



Acter Co. Ltd.

2017 Annual Report

**Notice to readers**

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

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# I. Letter to Shareholders

## i. Preface

Dear Shareholders,

Last year, Acter's performance hit a new record by capitalizing on its "professionalism, speed, and flexibility," which are its three core advantages in facing the challenges and changes in the future economic environment. This year, the prospects for China's panel makers and semiconductors remain robust with continuous expansion that promotes the development of upstream and downstream industries as well as peripheral industries, creating a good sales environment for Acter. Given the increasing demand for integrated engineering services that companies like Acter offers, the company sees a positive outlook for its business. Thanks to the support and encouragement of shareholders, the business performance in the previous year as well as this year's operating prospects is detailed as follows:

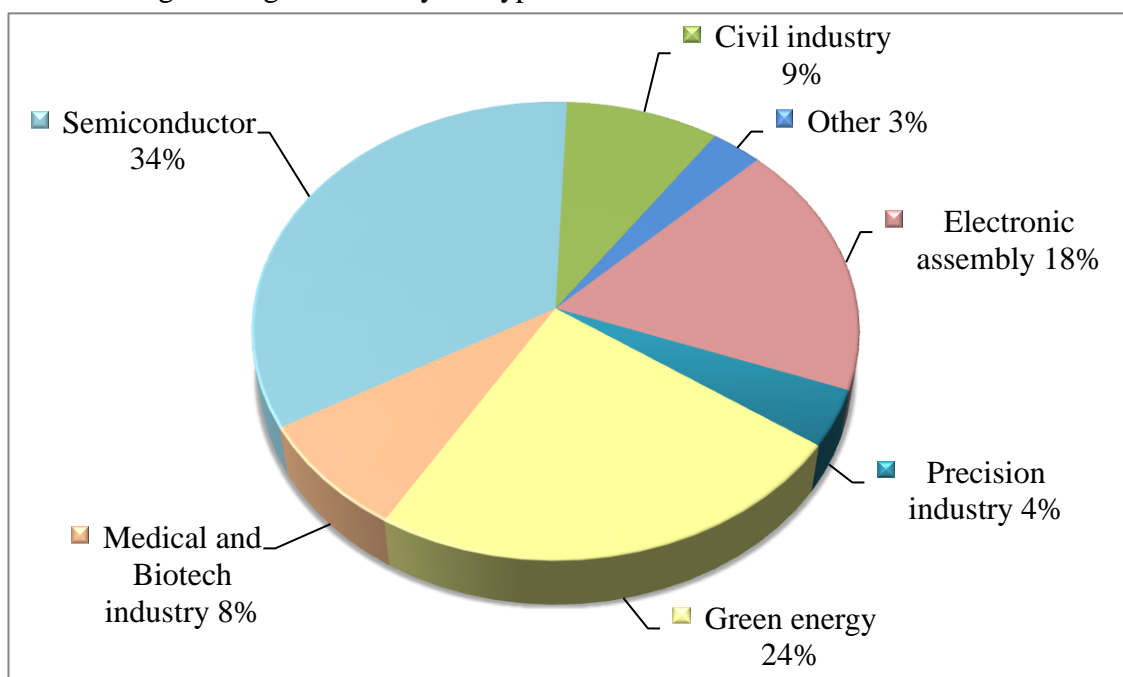
## ii. 2017 Business Report

### 1. 2017 Business results

#### (1) Business plan implementation results

China's policies that actively promote semiconductor and panel industries have driven major companies to increase their capital expenditure and invest in the construction of new plants. These in turn have benefited Acter and contributed to the company's overall revenue performance and growth, generating a record-high result of NTD 10 billion. Consolidated revenue of 2017 achieves NTD 11.4 billion, 36.09% increase compared to last year. In terms of profitability, the net profit after tax reached NTD 841 million, attaining 92.80% growth compared to last year.

