935	2,013	23.8292	47,957	1,254	23.33	29,252
JPY	22	0.2853	6	14	0.3375	5	-	-	-
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	11,609	29.95	347,694	6,236	29.136	181,691	-	-	-
CNY	228,187	4.9472	1,128,886	184,510	4.6741	862,416	224,296	4.81	1,079,247
SGD	145	23.6796	3,439	606	23.8292	14,429	-	-	-
JPY	17,223	0.2853	4,914	7,895	0.3375	2,665	-	-	-

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****(B) Sensitivity analysis**

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of the TWD against the USD, CNY, SGD and JPY as of December 31, 2013 and 2012 would have increased or decreased the after-tax net income by \$236 and \$4,922, respectively. The analysis is performed on the same basis for both periods.

**D. Interest rate analysis**

The interest risk exposure from financial assets and liabilities has been disclosed in this note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reported the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate increases/decreases by 1%, the Group's net income will decrease/increase by \$2,878 and \$1,522 for the year ended December 31, 2013 and 2012, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in variable rate.

**E. Fair value of financial instruments****(A) Fair value and carrying amount**

The Group's management considers the carrying amounts of its financial assets and financial liabilities measured at amortized cost as a reasonable approximation of fair value.

**(B) Fair value hierarchy**

The table below analyses the financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- i. Level 1: quoted prices (unadjusted) for identical assets or liabilities in active markets.
- ii. Level 2: Other than quoted prices included within Level 1, inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

- iii. Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2013</b>				
Available-for-sale financial assets -current	\$ 249,004	-	-	249,004
Available-for-sale financial assets -noncurrent	40,991	-	-	40,991
	<u>\$ 289,995</u>	<u>-</u>	<u>-</u>	<u>289,995</u>
<b>December 31, 2012</b>				
Available-for-sale financial assets -current	\$ 248,842	-	-	248,842
Available-for-sale financial assets -noncurrent	-	6,942	-	6,942
	<u>\$ 248,842</u>	<u>6,942</u>	<u>-</u>	<u>255,784</u>
<b>December 31, 2013</b>				
Available-for-sale financial assets -current	\$ 82,143	-	-	82,143
Available-for-sale financial assets -noncurrent	-	22,692	-	22,692
	<u>\$ 82,143</u>	<u>22,692</u>	<u>-</u>	<u>104,835</u>

The carrying amount of available-for-sale financial assets amounting to \$18,918, which originally classified as fair value level 2, has been transferred into fair value level 1 for the year ended December 31, 2013, due to its easy and regular information pertaining to quoted price from brokers and regulators. The quoted price also stands for an actual and regular market transaction in a fair basis. No transfers occur for the year ended December 31, 2012.

## (16) Financial risk management

## A. Overview

The Group is exposed to the following risks due to its use in financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note discloses the exposure risk information, and the Group's objectives, policies and procedures of measuring and managing risks. For more quantitative disclosure information, please refer to notes of the financial statements.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****B. Risk management framework**

The Group's finance department provides business services for the overall internal department. It coordinates the domestic and international financial market operations, and supervises and manages financial risks related to the Group's operation based on internal risk report about exposure to risk with the analysis of the extent and width of risk. Operation of derivative financial instruments is subject to the policy approved by the Board of Directors, which is documented based on exchange rate risk, interest risk, credit risk, operation of derivative and non-derivative financial instruments and investment in the remaining current capital. The internal auditors of the Group continue with the review of the compliance with the policy and the extent of the exposure to risk. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

**C. Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Group's accounts receivable, investments in securities and financial guarantees.

**a. Accounts receivable**

The Group goes through the process of credit assessment on the trading parties pertaining to company size, industry perspective and general impression from the same industry before transaction begins. The engineering department also conducts an on-site interview, and the finance department will check to financial institutions for any abnormal dishonored check. The engineering department also establishes credit lines for each client, and updates the credit lines on a timely basis to reduce the transaction risk. The Group follows every uncollected receivable monthly. The administrative and the engineering department are responsible for gaining understandings about the overdue receivables and their anticipated date of collection, gaining understandings about clients' financial position, negotiations with the clients or demanding pledges or installment payment.

