

Stock code: 5536

**Acter**  
聖暉工程

**ACTER CO., LTD.**

**Handbook for the 2014  
Annual Meeting of Shareholders**

**MEETING TIME: June 18, 2014**

## Table of Contents

<b>I. MEETING PROCEDURE .....</b>	<b>1</b>
<b>II. AGENDA OF ANNUAL MEETING OF SHAREHOLDERS .....</b>	<b>3</b>
<b>III. MANAGEMENT PRESENTATIONS .....</b>	<b>5</b>
<b>IV. PROPOSALS .....</b>	<b>5</b>
<b>V. DISCUSSION.....</b>	<b>7</b>
<b>VI. ELECTIONS.....</b>	<b>10</b>
<b>VII. QUESTIONS AND MOTIONS.....</b>	<b>11</b>
<b>VIII. ADJOURNMENT .....</b>	<b>11</b>
<b>IX. ATTACHMENTS .....</b>	<b>12</b>
<b>ATTACHMENT 1: BUSINESS REPORT .....</b>	<b>13</b>
<b>ATTACHMENT 2: 2013 INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS ...</b>	<b>18</b>
<b>ATTACHMENT 3: SUPERVISOR'S REVIEW REPORT .....</b>	<b>24</b>
<b>ATTACHMENT 4: COMPARISON TABLE OF THE PROCEDURE FOR ACQUISITION AND DISPOSAL OF ASSETS .....</b>	<b>25</b>
<b>X. APPENDICES .....</b>	<b>33</b>
<b>APPENDIX 1: RULES OF PROCEDURE FOR SHAREHOLDER MEETINGS .....</b>	<b>34</b>
<b>APPENDIX 2: ARTICLES OF INCORPORATION.....</b>	<b>44</b>
<b>APPENDIX 3: ACQUISITION AND DISPOSAL OF ASSETS &lt; BEFORE THE REVISION &gt;.....</b>	<b>51</b>
<b>APPENDIX 4: PROCEDURES FOR ELECTION OF DIRECTORS AND SUPERVISORS .....</b>	<b>73</b>
<b>APPENDIX 5: SHAREHOLDING OF DIRECTORS AND SUPERVISORS.....</b>	<b>78</b>
<b>APPENDIX 6: DIRECTORS' COMPENSATION AND EMPLOYEES' PROFIT SHARING .....</b>	<b>79</b>
<b>APPENDIX 7: THE OTHER EXPLANATION .....</b>	<b>80</b>

# **I. Meeting Procedure**

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

### **Procedure for the 2014 Annual Meeting of Shareholders**

- 1. Call the Meeting to Order**
- 2. Chairperson Remarks**
- 3. Management Presentation**
- 4. Proposals**
- 5. Discussion**
- 6. Elections**
- 7. Questions and Motions**
- 8. Adjournment**

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

# **Acter Co., Ltd.**

## **Year 2014 Agenda of Annual Meeting of Shareholders**

**Time** : 09:00 a.m on Wednesday, 18 June, 2014

**Place** : 33F, No.787, Jhongming S. Rd., Taichung, Taiwan ( Acter's office meeting room )

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

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

### **2. Chairperson Remarks**

### **3. Management Presentations**

(1)2013 Business Report

(2)Supervisor's Review Report on the 2013 Financial Statements

### **4. Proposals**

(1)Adoption of the 2013 Business Report and Financial Statements

(2)Adoption of the Proposal for Distribution of 2013 Profits

### **5. Discussion**

(1)Discussion on the proposal to amend the Operational Procedures for Acquisition and Disposal of Assets

(2)The Company intends to issue new restricted employee shares

### **6. Elections**

(1)By-election of one supervisor

### **7. Questions and Motions**

### **8. Adjournment**

### **III. Management Presentations**

**Report No. 1 :** 2013 Business Report (proposed by the Board of Directors)

**Explanation :** The 2013 Business Report is attached as pp. [13-23], Attachment 1 and Attachment 2.

**Report No. 2 :** Supervisor's Review Report on the 2013 Financial Statements  
(proposed by the Board of Directors)

**Explanation:** The 2013 Supervisor's Review Report is attached as pp. [24], Attachment 3.

### **IV. Proposals**

**Proposal No. 1 :** Adoption of the 2013 Business Report and Financial Statements (proposed by the Board of Directors)

**Explanation :**

- (1) Acter Company's Financial Statements, including the balance sheet, statement of comprehensive income, statement of change in equity, and statement of cash flows, were audited by independent auditors, Wu, Whe-Land CPA and Chen, Cheng-Hsueh CPA of KPMG Firm. Also Business Report and Financial Statements have been approved by the Board held on Feb. 24, 2014 and examined by the supervisors of Acter Company.
- (2) The 2013 Business Report, independent auditors' report, and the above-mentioned Financial Statements are attached in the Meeting Agenda as, pp. [13-23], Attachment 1 and Attachment 2.

**Resolution :**

**Proposal No. 2 : Adoption of the Proposal for Distribution of 2013 Profits**  
(proposed by the Board of Directors)

**Explanation :**

(1) Please refer to the 2013 Profit Distribution Table as follows.

**Acter Co., Ltd.**  
**PROFIT DISTRIBUTION TABLE**  
**Year 2013**

Unit : NTD

Beginning retained earnings(ROC GAAP)	593,452,305
Add: First-time adoption of IFRS effects at the date of transition	170,083,720
Add:The difference between ROC GAAP net income IFRS net income(2012)	(13,395,293)
Less: Special reserve at first-time adoption of IFRSs	39,790,253
Beginning retained earnings(IFRS)	710,350,479
Less:Total comprehensive income(2012)	3,306,344
Less:	
Changes in the number of actuarial gains and losses	969,556
Add:	
Reversal of provision for special reserve	2,905,625
Adjusted beginning retained earnings(IFRS)	708,980,204
Add: net profit after tax	466,390,601
Less: 10% legal reserve ( 2013 )	46,639,060
Distributable net profit	1,128,731,745
Distributable items:	
Cash Dividend to shareholders(10 per share)	461,358,190
Stock Dividend to shareholders (0 per share)	0
Unappropriated retained earnings	667,373,555
Notes:	
Employee bonus sharing 21,321,994(According to the Articles of Association the employee bonus in the amount not less than 2%)	
Compensation of directors and supervisors10,972,973 (According to the Articles of Association the director and supervisor remuneration in the amount not exceeding 3%)	



- (2) Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to determine the ex-dividend date, ex-rights date, and other relevant issues.

**Resolution :**

## **V. Discussion**

**Proposal No. 1 :** Discussion on the proposal to amend the Operational Procedures for Acquisition and Disposal of Assets (proposed by the Board of Directors)

**Explanation :**

- (1) In order to be in line with the amendments to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the company hereby proposes to amend the Operational Procedures for Acquisition and Disposal of Assets.
- (2) Please refer to page 25-32 (Attachment 4) for details.

**Resolution :**

**Proposal No. 2 :** The company intends to issue new restricted employee shares. (proposed by the Board of Directors)

**Explanation :**

- (1) The new restricted employee shares which are to be issued shall be filed with the Competent Authority in multiple tranches over a period of 1 year from the resolution of Annual Meeting of Shareholders and shall be granted in one tranche or multiple tranches depending on actual needs, over

a period of 1 year from the date of receipt of the notice of effective registration granted by the Competent Authority. The Chairman of the Company is authorized to determine the actual grant date.