Ratios of engineering turnover by the type



Unit : In thousands of New Taiwan Dollars

Items	2017	2016	%
Operating revenue	11,437,682	8,404,421	36.1
Operating cost	9,393,813	7,094,349	32.4
Gross profit	2,043,869	1,310,072	56.0
Operating expenses	667,137	708,819	(5.9)

Items	2017	2016	%
Operating income	1,376,732	601,253	129.0
Non-Operating income and expenses	(85,179)	( 5,599)	1,421.3
Income before income taxes	1,291,553	595,654	116.8

(2)State of budget implementation

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

(3)Financial structure and profitability

Items		2017	
Financial structure	Ratio of liabilities to assets (%)	59.62	
	Ratio of long-term capital to fixed assets (%)	1,231.83	
Solvency	Current ratio (%)	161.85	
	Quick ratio (%)	106.44	
Profitability	Return on total assets (%)	9.68	
	Return on stockholders' equity (%)	24.41	
	Ratio to issued capital (%)	Operating income	291.97
		Pre-tax income	273.90
	Profit ratio (%)	8.58	
	Earnings per share (\$)	18.17	

(4)Research and development

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

A. Solvent Recycling Outsourcing Business

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

B. Concentration Control System for Chemical Liquid

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

C. New Type Electronic-grade Chemicals Supply System

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

D. Modular Design and Planning of Large Desalinators

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

#### E. Biotech Industry

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

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

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

#### F. Continued Developments in Respective Engineering Aspects

##### a. Electrical and mechanical engineering:

- The BIM (Building Information Modeling) technology is employed to enhance technical capacity for space management, solve engineering pipeline construction collision problems, improve accuracy of construction, and reduce the loss of construction materials and manpower waste caused by repeated pipeline modifications. This will help improve project quality and achieve shorter construction period.
- A research and development cooperation between the industry and universities was formed for the production of aseptic wet stencils. To reduce micro-contamination of clean production line products caused by large amounts of air outside the plant, high-tech facilities adopt wet template rinsing systems to remove or reduce damage. However, general wet template can easily cause a large amount of bacteria to breed and survive in an environment with high temperature and high humidity. The research and development of a rinsing mechanism for sterile wet template can simultaneously solve the problem of micro-molecular contamination on the product and reduce risks for operators.
- Taking advantage of night-time off-peak hours to run the refrigerant compressor and produce ice. When the compressor is running and the brine water temperature is below 0°C, water inside the tank and container will experience phase changes and freeze in order to store lots of latent heat. The stored ice will then melt to release cold energy during the day when power utilization reaches the peak to satisfy the air-conditioning load demand and accomplish the goal of reducing the uptime of the compressor. By shifting air-conditioning power consumption from peak hours to off-peak ones, it successfully transfers peak air-conditioning load during the day and reduce electricity bills accordingly.

- ##### b. Special engineering:
- Taking advantage of air pressure differences between outdoors and indoors; the surrounding outdoor air will only flow toward the negative pressure area indoors because of the characteristic that air is flowing from a high pressure area to a lower one. Negative pressure is an important protection



mechanism that blocks an area from an outside environment; it is often used as a means to control air dispersion as it helps ensure that air flows toward an anticipated direction. ACTER successfully applied the negative pressure technology to help hospitals configure isolated negative-pressure patient wards.

- c. Bio-tech engineering: PIC/S GMP standards have more rigid requirements for clean rooms configured in pharmaceutical manufacturing facilities; they differ from existing cGMP standards in Taiwan the most in facilities and operations that help prevent against cross contamination.
- d. Clean room engineering: ACTER helps businesses complete clean room engineering by controlling the temperature, humidity, airflow, air pressure, and particles of indoor air along with indoor illumination and dust-free building materials.
- e. Ultra-high building engineering: Taking advantage of separation through the turn layer to successfully reduce the pressure resistance level of pipeline, increase operation stability and security, and significantly cut the overall engineering cost.
- f. Livelihood engineering: Using air-conditioning waste heat and heat source from outdoor air as the hot water usage in life and achieving the reduction of equipment by eliminating the boiler system. In addition to assisting companies in reducing the equipment costs, it can also reduce fuel usage and lower CO2 emissions.
- g. Manufacturing process engineering: It is merging cold source supply system through deeply understanding the manufacturing process system to effectively elevate the system utilization rate.
- h. Green energy engineering: Selected systems with high performance and low energy-consumption and applied them in the production environment. Using methods such as installing variable-frequency drives and special insulation designs, the demand for electricity was reduced. Renewable energy is used to assist customers in achieving the effect of saving energy.
- i. Construction automation: The adoption of steel reinforcement cages enhances structural accuracy as well as construction quality and shortens construction period.