**b. Investment**

The credit risk exposure in the bank deposits, fixed income investments and open-end fund investments are measured and monitored by the Group's finance department. Since, the Group deals with banks and other external parties with good credit standing, the Group believes that there is no significant impact on credit risk.

**c. Guarantee**

The Group's policy stated that financial guarantee may be rendered to 100% shareholding subsidiaries and trading parties running construction business.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****D. Liquidity risk**

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

**E. Market risk**

Market risk is a risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**a. Currency risk**

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the US Dollars (USD) and Chinese Yuan (CNY) as well.

**b. Interest rate risk**

The Group borrows funds on fixed and variable interest rates, which has risk exposure to changes in fair value and cash flow. Therefore, the Group manages the interest risk by maintaining the fixed and variable interest rates with a proper portfolio. The Group will assess the hedging activities for consistent interest rates within its risk preferences and use the most cost-effective hedging strategy on a regular basis.

**(17) Capital management**

The Group meets its objectives for managing capital to safeguard the capacity to continue to operate and provide a return on shareholder; also, to benefit other related parties, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

The Group and other entities in the similar industry use the debt-to-equity ratio to manage capital. This ratio uses the total net debt to be divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings and other equity plus net debt.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

The Company's debt to capital ratios at the balance sheet date were as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Total liabilities	\$ 4,106,697	4,088,589	4,331,365
Less: cash and cash equivalents	<u>(1,456,226)</u>	<u>(1,934,995)</u>	<u>(1,934,358)</u>
Net debt	\$ 2,650,471	2,153,594	2,397,007
Total equity	<u>2,898,585</u>	<u>2,830,860</u>	<u>2,607,702</u>
Total capital	<u><b>\$ 5,549,056</b></u>	<u><b>4,984,454</b></u>	<u><b>5,004,709</b></u>
Debt to capital ratio	<u><b>47.76%</b></u>	<u><b>43.21%</b></u>	<u><b>47.90%</b></u>

Management believes that there were no changes in the Group's approach to capital management for the year ended December 31, 2013.

#### 7. Related party transactions

##### (1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

##### (2) Key management personnel compensation

	<u>2013</u>	<u>2012</u>
Short-term employee benefits	\$ 51,982	64,089
Post-employment benefits	<u>745</u>	<u>921</u>
	<u><b>\$ 52,727</b></u>	<u><b>65,010</b></u>

##### (3) Other related party transactions

###### A. Construction revenue and related assets and liabilities:

###### (a) Construction revenue, sales revenue, and accounts receivable

The amounts of significant sales transactions and outstanding receivables between the Group and related parties were as follows:

	<u>Sales</u>		<u>Receivables from Related Parties</u>		
	<u>2013</u>	<u>2012</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Entity under the key management's control	\$ -	-	-	-	340,642
Associates	<u>5,601</u>	<u>-</u>	<u>5,937</u>	<u>6,522</u>	<u>-</u>
	<u><b>\$ 5,601</b></u>	<u><b>-</b></u>	<u><b>5,937</b></u>	<u><b>6,522</b></u>	<u><b>340,642</b></u>

(Continued)

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

(b) Construction contracts receivable (payable)

Construction contracts receivable generated from the construction contract were as follows:

	<b>Construction contracts receivable/payable</b>		
	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Construction contracts receivable (payable)	<u>\$ 15,284</u>	<u>-</u>	<u>24,348</u>

Receivable and collection terms for the construction contracts with related parties are determined by the market mechanism and present no significant difference from those with third-party customers.

B. Construction cost, and related assets and liabilities:

The amounts of significant purchase transactions and outstanding payables for goods and equipments between the Group and related parties were as follows:

	<b>Purchases</b>		<b>Payables to Related Parties</b>		
	<b>2013</b>	<b>2012</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Entity under the key management's control	\$ 1,635	-	424	-	10,272
Associates	48,974	-	5,758	-	-
	<u>\$ 50,609</u>	<u>-</u>	<u>6,182</u>	<u>-</u>	<u>10,272</u>

The purchase price and terms of the payments present no significant difference from those with third-party vendors.