(2) Details of the issuance of new restricted employee shares proposed as follows:

A. Total amounts (shares) of issuance : 1,200,000 common shares

B. Issuance terms and conditions

a. Issued price : To give consideration to the effect of hiring, retaining and inspiring the employees, and the shareholder's interest, the issued price is set to be zero.

b. Vesting conditions : Vesting conditions are based on the years of service and financial performance which are both achieved.

c. Non compliance of the conditions : After Company shall redeem and cancel all new restricted employee shares from any employee whom received the new restricted employee shares but fail to meet the vesting conditions.

(3) Employee qualification requirements

A. Employee qualification requirements : Full-time and key employees relating to the company operations. The key employees means the managers or higher-level personnel.

B. Stocks awarded : List of eligible employees with awarded shares will be determined based on the years of service, position degree, work performance and contribution to company operations.

- (4) The restricted rights after new shares have been allotted or subscribed for and prior to the achievement of vesting conditions
- A. During the vesting term, the new restricted employee shares may not be sold, pledged, transferred, donated or otherwise disposed of.
  - B. The new restricted employee shares carry the same rights as other outstanding common shares, including dividends, bonuses, and additional paid-in capital except non-transferability of the stocks prior to the achievement of vesting conditions.
- (5) The reason why it is necessary to issue the new restricted employee shares : To attract and retain professional personnel need by the Company, to motivate employees and enhance their centripetal force so as to jointly create the Company' s and shareholders' interests.
- (6) Potential expense and impact to dilution of earnings per share (EPS) and other factors that may affect shareholder's equity : The number of new restricted employee shares proposed to be issued is 1,200,000 common shares. Based on the market closed price of NT\$118 on Feb. 14, 2014 the annually expensed amount from 2014 to 2017 is estimated at NT\$30,483 thousands, NT\$61,360 thousands, NT\$35,990 thousands and NT\$13,767 thousands respectively and the potential dilution of EPS from 2014 to 2017 is estimated at NT\$0.66, NT\$1.33, NT\$0.78 and NT\$0.30 respectively.
- (7) Other important matters :
- A. The Trust Custodian shall attend the Annual Meeting of Shareholders, submit the proposals, make the

statements, exercise the voting rights and conduct other factors relevant to the shareholders' equity by proxy for the employees who received the new restricted employee shares, prior to the achievement of vesting conditions.

- B. Upon the approval of the Annual Meeting of Shareholders, the Board of Directors is authorized to file to the Competent Authority subject to the relevant laws and regulations.
- C. Unless otherwise provided by laws and regulations, if there are any unspecified terms after proposed for resolution of this Annual Meeting of Shareholders, the Board of Directors is authorized to amend or adopt the issuance of the restricted stocks subject to the relevant laws and regulations.

**Resolution :**

## **VI.Elections**

**Proposal No. 1 :** By-election of one supervisor (proposed by the Board of Directors)

**Explanation :**

- (1) According to the Articles 16 of the Articles of Incorporation, Company shall have five to nine directors and two to three supervisors. The Ninth Directors and Supervisors were elected during the annual shareholders' meeting on June 18, 2012 with each to serve a term of three years starting from June 18, 2012 to June 17, 2015.
- (2) One of the supervisors of the Ninth Directors and

Supervisors, Yun-Chun Wang, resigned on June 7, 2013. It is proposed to elect one supervisor in the 2014 Annual General Shareholders' Meeting with the supervisor's term starting from June 18, 2014 to June 17, 2015.

**Voting by Poll :**

## **VII. Questions and Motions**

## **VIII. Adjournment**

**IX. Attachments**

## Attachment 1:Business Report

### Acter Co., Ltd.

#### 2013 Business Report

##### 1. 2013 Business results

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

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

(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	

(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. Summary of business plan for 2014

### (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.

- i. 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.
- ii. 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.
- iii. 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.
- iv. We will acquire expertise in gas and chemical supply system engineering, allowing us to develop new-generation project integration technologies.
- v. We will recruit talent in many fields, and actively cultivate a management team consisting of both local talents and personnel stationed overseas.

### (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.

### (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 emphasizes 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.

(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.

**Chairman:** Liang , Chin-Li

**General Manager:** Hsu, Chung-Cheng

**Accounting Supervisor :** Tsao, Yun-Han

## **Attachment 2: 2013 Independent Auditors' Report and Financial Statements**

### **Representation Letter**

The entities that are required to be included in the combined financial statements of Acter Co., Ltd. as of and for the year ended December 31, 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

## **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 Balance Sheets**  
**December 31, 2013, and 2012 and January 1, 2012**  
**(In Thousands of New Taiwan Dollars)**

Assets		December 31,2013		December 31,2012		January 1,2012		Liabilities and Equity		December 31,2013		December 31,2012		January 1,2012	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current Assets:</b>								<b>Current Liabilities:</b>							
1100	Cash and cash equivalents (Note 6(1))	\$ 1,456,226	21	1,934,995	28	1,934,358	28	2100	Short-term loans (Note 6(9))	\$ 287,832	4	152,160	2	160,166	2
1125	Available-for-sale financial assets—current (Note 6(2))	249,004	4	248,842	4	82,143	1	2150	Notes payable	155,881	2	196,567	3	397,022	6
1150	Notes receivable, net (Note 6(3))	174,891	2	257,690	4	280,800	4	2170	Accounts payable (Note 6(8))	2,221,756	32	2,051,389	30	1,862,434	27
1170	Accounts receivable, net (Note 6(3))	1,932,376	28	1,718,670	26	1,672,137	25	2180	Payables to related parties (Note 7(3))	6,182	-	-	-	10,272	-
1180	Receivables from related parties (Note 7)	5,937	-	6,522	-	340,642	5	2190	Construction contracts payable (Note 6(4) and 7(3))	335,081	5	391,275	6	588,118	8
1190	Construction contracts receivable (Note 6(4) and 7(3))	1,390,413	20	1,049,431	15	1,115,400	16	2201	Accrued salaries and bonuses	139,293	2	136,055	2	129,184	2
1200	Other receivables (Note 6(3))	35,634	1	31,041	-	39,353	1	2230	Income tax payable	93,758	1	112,817	2	126,235	2
1210	Other receivables from related parties (Note 7(3))	10,894	-	11,931	-	-	-	2311	Advance sales receipts	537,749	8	702,074	10	719,605	10
1310	Inventories, net (Note 6(5))	828,732	12	790,922	11	789,250	11	2399	Other current liabilities	<u>115,221</u>	<u>1</u>	<u>136,419</u>	<u>2</u>	<u>128,101</u>	<u>2</u>
1476	Other financial assets—current (Note 8)	157,959	2	71,680	1	106,693	2			<u>3,892,753</u>	<u>55</u>	<u>3,878,756</u>	<u>57</u>	<u>4,121,137</u>	<u>59</u>
1479	Other current assets (Note 6(2) and 7(3))	<u>235,887</u>	<u>2</u>	<u>331,497</u>	<u>5</u>	<u>148,743</u>	<u>2</u>								
		<u>6,477,953</u>	<u>92</u>	<u>6,453,221</u>	<u>94</u>	<u>6,509,519</u>	<u>95</u>								
<b>Non-current assets:</b>								<b>Non-current liabilities:</b>							
1523	Available-for-sale financial assets—noncurrent (Note 6(2))	40,991	1	6,942	-	22,692	-	2570	Deferred tax liabilities (Note 6(11))	181,044	3	176,411	3	178,819	3
1550	Investment accounted for using equity method (Note 6(6))	6,497	-	3,620	-	15,562	-	2640	Accrued pension liabilities (Note 6(10))	32,648	-	33,110	-	31,097	-
1600	Property, plant and equipment (Note 6(7))	334,438	4	340,451	5	267,533	4	2645	Guarantee deposit received	<u>252</u>	<u>-</u>	<u>312</u>	<u>-</u>	<u>312</u>	<u>-</u>
1760	Investment property, net	31,205	-	31,550	-	31,895	-			<u>213,944</u>	<u>3</u>	<u>209,833</u>	<u>3</u>	<u>210,228</u>	<u>3</u>
1840	Deferred tax assets (Note 6(11))	37,459	1	23,803	-	32,026	-		<b>Total Liabilities</b>	<u>4,106,697</u>	<u>58</u>	<u>4,088,589</u>	<u>60</u>	<u>4,331,365</u>	<u>62</u>
1985	Long-term prepaid rents	40,988	1	36,974	1	38,862	1		<b>Equity Attributable to Shareholders of the parent company</b>						
1990	Other non-current assets (Note 6(2))	<u>35,751</u>	<u>1</u>	<u>22,888</u>	<u>-</u>	<u>20,978</u>	<u>-</u>		(Note 6(12))						
		527,329	8	466,228	6	429,548	5	3100	Common stock	461,359	7	461,359	7	461,359	7
		<u>\$ 7,005,282</u>	<u>100</u>	<u>6,919,449</u>	<u>100</u>	<u>6,939,067</u>	<u>100</u>	3200	Capital surplus	896,599	13	896,599	13	896,599	13
								3300	Retained earnings	1,499,592	22	1,495,529	22	1,264,056	18
								3400	Other equity interest	<u>41,035</u>	<u>-</u>	<u>(22,627)</u>	<u>(2)</u>	<u>(14,312)</u>	<u>-</u>
									<b>Total Equity</b>	<u>2,898,585</u>	<u>42</u>	<u>2,830,860</u>	<u>40</u>	<u>2,607,702</u>	<u>38</u>
	<b>Total Assets</b>	<u>\$ 7,005,282</u>	<u>100</u>	<u>6,919,449</u>	<u>100</u>	<u>6,939,067</u>	<u>100</u>		<b>Total Liabilities And Equity</b>	<u>\$ 7,005,282</u>	<u>100</u>	<u>6,919,449</u>	<u>100</u>	<u>6,939,067</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