## 2. Summary of business plan for 2018

### (1) Business strategy

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

- A. Strengthen governance in subsidiaries and enhance enterprise culture
- B. Rooting deeply in this industry and continuing to carry out a diverse, multi-project integrated engineering service
- C. Maintain constant contact with current customers from mainland China and Southeast Asia, develop new customers, create multi-regional business, and improve investment efficiency
- D. Cooperate with international partners and continuously expand the scope of its professional service in biological, pharmaceutical, medical industries and desalination
- E. Combine the professional manufacturing processes of gas and chemical supply systems in the treatment of liquid waste and solvent waste to create a new generation engineering integration technology and Earth-friendly technology
- F. Recruiting more diverse talents and actively training management teams

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

Acter is a professional manufacturer that applies system integration. For 40 years, it has provided services which cover cleanrooms, air conditioning, electrical machinery, chemical engineering as well as control and instrument, equipment installation, etc., with the support of its strong and reliable multi-disciplinary and elite engineering team. Aside from its strength and advantage, Acter aims to keep pace with the request of customers. It caters to the needs of clients through constant communication and by establishing brand value and competitive advantage via innovative technology and high quality services.

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

## 3. Future development strategies

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

- (1) Focus on its core technology and initiate projects that offer professional advantages and building a comprehensive marketing service system
- (2) Gain foothold in Chinese and Southeast Asian markets while expanding its vision to include international markets
- (3) Develop an environmental, energy-saving, and green system in fulfillment of its duty as a global citizen
- (4) Integrate a diversified technology and pursue an innovative engineering method that expands versatile application of its core competence
- (5) Continuing to root deeply in the technology, biotechnology, livelihood, petrochemical, and other industries

## 4. Major production and sales policies

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

With respect to its manufacturing-retail policy, the company shall utilize its advantage, while considering the needs of its customers in order to maintain existing clients, acquire new ones,

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

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

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

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

In the business environment, global growth for 2018 is projected to edge up to 3.1% according to the World Bank's global outlook. In Indonesia, the economic growth rate is predicted to increase to 5.3 %, while it estimates 6.4% in China. In addition, according to the foreign research Mordor Intelligence's newest report forecast, the value of global cleanroom market (including equipment and consumables) is projected to reach USD 7.16 billion by 2022. It shows huge business opportunities in global cleanroom market. Acter will continuously focus on cross-strait and international economic issues while maintaining its professional capabilities and actively expanding its Chinese and Southeast Asian markets in search of new clients in order to achieve better growth and development.

6. Corporate Social Responsibility

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

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

benefit society and the community while enabling the company to achieve sustainable development.