C. Rental revenue

The Group had an office lease contract with the associates. The rental revenue is in accordance with the market price and the square meters used. The rental revenue were \$649 and \$1,037 for the years ended December 31, 2013 and 2012, respectively. The uncollected amounts were \$0 and \$1,037 as of December 31, 2013 and 2012, respectively, and are recognized under other receivables from related parties.

D. Others

As of December 31, 2013, and 2012, and January 1, 2012, the Company, on behalf of associates, had paid \$10,894, \$10,894 and \$0, respectively, and they were recorded as other receivables from related parties.

E. Sheng Huei (Suzhou) Engineering Co., Ltd. paid USD 203 to SCEC International (HK) Company Limited for the 46.03% shareholdings in SCEC (Shanghai) Corporation on June 2013.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

F. Sheng Huei (Suzhou) Engineering Co., Ltd. anticipates to invest in SCEC (Shanghai) Corporation jointly with SCEC International (HK) Company Limited, with a prepayment amounting to \$17,685 to SCEC (Shanghai). The legal document and registration has not completed yet as of December 31, 2013.

## 8. Pledged assets

The Group's pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2013	December 31, 2012	January 1, 2012
Other current assets:				
Multi asset-backed bonds for guarantee (under other current assets)	Construction contract fulfillment and warranty guarantee	\$ -	-	2,423
Other financial assets – current:				
Savings deposit / time deposit	Construction contract fulfillment and warranty guarantee	36,034	17,922	21,565
Time deposit	Currency forward	-	-	722
Land and building (including investment property)	Short-term borrowing limit	<u>112,172</u>	<u>72,880</u>	<u>77,384</u>
		<u><b>\$ 148,206</b></u>	<u><b>90,802</b></u>	<u><b>102,094</b></u>

## 9. Significant commitments and contingencies

Significant commitments and contingencies for the Group as of December 31, 2013, and 2012 and January 1, 2012, were as follows:

- (1) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to \$434,273, \$360,627 and \$409,043, respectively.
- (2) Bank pledges for engaging in construction contracts amounted to \$296,585, \$179,129 and \$184,754, respectively.
- (3) Contract fulfillment guarantee and warranty guarantee (excluding related parties) for the competitive corporations amounted to \$977,769, \$966,900 and \$963,180, respectively.
- (4) Outstanding letters of credit were \$5,720, \$41,939 and \$130,111, respectively.
- (5) For already-signed but not-yet-finished significant construction contracts, please refer to note 6(4).

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

(6) The Company has signed a construction contract with Walsin Technology Corporation (Walsin) in December, 2010. Walsin claimed that the Company did not perform the construction according to the contract, and therefore claimed a compensation amounting to \$42,189 at the Taipei District Court, while the Company presumed that the payment obligation did not exist. The Company has appointed an attorney to handle the above dispute. Court proceedings had begun as of the issuance date of the financial statements, and therefore, the court's decision is still unknown.

10. **Losses due to major disasters: None.**

11. **Subsequent events: None.**

12. **Other**

The employee benefits, depreciation and amortization expenses categorized by function were as follows:

<u>By item</u>	<u>2013</u>			<u>2012</u>		
	<u>Operating costs</u>	<u>Operating expense</u>	<u>Total</u>	<u>Operating costs</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit						
Salary	430,165	224,304	654,469	389,995	212,892	602,887
Labor, health and social insurance	34,671	17,022	51,693	29,573	13,414	42,987
Pension	29,476	13,343	42,819	22,377	9,984	32,361
Other	12,213	15,440	27,653	11,773	12,280	24,053
Depreciation	2,415	16,541	18,956	2,625	11,224	13,849
Amortization	18	6,023	6,041	1	3,810	3,811

Note: Depreciation for investment property was \$345 for the year ended December 31, 2013 and 2012, and was recorded in non-operating expense.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## 13. Segment information

## (1) Segment information

The Group's operating segment information and reconciliation are as follows:

2013	Taiwan	Mainland China	Other Asian	Adjustments and eliminations	Total
Revenue:					
Revenue from external customers	\$ 4,420,767	4,052,358	182,947	-	8,656,072
Intersegment revenues	167,911	81,933	50	(249,894)	-
Interest revenue	5,803	3,187	919	(1,362)	8,547
Total revenue	<u>\$ 4,594,481</u>	<u>4,137,478</u>	<u>183,916</u>	<u>(251,256)</u>	<u>8,664,619</u>
Interest expense	\$ (464)	(6,125)	(728)	1,362	(5,955)
Depreciation and amortization	(9,939)	(13,721)	(1,337)	-	(24,997)
Share of gain (loss) of associates accounted for using equity method	257,961	(1,720)	100,094	(352,132)	4,203
<b>Reportable segment profit or loss</b>	<b><u>\$ 341,402</u></b>	<b><u>127,069</u></b>	<b><u>(2,080)</u></b>	<b><u>-</u></b>	<b><u>466,391</u></b>
Asset:					
Investment accounted for using equity method	\$ 1,974,175	23,612	1,414,977	(3,406,267)	6,497
Capital expenditures of noncurrent assets	2,819	12,156	2,583	-	17,558
<b>Reportable segment asset</b>	<b><u>\$ 5,390,739</u></b>	<b><u>3,451,674</u></b>	<b><u>1,789,899</u></b>	<b><u>(3,627,030)</u></b>	<b><u>7,005,282</u></b>
<b>Reportable segment liability</b>	<b><u>\$ 1,944,114</u></b>	<b><u>2,168,524</u></b>	<b><u>214,831</u></b>	<b><u>(220,772)</u></b>	<b><u>4,106,697</u></b>
2012	Taiwan	Mainland China	Other Asian	Adjustments and eliminations	Total
Revenue:					
Revenue from external customers	\$ 4,778,296	3,246,978	257,119	-	8,282,393
Intersegment revenues	480,866	50,893	199	(531,958)	-
Interest revenue	9,090	4,268	913	(1,552)	12,719
Total revenue	<u>\$ 5,268,252</u>	<u>3,302,139</u>	<u>258,231</u>	<u>(533,510)</u>	<u>8,295,112</u>
Interest expense	\$ (37)	(4,892)	(418)	1,552	(3,795)
Depreciation and amortization	(9,076)	(7,555)	(1,029)	-	(17,660)
Share of gain (loss) of associates accounted for using equity method	296,532	(17)	193,093	(506,916)	(17,308)
<b>Reportable segment profit or loss</b>	<b><u>\$ 515,663</u></b>	<b><u>168,040</u></b>	<b><u>12,434</u></b>	<b><u>-</u></b>	<b><u>696,137</u></b>
Asset:					
Investment accounted for using equity method	\$ 1,732,672	2,319	1,378,197	(3,109,568)	3,620
Capital expenditures of noncurrent assets	11,163	78,942	1,919	-	92,024
<b>Reportable segment asset</b>	<b><u>\$ 5,653,582</u></b>	<b><u>3,062,681</u></b>	<b><u>1,596,925</u></b>	<b><u>(3,393,739)</u></b>	<b><u>6,919,449</u></b>
<b>Reportable segment liability</b>	<b><u>\$ 2,314,290</u></b>	<b><u>1,915,283</u></b>	<b><u>147,234</u></b>	<b><u>(288,218)</u></b>	<b><u>4,088,589</u></b>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (2) Overall information

## A. Information about the products and services

Revenue from external customers were as follows:

	<u>2013</u>	<u>2012</u>
Electronic and mechanical construction services	\$ 1,286,868	589,855
Clean room construction	4,604,860	4,815,228
Gas and chemical supply system engineering	891,195	701,937
Others	1,873,149	2,175,373
	<u>\$ 8,656,072</u>	<u>8,282,393</u>

## B. Geographical information

In presenting information on the basis of geography, segment revenue should be based on the geographical location of customers, and segment assets should be based on the geographical location of the assets.

## i. Revenue from external customers:

<u>Area</u>	<u>2013</u>	<u>2012</u>
Taiwan	\$ 4,420,767	4,778,296
Mainland China	4,052,358	3,246,978
Other countries	182,947	257,119
	<u>\$ 8,656,072</u>	<u>8,282,393</u>

## ii. Non-current assets:

<u>Area</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Taiwan	\$ 276,222	276,266
Mainland China	151,457	144,051
Other countries	4,593	3,225
	<u>\$ 432,272</u>	<u>423,542</u>

Non-current assets include property, plant and equipment, investment property, intangible assets and other assets.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## C. Information about major customers

Major customers representing at least 10% of net sales:

	<u>2013</u>	<u>2012</u>
Customer A	<u>\$ 208,641</u>	<u>1,040,203</u>

## 14. First time adoption of IFRS

The consolidated financial statements as of December 31, 2012 were prepared in conformity with the generally accepted accounting principles of the Republic of China as mentioned in Note 4(1). These are the Group's first consolidated financial statements prepared under Guidelines and IFRS endorsed by the FSC, and IFRS 1 "First-time Adoption of International Financial Reporting Standards" has already been applied.