**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)**

		<b>2013</b>		<b>2012</b>	
		<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.

## **Attachment 3: Supervisor's Review Report**

### **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 Wu, Whe-Land CPA and Chen, Cheng-Hsueh 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, Pi-Huei

Supervisor: Yeh, Hui-Hsin

February 24, 2014

## Attachment 4: Comparison Table of the Procedure for Acquisition and Disposal of Assets

Article	After The Revision	Before The Revision
Article 2	<p>1. Omitted.</p> <p>2. Real property (including <a href="#">land, houses and buildings, investment property, rights to use land, and inventories of construction enterprises</a>) and <del>equipment</del><del>other fixed assets</del>.</p>	<p>1. Omitted.</p> <p>2. Real property (including inventories of construction enterprises) and other fixed assets.</p>
Article 3	<p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph <del>6</del><del>8</del> of the Company Act.</p> <p>3. Related party <a href="#">or subsidiary</a>: As defined in <a href="#">Regulations Governing the Preparation of Financial Reports by Securities Issuers</a><del>Statement of Financial Accounting Standards No. 6 published by the ROC Accounting Research and Development Foundation (ARDF)</del>.</p> <p><del>4. Subsidiary: As defined in Statements of Financial Accounting Standards Nos. 5 and 7 published by the ARDF.</del></p> <p><del>4</del><del>5</del>. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or <a href="#">equipment</a><del>other fixed assets</del>.</p> <p><del>5</del><del>6</del>. Omitted.</p> <p><del>6</del><del>7</del>. Omitted.</p> <p><del>7</del><del>8</del>. Omitted.</p>	<p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 6 of the Company Act.</p> <p>3. Related party: As defined in Statement of Financial Accounting Standards No. 6 published by the ROC Accounting Research and Development Foundation (ARDF).</p> <p>4. Subsidiary: As defined in Statements of Financial Accounting Standards Nos. 5 and 7 published by the ARDF.</p> <p>5. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or other fixed assets.</p> <p>6. Omitted.</p> <p>7. Omitted.</p> <p>8. Omitted.</p>
Article 6, 12, 14 and 16	Financial Supervisory Commission (FSC); <del>Executive Yuan</del>	Financial Supervisory Commission (FSC), Executive Yuan
Article 7	Evaluation and Procedure for Acquisition or Disposal of Real Property <a href="#">orand</a> <a href="#">Equipment</a> <del>and Other Fixed Assets</del>	Evaluation and Procedure for Acquisition or Disposal of Real Property and Other Fixed Assets

Article	After The Revision	Before The Revision
	<p>1. The means of price determination and supporting reference materials  For acquisition or disposal of real property <u>or equipment</u><del>and other fixed assets</del>, reference shall be made to published current value, appraisal value and actual transaction price of neighboring real property. Transaction conditions, transaction price and analysis report shall be prepared through the procedure of price consultation, price comparison, price negotiation or public tender and submitted to the chairman.</p> <p>2. Expert Appraisal Report  For any acquisition or disposal of real property or <u>equipment</u><del>other fixed assets</del>, other than a transaction with government agencies, delegated construction on self-owned land, delegated construction on leased land or acquisition or disposal of <del>machinery and</del> equipment for operational purpose, if the transaction amount reaches 20% of the company's paid-in capital or NT\$300 Million or above, an appraisal report issued prior to the date of occurrence of the event by a professional appraiser shall first be obtained and the following rules shall be complied with:</p> <p>(1)If there is any special reason requiring any fixed price <del>or</del>, specific price, <u>or special price</u> to serve as reference benchmarks for the transaction price, such transaction shall first be submitted to the board of directors for resolution, <u>and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</u><del>If any transaction condition changes in the future, the above procedure shall be followed.</del></p> <p>(2)Omitted.</p> <p>(3)Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets</p>	<p>1. The means of price determination and supporting reference materials  For acquisition or disposal of real property and other fixed assets, reference shall be made to published current value, appraisal value and actual transaction price of neighboring real property. Transaction conditions, transaction price and analysis report shall be prepared through the procedure of price consultation, price comparison, price negotiation or public tender and submitted to the chairman.</p> <p>2. Expert Appraisal Report  For any acquisition or disposal of real property or other fixed assets, other than a transaction with government agencies, delegated construction on self-owned land, delegated construction on leased land or acquisition or disposal of machinery and equipment for operational purpose, if the transaction amount reaches 20% of the company's paid-in capital or NT\$300 Million or above, an appraisal report issued prior to the date of occurrence of the event by a professional appraiser shall first be obtained and the following rules shall be complied with:</p> <p>(1)If there is any special reason requiring any fixed price or specific price to serve as reference benchmarks for the transaction price, such transaction shall first be submitted to the board of directors for resolution. If any transaction condition changes in the future, the above procedure shall be followed.</p> <p>(2)Omitted.</p> <p>(3)Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets</p>