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

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

Sincerely yours,

Chairman: Liang, Chin-Li

General Manager: Liang, Chin-Li

Accounting Supervisor : Tsao, Yun-Han

## II. Company Profile

i. **Date of Incorporation:** February 19, 1979

ii. **Company History**

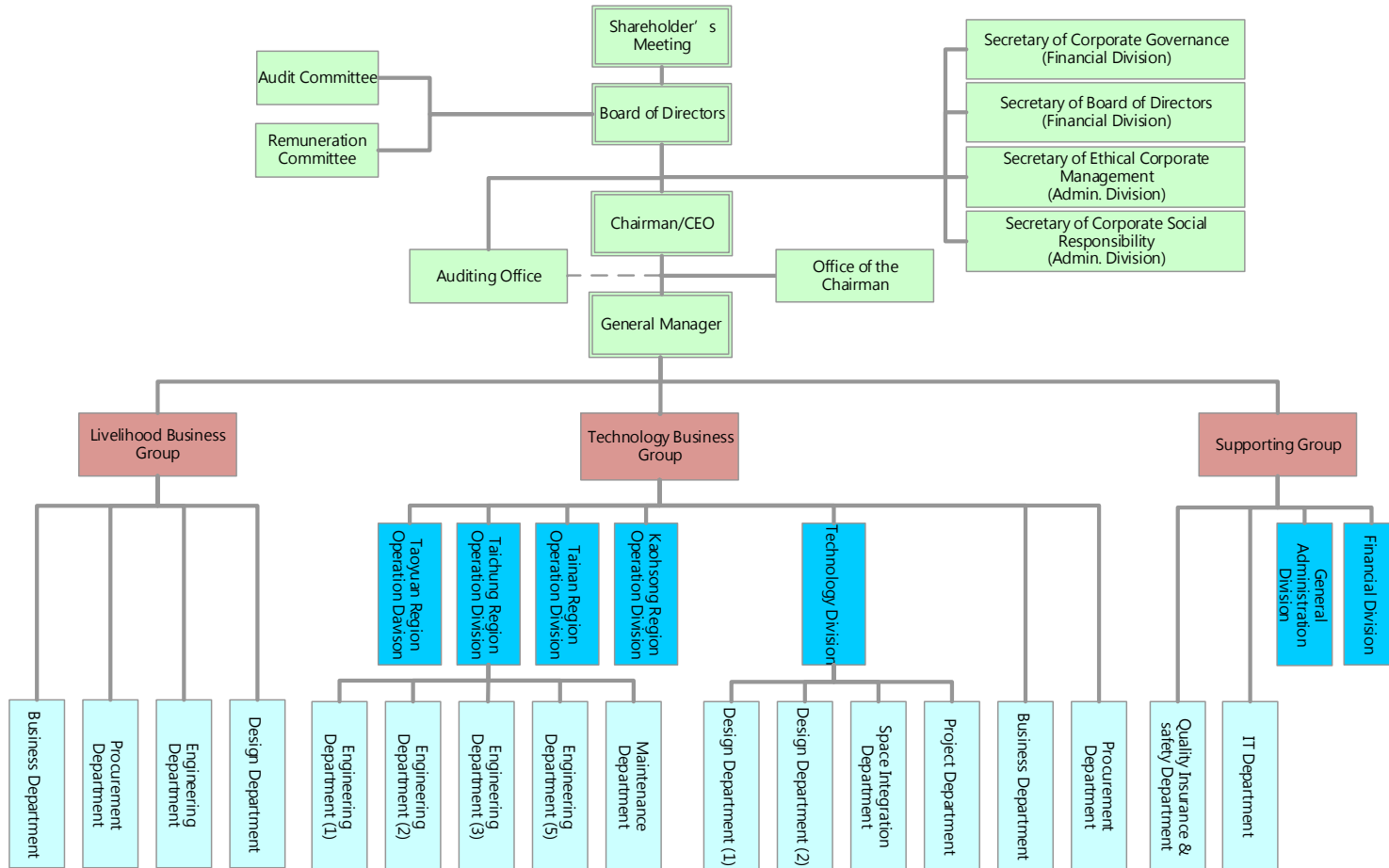
Year	Milestones
1979	1. Acter Co., Ltd. was established on Taiyuan North Road, Taichung City, Taiwan with a paid-in capital of NT\$ 10 million.
1992	1. Increased paid-in capital to NT\$20 million.
1993	1. Increased paid-in capital to NT\$50 million.
1999	1. Received ISO 9001 certification.
2002	1. Changed to the shareholding system. 2. Increased paid-in capital to NT\$100 million. 3. A branch office in Kaohsiung was established.
2003	1. Sheng Huei Engineering (Suzhou) Co., Ltd was established in Suzhou, China. 2. The office was moved to Zhongming S. Rd., Taichung City, Taiwan.
2004	1. Increased paid-in capital to NT\$200 million. 2. Acquired Her Suo Engineering Co., LTD.
2005	1. Sheng Huei (Shenzhen) Engineering Co., Ltd was established in Shenzhen, China. 2. Increased paid-in capital to NT\$230 million.
2006	1. Increased paid-in capital to NT\$260 million. 2. A branch office in Taipei was established. 3. Acter Trading Co., Ltd was established.
2008	1. Increased authorized capital to NT\$720 million.(Paid-in Capital was NT\$260 million) 2. Acquired Sheng Huei Engineering Technology Co., Ltd (Vietnam). 3. Suzhou Ding-Mao Engineering Co., Ltd. and Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd were established.