The preparation of the consolidated financial statements for the year ended December 31, 2012 and the consolidated balance sheets as of December 31, 2012 and January 1, 2012 (conversion date) adopted the IFRS Accounting Policies.

For purposes of preparing the first financial reports in 2012 under IFRS, the Group regarded the amounts in the financial reports under the R.O.C. GAAP as the initial point for adjustments. An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Group is provided in the following statements and notes.

## (1) Reconciliation of balance sheet

	<u>December 31, 2012</u>			<u>January 1, 2012</u>		
	<u>ROC GAAP</u>	<u>Adjust- ments</u>	<u>IFRSs</u>	<u>ROC GAAP</u>	<u>Adjust- ments</u>	<u>IFRSs</u>
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,934,995	-	1,934,995	1,934,358	-	1,934,358
Available-for-sale financial assets—current	248,842	-	248,842	82,143	-	82,143
Notes receivable, net	257,690	-	257,690	280,800	-	280,800
Accounts receivable, net	1,718,670	-	1,718,670	1,672,137	-	1,672,137
Receivables from related parties	6,522	-	6,522	340,642	-	340,642
Construction contracts receivables	1,010,787	38,644	1,049,431	789,076	326,324	1,115,400
Other receivables	31,041	-	31,041	39,353	-	39,353
Other receivables from related parties	11,931	-	11,931	-	-	-
Inventories	790,922	-	790,922	789,250	-	789,250
Other financial assets	71,680	-	71,680	106,693	-	106,693
Other current assets	384,209	(52,712)	331,497	196,337	(47,594)	148,743
	<u>6,467,289</u>	<u>(14,068)</u>	<u>6,453,221</u>	<u>6,230,789</u>	<u>278,730</u>	<u>6,509,519</u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

	December 31, 2012			January 1, 2012		
	ROC GAAP	Adjust- ments	IFRSs	ROC GAAP	Adjust- ments	IFRSs
Non-current assets:						
Available-for-sale financial assets—noncurrent	-	6,942	6,942	-	22,692	22,692
Investment accounted for using equity method	3,682	(62)	3,620	15,581	(19)	15,562
Property, plant and equipment	340,451	-	340,451	267,533	-	267,533
Investment property, net	31,550	-	31,550	31,895	-	31,895
Deferred tax assets	4	23,799	23,803	-	32,026	32,026
Long-term prepaid rents	-	36,974	36,974	-	38,862	38,862
Other non-current assets	77,940	(55,052)	22,888	105,182	(84,204)	20,978
	453,627	12,601	466,228	420,191	9,357	429,548
Total assets	<u>\$ 6,920,916</u>	<u>(1,467)</u>	<u>6,919,449</u>	<u>6,650,980</u>	<u>288,087</u>	<u>6,939,067</u>
	December 31, 2012			January 1, 2012		
	ROC GAAP	Adjust- ments	IFRSs	ROC GAAP	Adjust- ments	IFRSs
Liabilities and equities						
Current liabilities:						
Short-term loans	\$ 152,160	-	152,160	160,166	-	160,166
Notes payable	196,567	-	196,567	397,022	-	397,022
Accounts payable	2,051,389	-	2,051,389	1,862,434	-	1,862,434
Payables to related parties	-	-	-	10,272	-	10,272
Construction contracts payable	560,823	(169,548)	391,275	513,689	74,429	588,118
Accrued salaries and bonuses	122,663	13,392	136,055	116,638	12,546	129,184
Income tax payable	112,817	-	112,817	126,235	-	126,235
Advance sales receipts	702,074	-	702,074	719,605	-	719,605
Other current liabilities	139,706	(3,287)	136,419	128,763	(662)	128,101
	4,038,199	(159,443)	3,878,756	4,034,824	86,313	4,121,137
Current liabilities:						
Deferred tax assets	152,913	23,498	176,411	118,393	60,426	178,819
Accrued pension liability	15,891	17,219	33,110	15,794	15,303	31,097
Guarantee deposit received	312	-	312	312	-	312
	169,116	40,717	209,833	134,499	75,729	210,228
Total liabilities	4,207,315	(118,726)	4,088,589	4,169,323	162,042	4,331,365
Equity Attributable to Shareholders of the parent company						
Common stock	461,359	-	461,359	461,359	-	461,359
Capital surplus	896,599	-	896,599	896,599	-	896,599
Retained earnings	1,342,078	153,451	1,495,529	1,093,970	170,086	1,264,056
Other equity interest	13,565	(36,192)	(22,627)	29,729	(44,041)	(14,312)
Total Equity	2,713,601	117,259	2,830,860	2,481,657	126,045	2,607,702
Total Liabilities And Equity	<u>\$6,920,916</u>	<u>(1,467)</u>	<u>6,919,449</u>	<u>6,650,980</u>	<u>288,087</u>	<u>6,939,067</u>