Article	After The Revision	Before The Revision
	<p>to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the <a href="#">ROC Accounting Research and Development Foundation</a> (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>i. Omitted. ii. Omitted.</p> <p>(4)Omitted.</p> <p>(5)Application in Construction Industry Unless any fixed price <del>or</del>, specific price, <u>or special price</u> is used as reference benchmark for the transaction price, if there is a justifiable reason for not obtaining the appraisal report in time, the appraisal report and the accountant's opinion under section (3) above shall be obtained within 2 weeks commencing immediately from the date of occurrence.</p> <p>(6)Omitted. (7)Omitted.</p> <p>3. The degree of authority delegated, the levels to which authority is delegated Any acquisition or disposal of real property or <u>equipment</u><del>other fixed assets</del> with transaction amount of NT\$10 Million (inclusive) or below shall be submitted to the chairman for approval. Any transaction exceeding NT\$10 Million shall only be carried out after approval by the board of directors.</p> <p>4. The units responsible for implementation Any acquisition or disposal of real property or <u>equipment</u><del>other fixed assets</del> by the company shall be executed under the responsibility of the user department and relevant responsible department after approval in accordance with the authority provided under the previous section.</p> <p>5. Transaction Process The transaction flow for the acquisition or disposal of</p>	<p>to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>iii.Omitted. iv.Omitted.</p> <p>(4)Omitted.</p> <p>(5)Application in Construction Industry Unless any fixed price or specific price is used as reference benchmark for the transaction price, if there is a justifiable reason for not obtaining the appraisal report in time, the appraisal report and the accountant's opinion under section (3) above shall be obtained within 2 weeks commencing immediately from the date of occurrence.</p> <p>(6)Omitted. (7)Omitted.</p> <p>3. The degree of authority delegated, the levels to which authority is delegated Any acquisition or disposal of real property or other fixed assets with transaction amount of NT\$10 Million (inclusive) or below shall be submitted to the chairman for approval. Any transaction exceeding NT\$10 Million shall only be carried out after approval by the board of directors.</p> <p>4. The units responsible for implementation Any acquisition or disposal of real property or other fixed assets by the company shall be executed under the responsibility of the user department and relevant responsible department after approval in accordance with the authority provided under the previous section.</p> <p>5. Transaction Process The transaction flow for the acquisition or disposal of fixed assets by</p>

Article	After The Revision	Before The Revision
	<p><del>equipment</del><del>fixed—assets</del> by the company shall be carried out in accordance with the procedure related to fixed asset cycles under the company’s internal control system.</p>	<p>the company shall be carried out in accordance with the procedure related to fixed asset cycles under the company’s internal control system.</p>
Article 8	<p>2. When a public company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, <u>except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>(1)~(9)Omitted.</p> <p>(10) With respect to the acquisition or disposal of business-use <del>machinery and</del> equipment between a the company and its parent or subsidiaries, the company's board of directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>3. (1)~(3) Omitted.</p> <p>(4)For real property to be acquired from a related party, if there is any of the following events, only section 2 of this article about evaluation and procedure shall be applicable. Provisions about the evaluation of reasonableness of transaction cost under subsections (1) to (3) above shall not be applicable.</p> <p>i. The related party acquired the real</p>	<p>2. When a public company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>(1)~(9)Omitted.</p> <p>(10) With respect to the acquisition or disposal of business-use machinery and equipment between a the company and its parent or subsidiaries, the company's board of directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>3. (1)~(3)Omitted.</p> <p>(4)For real property to be acquired from a related party, if there is any of the following events, only section 2 of this article about evaluation and procedure shall be applicable. Provisions about the evaluation of reasonableness of transaction cost under subsections (1) to (3) above shall not be applicable.</p> <p>i. The related party acquired the real</p>

Article	After The Revision	Before The Revision
	<p>property through succession or gift.</p> <p>ii. The contract by which the related party acquired the real property was signed more than 5 years preceding the contract signature date for this transaction.</p> <p>iii. The real property was acquired through signature of a co-construction contract with the related party, <u>or through engaging a related party to build real property, either on the company's own land or on rented land.</u></p> <p>4. Omitted.</p> <p>5. (1)~(2) Omitted.</p> <p>(3) The situations under subsections (1) and (2) above shall be reported to the shareholder meeting and the details of the transaction shall be disclosed in the annual report and the prospectus.</p> <p>If the company and the publicly traded company that evaluated the company's investment under the equity method have provided special reserve in accordance with the above, the special reserve may only be used when the asset purchased at the high price has devalued or disposed of or compensated appropriated or reinstated to its original status, or if there is any other evidence showing that there is no issue of reasonableness and the Securities and Futures Bureau of the Financial Supervisory Commission <del>of the Executive Yuan</del> has given consent.</p>	<p>property through succession or gift.</p> <p>ii. The contract by which the related party acquired the real property was signed more than 5 years preceding the contract signature date for this transaction.</p> <p>iii. The real property was acquired through signature of a co-construction contract with the related party.</p> <p>4. Omitted.</p> <p>5. (1)~(2) Omitted.</p> <p>(3) The situations under subsections (1) and (2) above shall be reported to the shareholder meeting and the details of the transaction shall be disclosed in the annual report and the prospectus.</p> <p>If the company and the publicly traded company that evaluated the company's investment under the equity method have provided special reserve in accordance with the above, the special reserve may only be used when the asset purchased at the high price has devalued or disposed of or compensated appropriated or reinstated to its original status, or if there is any other evidence showing that there is no issue of reasonableness and the Securities and Futures Bureau of the Financial Supervisory Commission of the Executive Yuan has given consent.</p>
Article 9	<p>2. Expert Opinions</p> <p>Any acquisition or disposal of membership or intangible asset with the transaction amount reaching 20% of the company's paid-in capital or NT\$300 Million or above, <u>except in transactions with a government agency,</u> an accountant shall be engaged to provide an opinion about the reasonableness of the transaction price prior to the date of occurrence of the event. The accountant shall proceed in accordance with Audit Standard No. 20 published by the</p>	<p>2. Expert Opinions</p> <p>Any acquisition or disposal of membership or intangible asset with the transaction amount reaching 20% of the company's paid-in capital or NT\$300 Million or above, an accountant shall be engaged to provide an opinion about the reasonableness of the transaction price prior to the date of occurrence of the event. The accountant shall proceed in accordance with Audit Standard No. 20 published by the Accounting Research and Development Foundation.</p>

Article	After The Revision	Before The Revision
	Accounting Research and Development Foundation. Calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 6-3.	Calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 6-3.
Article 11	<p>12.Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:</p> <p>(1)Omitted.</p> <p>(2)When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.</p> <p>A company shall report to the <u>soonest</u> board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.</p>	<p>12.Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:</p> <p>(1)Omitted.</p> <p>(2)When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.</p> <p>A company shall report to the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.</p>
Article 13	<p>1.Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the Securities and Futures Bureau of the Financial Supervisory Commission <del>of the Executive Yuan's</del> designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>(1)Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, <u>or subscription or</u></p>	<p>1.Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the Securities and Futures Bureau of the Financial Supervisory Commission of the Executive Yuan's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>(1)Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements.</p>



Article	After The Revision	Before The Revision
	<p><u>redemption of domestic money market funds.</u></p> <p>(2)~(3)Omitted.</p> <p>(4)Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>i.Omitted</p> <p>ii.Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, <u>or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations,</u> except if the sale and purchase relates to securities of parent company, subsidiary or affiliate.</p> <p>iii.Trading of bonds under repurchase/resale agreements, <u>or subscription or redemption of domestic money market funds.</u></p> <p>iv.Where the type of asset acquired or disposed is equipment/<del>machinery</del> for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>v.Omitted.</p> <p>vi.Omitted.</p> <p>2.Omitted.</p> <p>3.The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the Securities and Futures Bureau of the Financial Supervisory Commission <del>of the Executive Yuan</del> by the 10th day of each month.</p> <p>4.Omitted.</p>	<p>(2)~(3)Omitted.</p> <p>(4)Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>i. Omitted</p> <p>ii. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, except if the sale and purchase relates to securities of parent company, subsidiary or affiliate.</p> <p>iii. Trading of bonds under repurchase/resale agreements.</p> <p>iv. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>v. Omitted.</p> <p>vi. Omitted.</p> <p>2.Omitted.</p> <p>3.The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the Securities and Futures Bureau of the Financial Supervisory Commission of the Executive Yuan by the 10th day of each month.</p> <p>4.Omitted.</p>