2009	1. Acquired Nova Technology Corp. by issuing 6,655,065 shares. 2. Increased paid-in capital to NT\$351,550,650. 3. The application for initial public offering was approved by FSC. 4. The application for the GTSM registration and trading was approved by Gre Tai Securities Market. 5. Acquired Nova Technology Singapore Pte., Ltd.
2010	1. Increased paid-in capital to NT\$415,358,190. 2. Listed on Gre Tai Securities Market(Code-5536).
2011	1. Jointly invested SCEC International (HK) Company, Limited with Sumitomo Chemical Engineering Singapore Pte. Ltd. and indirectly invested SCEC(Shanghai) CORP. 2. Increased paid-in capital to NT\$461,358,190. 3. Sheng Huei (Suzhou ) Engineering Co., Ltd. increased capital of US\$3 million.
2012	1. Nova Technology Malaysia Sdn. Bhd. and Shenzhen Dingmao Trade Co., Ltd. were established.
2013	1. SCEC ( Suzhou ) Corp. and Pt.Novamex Indonesia were established. 2. Suzhou Ding-Mao Engineering Co., Ltd. and Acter Trading Co., Ltd were liquidated.
2014	1. Increased holding of SCEC(Shanghai) CORP. and it becomes the subsidiary of the company since 2014. 2. Enrich Tech Co., Ltd, Winmega Technology CORP. and Acter Engineering Co., Ltd. were established. 3. Invested Global One Source Life Sciences CO. LTD.
2015	1. Issued 480,000 shares of New Restricted Employee shares and increased paid-in capital to NT\$466,158,190.
2016	1. Issued 720,000 shares of New Restricted Employee shares and canceled 99,000 shares that fail to meet the vesting conditions. Therefore, paid-in capital changed to NT\$472,368,190. 2. Suzhou Winmax Technology Corp. and Novatech Engineering & Construction Pte. Ltd. were established.