(Continued)



## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (4) Notes to reconciliation

- A. Investment in Xantia, which is designated as available-for-sale financial assets, is measured at fair value under the IFRS as endorsed by the FSC, which are previously measured at cost. Under the R.O.C GAAP, the financial assets amounted to \$35,342. The fair value of the available-for-sale financial assets amounted to \$22,692 at the transition date.

The effects of this GAAP difference are as follows:

	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Consolidated balance sheets		
Available-for-sale financial assets	\$ 6,942	22,692
Financial assets carried at cost	(6,942)	(35,342)
Retained earnings adjustments	<u>\$ -</u>	<u>(12,650)</u>

- B. The Group bears a legal or constructive benefit obligation due to the amount of accumulating compensated absences arising from employees' past service. Therefore, the expected payment of accumulating compensated absences is recognized as accrued liability, and adjustment is made to retained earnings.

The effects of this GAAP difference are as follows:

	<u>2012</u>	
Consolidated comprehensive income statement		
Increase in operating cost	\$ (647)	
Increase in operating expense	(285)	
	<u>\$ (932)</u>	
	<u>December 31,</u>	<u>January 1,</u>
	<u>2012</u>	<u>2012</u>
Consolidated balance sheets		
Accrued salaries and bonuses	\$ (13,392)	(12,546)
Investment accounted for using equity method	(83)	(26)
Foreign currency translation differences — foreign operations	79	165
Retained earnings adjustments	<u>(13,396)</u>	<u>(12,407)</u>

- C. The Group recognized the actuarial gain or loss as other comprehensive income in the statement of comprehensive income under the IFRS as endorsed by the FSC. Under R.O.C. GAAP, the Group recognized actuarial gain or loss as profit or loss based on the average remaining service period of employees. At the transition date, all of the unrecognized accumulated actuarial gains or losses are recognized directly to retained earnings, and reversed on the comprehensive income statement in the previous years.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

The effects of this GAAP difference are as follows:

	<u>2012</u>	
Consolidated comprehensive income statement		
Decrease in operating cost	\$ 215	
Decrease in operating expense	1,017	
	<u>\$ 1,232</u>	
	<u>December 31,</u>	<u>January 1,</u>
	<u>2012</u>	<u>2012</u>
Consolidated balance sheets		
Accrued pension liability	\$ (17,219)	(15,303)
Prepaid pension cost	(434)	(338)
Deferred pension cost	(10,702)	(9,662)
Unrecognized pension costs	(2,170)	(3,215)
Retained earnings adjustments	<u>\$ (30,525)</u>	<u>(28,518)</u>

- D. Some of the Group's long-term construction contracts do not meet the criteria for adopting the percentage-of-completion method, and therefore adopt the completed-contract method. According to IFRSs, however, there is no completed-contract method, and revenues are recognized based on the extent of completion using the percentage-of-completion method.