Article	After The Revision	Before The Revision
	<p>5.Omitted.</p> <p>6.Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding provisions as defined in this article, the company shall publicly announce and report the relevant information on the Securities and Futures Bureau of the Financial Supervisory Commission of the Executive Yuan's designated website within 2 days commencing immediately from the date of occurrence of the event:</p> <p>(1)Omitted.</p> <p>(2)Omitted.</p> <p>(3)Omitted.</p>	<p>5.Omitted.</p> <p>6.Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding provisions as defined in this article, the company shall publicly announce and report the relevant information on the Securities and Futures Bureau of the Financial Supervisory Commission of the Executive Yuan's designated website within 2 days commencing immediately from the date of occurrence of the event:</p> <p>(1)Omitted.</p> <p>(2)Omitted.</p> <p>(3)Omitted.</p>
Article 15	<p><u>For the calculation of 10 percent of total assets under these procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</u></p>	
Article <del>2019</del>	<p>This procedure was established on 3 May 2005....</p> <p><u>This procedure was amended on 18 June 2014.</u></p>	<p>This procedure was established on 3 May 2005....</p>

## **X. Appendices**

## **Appendix 1: Rules of Procedure for Shareholder Meetings**

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

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

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

#### Article 2. Scope

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

#### Article 3. Definition

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

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

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

1. Unless otherwise provided by law, the company's shareholder meetings shall be convened by the board of directors.
2. The company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting,

the company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the company and its shareholder services agent as well as being distributed on-site at the meeting place.

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

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

1. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the company and stating the scope of the proxy's authorization.
2. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the company before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received

earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

3. After a proxy form has been delivered to the company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the company before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

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

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

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

1. The company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
2. The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.
3. Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.
4. The company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.
5. The company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.
6. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

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

1. If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chairman, or, if there are no managing directors, one of the directors shall be appointed to act as chairman. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chairman.
2. When a managing director or a director serves as chairman, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chairman.
3. It is advisable that shareholders meetings convened by the board of directors be attended by a majority of the directors.
4. If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chairman from among themselves.
5. The company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.
6. The tasks of the chairman are as follows:
  - (1) Calling the general meeting to order at the time scheduled and adjourning or recessing the meeting, and presiding over the meeting in accordance with the procedure.
  - (2) Maintaining the order at the meeting place and ensuring the compliance with the Rules of Procedure.
  - (3) Admitting the status of spokesman.
  - (4) Referring the motions.
  - (5) Calling to discuss and vote of proposals in order and announcing the voting results.
  - (6) Signing the meeting minutes and relevant documents.
  - (7) Replying to all the parliamentary inquiries and determining the question of privilege and point of order.

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

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

litigation.

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

1. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards.
2. The chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chairman shall declare the meeting adjourned.
3. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.
4. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairman may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

#### Article 12. Discussions of Proposals

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



proposals and of amendments or extraordinary motions put forward by the shareholders; when the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairman may announce the discussion closed and call for a vote.

#### Article 13.Shareholder speech

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

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

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

competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

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

1. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares.
2. When this Corporation holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.
3. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.
4. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.
5. Except as otherwise provided in the Company Act and in the company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chairman or a person designated by the chairman shall first announce the total number of voting rights represented by the attending shareholders.
6. An agenda item shall be deemed approved and shall have the same effect as if it was voted by casting ballots if no objection is voiced by all attending shareholders after solicitation by the chairman. If there is any objection, the agenda item shall be put to a vote by casting ballots in accordance with the foregoing paragraph.

7. If a shareholder of a company whose shares have been issued in public holds shares for others, such shareholder may exercise his/her/its voting power separately.
8. When there is an amendment or an alternative to a proposal, the chairman shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
9. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chairman, provided that all monitoring personnel shall be shareholders of the company.
10. Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

#### Article 16. Election Matters

1. The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.
2. Where re-election of all directors is effected, by a resolution adopted by a shareholders' meeting, prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance. The aforesaid resolution of re-election shall be attended by shareholders who represent more than one-half of the total number of issued and outstanding shares
3. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

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

1. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairman of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.
2. The company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the Market Observation Post System.

3. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairman's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the company.

#### Article 18.Public Disclosure

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

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

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

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

1. When a meeting is in progress, the chairman may announce a break based on time considerations. If a force majeure event occurs, the chairman may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
2. If the meeting venue is no longer available for continued use and not all of the items on the

meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

3. A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.
4. When a shareholder meeting is ended, no shareholder shall elect another chairman to continue the meeting either in the same location or in a different location.

#### Article 21.Implementation

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

#### Article 22.Establishment and Amendment Dates

These rules were established on 3 May 2005.

These rules were amended on 16 June 2009.

These rules were amended on 15 June 2011.

These rules were amended on 18 June 2012.

These rules were amended on 19 June 2013.

## **Appendix 2:Articles of Incorporation**

### **Articles of Incorporation of Acter Co., Ltd.**

#### **Chapter 1 General**

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

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

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

**Article 3.** The company may provide guarantees to other persons and is not restricted by Article

16 of the Company Law. The rules for endorsement and guarantee shall be implemented following approval by the shareholder meeting. The same procedures shall be applicable to any amendment thereof.

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

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

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

## **Chapter 2 Shares**

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

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

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

## **Chapter 3 Shareholder Meetings**

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

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

177 of the Company Law.

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

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

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

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

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

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

#### **Chapter 4 Directors and Supervisors**

**Article 16.** The company has 5 to 9 directors and 2 to 3 supervisors, all to be elected from among persons with legal capacities by the shareholder meeting for terms of 3 years. The same person may be elected again upon expiry of the term.

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



agenda for convening the meeting.

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

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

**Article 16-2.** The company may have 2 to 4 independent directors among the above-mentioned number of directors and supervisors in accordance with Article 14-2 of the Securities Transaction Act. They shall be elected under the candidate nomination system under Article 192-1 of the Company Law. The professional qualifications, shareholding, restrictions on serving other functions, determination of independence and other compliance matters with regard to independent directors shall be in accordance with relevant rules of the securities competent authority.

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

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

**Article 18-1.** The chairman of the board of directors shall internally preside the shareholders' meeting, the meeting of the board of directors, and the meeting of the managing directors; and shall externally represent the company. The chairman is authorized to handle all significant matter of the company, but chairman right still restrict by Company's Corporate Charter, resolution of shareholder's meeting and director meeting.

**Article 19.** Unless otherwise provided by Company Law, board meetings shall be convened by the chairman. If the chairman is on leave or cannot perform the duty due to any reason, the representative shall be in accordance with Article 208 of the Company Law.

**Article 19-1.** The agenda of the board meeting shall be included in the convening notice and sent to all directors and supervisors 7 days in advance. However, a meeting may be convened at any time in case of an emergency. The notice may be sent in writing, by email or fax.

**Article 20.** Unless otherwise provided by law, board resolutions shall be approved by the majority of directors attending a meeting that is attended by the majority of directors. Any director who cannot attend a meeting may issue a proxy to designate another director as a representative to attend the meeting on his behalf. The proxy shall indicate the scope of authorization. Each proxy holder shall represent no more than one person. Board meetings may be held by video conference. Directors participating in meetings through video conference shall be deemed to have participated in these meetings in person.

**Article 21.** Board meetings shall be recorded in the minutes and signed with a seal affixed by the chairman. The minutes shall be distributed to all directors within 20 days after the meeting. Minutes shall summarize the proceedings and results of the meeting and shall be kept permanently together with the attendance sheets and proxies by attending directors.

**Article 22.** Supervisors may exercise supervision right independently in accordance with law and may participate in board meetings and suggestion. However, supervisors shall not participate in any voting.

**Article 23.** The expenses entailed through exercising their duties by the directors and supervisors of the company shall be determined by the board of directors based on the common standard of the industry. The remuneration of all directors and supervisors shall be in accordance with Article 27 of the company's articles of association.

## **Chapter 5 Managers and Staff**

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

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

## **Chapter 6 Closing**

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

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

**Article 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.

## **Chapter 7 Miscellaneous**

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

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

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

First amendment was made on 23 July 1981.

Second amendment was made on 7 February 1983.

Third amendment was made on 8 September 1994.

Fourth amendment was made on 29 July 1991.

Fifth amendment was made on 15 December 1993.

Sixth amendment was made on 21 January 1994.

Seventh amendment was made on 27 July 1995.  
Eighth amendment was made on 28 March 1997.  
Ninth amendment was made on 15 November 1999.  
Tenth amendment was made on 1 December 2001.  
Eleventh amendment was made on 12 March 2002.  
Twelfth amendment was made on 5 April 2002.  
Thirteenth amendment was made on 20 June 2002.  
Fourteenth amendment was made on 3 May 2004.  
Fifteenth amendment was made on 29 October 2004.  
Sixteenth amendment was made on 3 May 2005.  
Seventeenth amendment was made on 28 November 2008.  
Eighteenth amendment was made on 16 June 2009.  
Nineteenth amendment was made on 4 November 2009.  
Twentieth amendment was made on 10 June 2010.  
Twenty first amendment was made on 15 June 2011.  
Twenty second amendment was made on 18 June 2012.

Acter Co., Ltd.

Chairman: Liang, Chin-Li

## **Appendix 3:Acquisition and Disposal of Assets < Before the revision >**

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

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

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

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

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

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

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

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in

accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 6 of the Company Act.

3. Related party: As defined in Statement of Financial Accounting Standards No. 6 published by the ROC Accounting Research and Development Foundation (ARDF).
4. Subsidiary: As defined in Statements of Financial Accounting Standards Nos. 5 and 7 published by the ARDF.
5. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or other fixed assets.
6. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
7. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
8. The term "latest financial statements" means the financial statements publicly certified or audited by accountants in accordance with law before the company acquires or disposes of assets.

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

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

1. The company's acquisition of non-business real property or securities is limited to the following amount limits:
  - (1) The total amount of real property acquired for non-business use shall not exceed 50% of the net value according to the latest financial statements of the company.
  - (2) The total amount of investment in securities shall not exceed 50% of the net value according to the latest financial statements of the company. The amount of investment in any individual

security shall not exceed 30% of the net value according to the latest financial statements of the company. Securities with guaranteed principal shall not be included in the calculation of the amount of investment in securities.

2. The company's investment in subsidiaries shall be done in accordance with resolutions of the board of directors as authorized by the company's articles of association and shall not be subject to the limit of not exceeding 40% of the paid-in capital under Article 13 of the Company Law.

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

1. The means of price determination and supporting reference materials

In acquiring or disposing of securities, prior to the date of occurrence of the event, the latest financial statements of the target company that has been certified or audited by accountants shall serve as reference for evaluating the transaction price:

2. Expert Opinions

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

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

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

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

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

NT\$100 Million. Transactions amount exceeding NT\$70 Million shall be ratified at the next the board of directors meeting.

- (3) Any acquisition or disposal of other securities for financing purpose with a single transaction amount reaching NT\$70 Million or above shall be submitted to the board of directors for approval. The chairman is authorized to approval transactions less than NT\$70 Million. Transaction amount exceeding NT\$50 Million may be ratified at the next board of directors meeting.
- (4) Any acquisition or disposal not for investment in subsidiaries and not for financing purpose with single transaction amount reaching NT\$30 Million or above shall be submitted to the board of directors for approval. The chairman is authorized to approval transactions less than NT\$30 Million. Transactions amount exceeding NT\$30 Million shall be ratified at the next the board of directors meeting.
- (5) Negotiable term deposit certificates, short term commercial papers and bank endorsed drafts, sale and purchase with back-back option and bonds with sell-back condition are not covered by the above and may be approved by the chairman.

#### 5. The units responsible for implementation

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

#### 6. Transaction Process

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

### **Article 7.** Evaluation and Procedure for Acquisition or Disposal of Real Property and Other Fixed Assets

#### 1. The means of price determination and supporting reference materials

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

#### 2. Expert Appraisal Report

For any acquisition or disposal of real property or other fixed assets, other than a transaction with



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

- (1) If there is any special reason requiring any fixed price or specific price to serve as reference benchmarks for the transaction price, such transaction shall first be submitted to the board of directors for resolution. If any transaction condition changes in the future, the above procedure shall be followed.
- (2) If the transaction amount is NT\$1 Billion or above, at least 2 professional price appraisers shall be engaged to perform appraisal.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - i. The appraisal result deviates from the transaction amount by 20% or more.
  - ii. The appraisal results by two or more professional appraisers deviate from the transaction price by 20% or more.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- (5) Application in Construction Industry

Unless any fixed price or specific price is used as reference benchmark for the transaction price, if there is a justifiable reason for not obtaining the appraisal report in time, the appraisal report and the accountant's opinion under section (3) above shall be obtained within 2 weeks commencing immediately from the date of occurrence.
- (6) For assets acquired or disposed of through court auction procedure, documents of proof issued by the court may be used in lieu of price appraisal report or accountant's opinion.
- (7) The calculation of the transaction amounts shall be done in accordance with Article 6-3..

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

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

#### 4. The units responsible for implementation

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

#### 5. Transaction Process

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

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

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

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

2. When a public company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:
  - (1) The purpose, necessity and expected effect of acquisition or disposal of assets.
  - (2) Reason for selecting a related party as the transaction counterparty.
  - (3) With respect to the acquisition of real property from a related party, information relating to the evaluation of reasonableness of contemplated transaction conditions in accordance with sections 2 and 3 of this article.
  - (4) The date, price and transaction party in the previous transaction engaged by the related party and the relationship between the company and the related party.
  - (5) Cash income and expense forecast table for each of the 12 months following the month on which the contract is contemplated to be signed and evaluation of the necessity of the transaction and reasonableness of the utilization of capital.
  - (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the article 1.

- (7) Restrictive conditions and other important agreements under this transaction.
- (8) When submission is made to the board of directors for discussion in accordance, opinions of independent directors shall be fully taken into consideration. Any objection or reservation by any independent director shall be recorded in the minutes of the board meeting.
- (9) The calculation of the transaction amounts shall be made in accordance with Article 13-2, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.
- (10) With respect to the acquisition or disposal of business-use machinery and equipment between a the company and its parent or subsidiaries, the company's board of directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

### 3. Evaluation of Reasonableness of Transaction Cost

- (1) For any real property to be acquired from a related party, the following method should be used to evaluate the reasonableness of the transaction cost:
  - i. Transaction price with the related party plus required capital interest and cost to be borne by the buyer in accordance with law. Required capital interest cost shall be calculated based on the weighted average interest rate of the loan taken out by the company during the year of asset acquisition, provided that it shall not be higher than the highest lending rate for non-financial industry published by the Ministry of Finance.
  - ii. If the related party has taken out a mortgaged loan from any financial institution based on the target, the total lending assessment value of the target by such financial institution, provided that the accumulated value of actual lending by such financial institution for the target shall be at least 70% of the total lending assessment value and the loan period must have exceeded one year. However, this shall not be applicable if the financial institution is a related party to either party to the transaction.
- (2) If the land and housing under the same target is purchased at the same time, the transaction cost for the land and the housing may be evaluated under any method under subsection (1) above.
- (3) For any real property to be acquired from a related party, the real property cost shall be evaluated in accordance with subsections (1) and (2) above and an accountant shall be engaged to perform re-assessment and provide substantial opinion.
- (4) For real property to be acquired from a related party, if there is any of the following events, only section 2 of this article about evaluation and procedure shall be applicable. Provisions about the evaluation of reasonableness of transaction cost under subsections (1) to (3) above

shall not be applicable.