The effects of this GAAP difference are as follows:

	<u>2012</u>	
Consolidated comprehensive income statement		
Increase (decrease) in construction revenue	\$ (215,523)	
Decrease (increase) in construction cost	176,228	
	<u>\$ (39,295)</u>	
	<u>December 31,</u>	<u>January 1,</u>
	<u>2012</u>	<u>2012</u>
Consolidated balance sheets		
Construction contract receivable	\$ 38,644	326,324
Construction contract payable	169,548	(74,429)
Foreign currency translation differences — foreign operations	(4,082)	(8,493)
Retained earnings adjustments	<u>\$ 204,110</u>	<u>243,402</u>

(Continued)

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

According to the Company's consolidated financial statements for the year ended December 31, 2012, note 10 (4), the amount of recognized construction revenue shall be decreased by \$149,982 at the transition date to IFRSs. The difference between \$149,982 and \$215,523 listed in the above table amounted to \$65,541. This adjustment made the percentage of completion lower and had an effect on the amount to be recognized for the construction revenue and construction contract receivable for the period due to an increase in estimated total construction costs in 2012.

Moreover, the decrease in recognized amount of construction revenue in 2012 also resulted in a decrease in income tax expense and net deferred tax liability/asset which amounted to \$24,632.

The above adjustments taken as a whole resulted in a decrease in retained earnings which amounted to \$40,799 for the year ended December 31, 2012.

- E. The Company elected to have the foreign currency translation differences—foreign operations deemed to be zero according to IFRS 1 endorsed by the FSC.

The effects of this GAAP difference are as follows:

	<b>December 31, 2012</b>	<b>January 1, 2012</b>
	<u>                    </u>	<u>                    </u>
Consolidated balance sheets		
Foreign currency translation differences		
— foreign operations	<u>\$          <b>39,790</b></u>	<u>                  <b>39,790</b></u>

- F. The effect on income tax of the above changes is as follows:

	<b>December 31, 2012</b>	<b>January 1, 2012</b>
	<u>                    </u>	<u>                    </u>
Consolidated balance sheets		
Deferred tax asset	\$          (23,799)	32,026
Deferred tax liability	(25,324)	(107,358)
Investment accounted for using equity method	21	7
Foreign currency translation differences		
— foreign operations	<u>2,574</u>	<u>3,144</u>
Retained earnings adjustments	<u>\$          <b>(46,528)</b></u>	<u>                  <b>(72,181)</b></u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

G. The effects on retained earnings of the GAAP differences described above are as follows :

	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Employee benefits	\$ (41,747)	(37,849)
Construction contract receivable/payables, net	208,192	251,895
Investment accounted for using equity method	(62)	(19)
Available-for -sale financial assets	6,942	22,692
Financial assets carried at cost	(6,942)	(35,342)
Unrecognized pension costs	(2,170)	(3,215)
Foreign currency translation differences		
— foreign operations	38,361	34,606
Unrealized gains on financial instruments	-	12,650
Deferred income tax	(49,123)	(75,332)
Retained earnings adjustments	<u>\$ 153,451</u>	<u>170,086</u>

- H. Regarding the land leasehold rights held under leases, the Company accounted for them as an operating lease under IFRSs endorsed by the FSC. According to IFRSs, the payment to acquire the leasehold interest shall be accounted for as prepayments and amortized over the lease term. Thus, the Company reclassified the land leasehold rights which were recorded under intangible assets in accordance with ROC GAAP as prepaid long-term lease amounting to \$38,862 and \$36,974 as of January 1 and December 31, 2012, respectively.
- I. Parts of the Company's land and building are used for acquiring rental revenue or capital gain. Thus, the Company reclassified the land and building which were recognized as lease assets in accordance with ROC GAAP as investment properties, and they amounted to \$31,895 and \$31,550, as of January 1 and December 31, 2012, respectively.
- J. The Company's savings deposit, time deposit and multi asset-backed bonds for guarantee are pledged for construction contract fulfillment and warranty guarantee, recognized as restricted assets—current amounting to \$24,710 and \$17,922, as of January 1 and December 31, 2012, respectively. The restricted assets that will be reclassified to other financial assets amounting to \$22,287 and \$17,922, respectively, and financial assets carried at amortized cost—current amounted to \$2,423 and \$0, respectively, under IFRSs.

Acter Co., Ltd.

Chairman : Chin-Li Liang

Printed on April 30, 2014