- i. The related party acquired the real property through succession or gift.
- ii. The contract by which the related party acquired the real property was signed more than 5 years preceding the contract signature date for this transaction.
- iii. The real property was acquired through signature of a co-construction contract with the related party.

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

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

- i. The combined value of evaluation of the undeveloped land in the method provided under section 3 and the construction cost of the housing by the related party plus reasonable construction profit exceeds the actual transaction price. Reasonable construction profit shall be based on the average business gross interest rate of the related party's construction department for the past three years or the latest construction industry gross interest rate published by the Ministry of Finance, whichever is lower.
- ii. Closing cases of other floors of the same targeted housing/land or in the vicinity within the past year and not involving related parties, with similar surface, which transaction conditions are equivalent after evaluation of reasonable price difference for the floor or area based on real property sale and purchase practice.
- iii. Cases of leases of the same targeted housing/land within the past year and not involving related parties, which transaction conditions are equivalent after evaluation of reasonable price difference for the floor based on real property lease practice.

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

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

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

(1) The difference between the real property transaction price and the evaluation cost shall be

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

(2)The supervisors shall proceed in accordance with Article 281 of the Company Law.

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

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

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

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

##### 1. The means of price determination and supporting reference materials

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

##### 2. Expert Opinions

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

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

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

### 4. The units responsible for implementation

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

### 5. Transaction Process

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

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

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

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

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

### 1. Operational or Hedging Strategy

The company engages in transactions of derivative products for the purpose of avoiding risks arising out of fluctuation of foreign exchange rate, interest rate or asset price. Hedging is limited

to foreign currency positions payable/receivable arising out of the company's business for the future six months. Before engaging in the transaction, it shall be verified that it is a hedging operation.

## 2. Segregation of Duty

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

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

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

### (1) Total Transaction Contract Amount

#### Hedging Operation

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

#### Transactional Operation

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

### (2) Loss Limits

#### Hedging Operations

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

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

#### Transactional Operations

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

## 4. Performance Review

### Hedging Operations

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

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

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

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

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

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

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

6. Significant Derivative Product Transaction

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

7. The units responsible for implementation and Process

- (1) Confirm transaction position.
- (2) Analysis and judgment about relevant trend.
- (3) Determine specific hedging method:
  - i. Transaction target.
  - ii. Transaction position.
  - iii. Target price and range.
  - iv. Transaction strategy and type.
  - v. Price reference based on public quoting system.
- (4) Obtain approval for transaction.
- (5) Execute transaction.



- i. Transaction Counterparty: Transaction counterparties shall be selected with priority consideration for credit risk.
- ii. Transaction Staff: The company's staff who may execute derivative product transactions shall first be approved by the highest decision making supervisor of the finance department, general manager and chairman and then notified to the financial institution dealing with the company. No other staff may engage in the transactions.

## 8. Risk Management

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

## 9. Internal Control

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

## 10. Regular Evaluation Method and Anomaly Handling

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

The evaluation shall include the following:

- (1) Regularly evaluate whether the performance of derivative product transactions engaged are consistent with the existing operational strategy.
- (2) Whether the risks undertaken are within the company's scope of tolerance.
- (3) Monthly evaluation of risk management measures: Regularly evaluate whether the risk management measures currently used are suitable and duly compliant with the Derivative Product Transaction procedure established by the company.
- (4) The finance department shall proceed in accordance with the Commercial Accounting Act, the Financial Accounting Standards and letters and orders from relevant competent authorities. If there is no relevant rules, details shall be recorded and calculations shall be made on monthly basis under statements of realized and unrealized profit and loss.

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

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

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

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

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

13. The internal audit staff shall regularly understand the suitability of internal control of derivative product transaction and shall audit the compliance of transaction related departments with relevant provisions under this procedure on monthly basis. The transaction cycles shall also be analyzed and recorded into audit reports. If any significant violation is discovered, the board of directors shall be informed in writing.
14. The company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under subparagraph 11-2 of Article 12-1 and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of Article 20 shall be recorded in detail in the log book.
15. Any of the company's managers or responsible staff who engages in any derivative product transaction shall comply with the provisions under this procedure in order to avoid any inappropriate operational loss suffered by the company. In case of any violation of any relevant legislation or this procedure, the sanctions shall be imposed in accordance with relevant human resource regulations.
16. If any subsidiary of the company contemplates to engage in derivative product transactions, the company shall ensure that it establishes a procedure for derivative product transactions and implement such procedure after it is submitted to the board of directors for resolution in accordance with relevant rules. Any subsidiary of the company that engages in any derivative product transaction shall provide relevant information to the company for review on a regular basis.

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

**1. Evaluation and Procedure**

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

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

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

as well as the negotiated price by the counterparty participating in the merger, division, acquisition or share transfer.

### 3. Expert Opinions

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

### 4. Decision Level

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

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

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

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

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

(1) Unless otherwise provided by law or in case of any special reason that is reported to and approved by the Financial Supervisory Commission of the Executive Yuan in advance, companies participating in the merger, division or acquisition shall hold board meetings and shareholder meetings on the same day to resolve matters related to the merger, division or acquisition.

(2) Unless otherwise provided by law or in case of any special reason that is reported to and approved by the Financial Supervisory Commission of the Executive Yuan in advance, companies participating in share transfer shall hold board meetings on the same day.

(3) Companies participating in the merger, division or acquisition whose are listed on stock exchange or whose shares are traded in securities dealers' premises shall make complete written records of the following information and keep them for five years for reference.

- i. Basic staff information: Including persons who participated in the merger, division, acquisition or share transfer project or execution of the project prior to the disclosure of the news, their titles, names and ID numbers (passport numbers for foreigners).
- ii. Dates of important events: Including dates of signing of letters of intent, memorandums of understanding, engagement of financial or legal advisors, signature of contracts and board of directors.
- iii. Important documents and minutes: Including merger, division, acquisition or share transfer plan, letters of intent, memorandums of understanding, important contracts and minutes of the board meetings.

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

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

## 7. Confidentiality Obligation and Avoidance of Insider Trading

All persons participating or that know about the company's merger, division, acquisition or share transfer plan shall issue a written confidentiality undertaking and shall not disclose the plan before the publication of the news, nor shall they purchase or sell any stock or any security in the nature of stock entitlement of any company that is related to the merger, division, acquisition or share transfer plan either in their own name or in the name of any other person.

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

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

- (1) Capital increase, issuance of convertible corporate bonds, issuance of shares without consideration, issuance of corporate bonds with warrants, special shares with warrants, options and other securities in the nature of share entitlement.
- (2) Important acts that affect the company's finance or business such as disposal of the

company's material asset.

- (3) Occurrence of a significant disaster, significant technical change affecting the interest of the company's shareholders or securities price.
- (4) Any company participating in the merger, division, acquisition or share transfer makes adjustment pursuant to repurchase of treasury shares in accordance with law.
- (5) Any increase, decrease or change of any entity or number of entities participating in the merger, division, acquisition or share transfer.
- (6) Any condition that may be changed as provided under the contract, and which has been publicly disclosed.

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

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

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

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

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

share transfer plan.

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

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

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

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

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

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

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

- i. Trading of government bonds.

- ii. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, except if the sale and purchase relates to securities of parent company, subsidiary or affiliate.

- iii. Trading of bonds under repurchase/resale agreements.

- iv. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.

- v. Acquisition or disposal by a public company in the construction business of real property

for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.

vi. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.

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

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

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

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

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

6. Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the Securities and Futures Bureau within 2 days commencing immediately from the date of occurrence of the event:

- (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
- (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled



date set forth in the contract.

(3) Change to the originally publicly announced and reported information.

7. If any subsidiary of the company is not a publicly traded company and its acquisition or disposal of asset reaches the threshold of public announcement under Articles 30 and 31 of the “Guidelines for Acquisition and Disposal of Asset by Publicly Traded Companies”, the company shall make public announcements on behalf of the subsidiary. The rule about 20% of the paid-in capital as a threshold for public announcement to be applied or 10 percent of the total assets by the subsidiary shall be based on the paid-in capital of the company or total assets.

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

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

**Article 15.** The company shall not give up capital increase in any future year for Sheng Huei International Co., Ltd., Nova Technology Corp., Ho Shou Engineering Co., Ltd. or Nova Technology Singapore Pte., Ltd. If the company must abandon the capital increase for the above companies or disposes of the above companies due to consideration for strategic alliance or other consideration with the approval of the Gre-Tai Securities Market, approval shall be required by special resolution of the board of directors of the company.

**Article 16.** Penalty

If any relevant staff of the company violates the “Guidelines for Acquisition or Disposal of Assets by Publicly Traded Companies” by the Financial Supervisory Commission of the Executive Yuan or

the “Procedure for Acquisition or Disposal of Assets” of the company, regular report shall be made and sanction shall be imposed based on the gravity of the matter in accordance with the human resource management rules of the company and the work rules.

#### **Article 17.** Relevant Legislations

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

#### **Article 18.** Implementation and Amendment

For any matter requiring approval by the board of directors in accordance with this procedure or other legislations, if any director voices any objection by record or written statement, the company shall send such director’s objection information to each supervisor.

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

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

#### **Article 19.** Date of Establishment and Amendment

This procedure was established on 3 May 2005.

This procedure was amended on 4 October 2005.

This procedure was amended on 16 June 2009.

This procedure was amended on 10 June 2010.

This procedure was amended on 15 June 2011.

This procedure was amended on 19 June 2013.

## **Appendix 4: Procedures for Election of Directors and Supervisors**

### **Procedures for Election of Directors and Supervisors**

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

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

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

The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors. Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

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

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

#### **Article 3.**Qualifications for the supervisors

1. Supervisors of this Corporation shall meet the following qualifications:
  - (1) Integrity and a practical attitude.
  - (2) Impartial judgment.
  - (3) Professional knowledge.
  - (4) Broad experience.
  - (5) Ability to read financial statements.

2. In addition to the requirements of the preceding paragraph, at least one among the supervisors of this Corporation must be an accounting or finance professional.

Appointments of supervisors shall be made with reference to the provisions on independence contained in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, in order to select appropriate supervisors to help strengthen the corporation's risk management and control of finance and operations.

At least one supervisor position must be held by a person having neither a spousal relationship nor a relationship within the second degree of kinship with any other supervisor or with any director.

A supervisor may not serve concurrently as the director, managerial officer, or any other employee of this Corporation, and should ideally be domiciled in the Republic of China to be able to promptly fulfill the functions of supervisor.

#### **Article 4.**Qualifications for the independent directors

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

The election of independent directors of this Corporation shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

#### **Article 5.**Electoral machinery of directors and supervisors

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

Elections of independent directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. Any shareholder holding 1% or more of the total number of outstanding shares issued by the company and the board of directors may submit a roster of independent director candidates to the company, and , and, upon evaluation by the board of directors that all candidates so nominated are qualified independent director candidates, submit it to the shareholders' meeting for elections. The shareholders shall elect independent directors from among the nominees listed in the roster of director candidates.Matters related to the acceptance and public announcement for the nomination of candidates of independent directors shall be in accordance with the relevant laws and regulations such as the Company Act and Securities and Exchange Act.

**Article 6.**By-election mode for the shortfall of directors and supervisors

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

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

When the number of supervisors falls below that prescribed in this Corporation's articles of incorporation due to the dismissal of a supervisor for any reason, a by-election to fill the vacancy should ideally be held at the next shareholders meeting. When the supervisors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

**Article 7.**Preparation for the ballots

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

**Article 8.**Number of directors and supervisors and elected mode

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

### **Article 9.**Vote monitoring and counting

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

### **Article 10.**Filling in the ballot

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

### **Article 11.**Invalid circumstances of the ballot

A ballot is invalid under any of the following circumstances :

1. The ballot was not prepared by the board of directors.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.

### **Article 12.**Count of votes

The voting rights shall be calculated on site immediately after the end of the poll, and the chair shall announce on the site the list of persons elected as directors or supervisors.

**Article 13.**Elected notice

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

**Article 14.**Implementation

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

**Article 15.**Date of Establishment and Amendment

This procedure was established on 3 May 2005.

This procedure was amended on 16 June 2009.

This procedure was amended on 15 June 2011.

## Appendix 5: Shareholding of Directors and Supervisors

1. As of April 20, 2014, the company's registered capital is NT\$720,000,000, the issued capital of the Company is NT\$461,358,190, the issued 46,135,819 common shares.
2. The company has elected two independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors and supervisors other than the independent directors shall be decreased by 20 percent. The actual collective shareholding of directors is 3,690,865 common shares, and the actual collective shareholding of supervisors is 369,086 common shares.
3. As of April 20, 2014, the actual collective shareholdings of directors and supervisors were shown as below:

Position	Name	Date elected	Term (Years)	Directors		Supervisors	
				Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
Chairman	Liang, Chin-Li	101.06.18	3	1,670,688	3.62%		
Directors	Yang, Jung-Tang	101.06.18	3	756,900	1.64%		
Directors	Kao, Hsin-Ming	101.06.18	3	1,240,662	2.69%		
Directors	Hsu, Chung-Cheng	101.06.18	3	247,286	0.54%		
Directors	Hu, Tai-Tsen	101.06.18	3	301,401	0.65%		
Independent Director	Chao, Rong-Shiang	101.06.18	3	0	0		
Independent Director	Wang, Pai-Lu	101.06.18	3	0	0		
combined shareholding of all directors				4,216,937	9.14%		
Supervisors	Wu, Pi-Huei	101.06.18	3			366,579	0.79%
Supervisors	Yeh, Hui-Hsin	101.06.18	3			3,000	0.01%
combined shareholding of all Supervisors						369,579	0.80%

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



## Appendix 6: Directors' Compensation and Employees' Profit Sharing

Unit : NTDS\$

profit sharing items	The Board adopted a proposal(A)	already expensed under the Company's 2013 income statements(B)	DIF (A-B)	Difference reason and dealing with the situation
Employees' stock profit sharing	0	0	0	No different
Employees' cash profit sharing	21,321,994	21,321,994	0	
Directors' compensation	10,972,973	10,972,973	0	

## **Appendix 7: The other explanation**

1. The company's response about shareholder's proposal in this Annual Shareholder's Meeting :
  - (1) According to the article 172-1 of the Company Act, Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal and the number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words.
  - (2) The company has announced that the shareholders can submit proposals to be discussed at the meeting on the Market Observation Post System. The period is April 7, 2014 to April 17, 2014.
  - (3) The company had not received any proposals from shareholders.
  
2. Influence of Proposed Stock Dividend Distribution upon 2013 Operating Performance and Earnings Per Share :

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