Year	Milestones
	3. Subsidiary Nova Technology Corp.' application for initial public offering and being listed on an emerging stock market were approved. 4. The office was moved to Sec. 2, Wenxin Rd., Taichung City, Taiwan.
2017	1. Canceled 84,000 shares of New Restricted Employee shares that fail to meet the vesting conditions. Therefore, paid-in capital changed to NT\$471,528,190. 2. Subsidiary Nova Technology Corp. was approved for being listed on over-the-counter market. 3. SCEC (Shanghai) Corp. and SCEC (Suzhou) Corp. were liquidated and canceled.

### III. Corporate Governance Report

#### i. Organization

##### 1. Organization Chart



## 2. Major Corporate Functions

Department	Functions
Office of the Chairman	<ol style="list-style-type: none"> <li>1. Integration of Group Business and Market Development.</li> <li>2. Plans, co-ordinates and executes assigned projects.</li> </ol>
Auditing Office	<ol style="list-style-type: none"> <li>1. Conducts inspection and evaluates internal controls within various departments.</li> <li>2. Assists subsidiaries with internal audit tasks.</li> <li>3. Evaluates the robustness of internal control systems and related policies. Determines whether the internal control systems continue to be effective, and assesses the progress made by each department, while offering suggestions to improve the company's operations.</li> <li>4. Risk management.</li> </ol>
Livelihood Business Group	<ol style="list-style-type: none"> <li>1. Develops construction services and equipment related to living spaces</li> </ol>
Livelihood Business Group Engineering Department	<ol style="list-style-type: none"> <li>1. Provides construction services needed for the creation of domestic living spaces, from planning, design, work supervision, to turnkey solutions.</li> <li>2. Responsible for the development and auditing of a Quality Center, and ongoing improvements to the ISO 9000 quality management system.</li> <li>3. Responsible for the development and auditing of a Work Safety and Environmental Protection Center, and ongoing improvements to the ISO14001/OHSAS18001 system.</li> </ol>
Livelihood Business Group Business Department	<ol style="list-style-type: none"> <li>1. Responsible for marketing, customer development, and business promotion in relation to the construction of domestic living spaces.</li> <li>2. Creates and maintains customer data.</li> <li>3. Resolves customer complaints.</li> <li>4. Develops and distributes construction facilities.</li> </ol>
Livelihood Business Group Design Department	<ol style="list-style-type: none"> <li>1. Develops engineering methods.</li> <li>2. Designs, plans, and produces charts on the piping, wiring, and air conditioning of domestic living spaces, and designs electromechanical engineering projects.</li> </ol>
Livelihood Business Group Procurement Department	<ol style="list-style-type: none"> <li>1. Responsible for the purchasing and warehousing of materials, equipment and tools for the Livelihood Business Group.</li> <li>2. Develops a robust supplier system that facilitates order tracking and strategic purchases.</li> </ol>
Technology Business Group	<ol style="list-style-type: none"> <li>1. Provides construction services equipment related to the technology industries.</li> </ol>
Technology Business Group Taoyuan, Taichung, Tainan and Kaohsiung Region Operation Division	<ol style="list-style-type: none"> <li>1. Constructs cleanrooms for local high-tech industry; provides construction services for electromechanical engineering projects such as planning, design, supervision and turnkey solutions.</li> <li>2. Constructs cleanrooms for local biotech industry; provides construction services for electromechanical engineering projects such as planning, design, supervision and turnkey solutions.</li> <li>3. Implementation of a GMP document management system.</li> </ol>
Technology Business Group Technology Division	<ol style="list-style-type: none"> <li>1. Develops engineering methods.</li> <li>2. Designs, plans, and produces charts on the layout of industrial cleanrooms, and designs electromechanical engineering projects.</li> </ol>
Technology Business Group Business Department	<ol style="list-style-type: none"> <li>1. Responsible for marketing, customer development, and business promotion of local industry construction projects.</li> <li>2. Creates and maintains customer data.</li> <li>3. Resolves customer complaints.</li> <li>4. Develops and distributes construction facilities.</li> </ol>
Technology Business Group Maintenance Department	<ol style="list-style-type: none"> <li>1. Maintains and services air-conditioning units.</li> <li>2. Performs maintenance, inspection and repair services for customers.</li> </ol>



Department	Functions
Technology Business Group Procurement Department	<ol style="list-style-type: none"> <li>1. Responsible for the purchasing and warehousing of materials, equipment, and tools related to the Technology Business Group. Develops a robust supplier system that facilitates order tracking and strategic purchasing.</li> <li>2. Handles processes such as import, export, and bonded warehouses.</li> </ol>
Supporting Group Quality Insurance & safety Department	<ol style="list-style-type: none"> <li>1. Enhances employees' safety and health within the company; implements an OHSAS 18001-compliant occupational health and safety system.</li> <li>2. Improves environmental management within the company; implements an ISO 14001-compliant environmental management system.</li> <li>3. Responsible for the development and auditing of a Quality Center, and ongoing improvements to the ISO 9000 quality management system.</li> </ol>
Supporting Group IT Department	<ol style="list-style-type: none"> <li>1. Development and management of information systems and networks.</li> <li>2. Responsible for the development, maintenance and security management of various information systems and databases.</li> <li>3. Software access control and maintenance.</li> </ol>
Supporting Group Financial Division	<ol style="list-style-type: none"> <li>1. Board Secretary.</li> <li>2. Investor Relationship.</li> <li>3. Bookkeeping, cost analysis, financial statement analysis.</li> <li>4. Supervision and management of subsidiary's financial matters.</li> <li>5. Management of the activities for acquiring or disposing of assets, engaging in derivatives transactions, extending loans to others and granting endorsements or guarantees for others.</li> <li>6. Supervision and management of subsidiary's processes for making changes in accounting policies and estimates.</li> <li>7. Financial analysis and planning.</li> <li>8. Funding.</li> <li>9. Customer credit assessment.</li> <li>10. Regulatory reporting, announcements and share administration.</li> <li>11. Budget control.</li> </ol>
Supporting Group General Administration Division	<ol style="list-style-type: none"> <li>1. Human resources management.</li> <li>2. Employee training management and planning.</li> <li>3. Document management.</li> <li>4. Administrative work for construction projects.</li> <li>5. General affairs.</li> <li>6. Legal affairs management.</li> </ol>

## ii. Directors and Management Team

### 1. Directors

April 1, 2018

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Taiwan	Liang, Chin-Li	Male	May 28, 2015	3	Dec. 30, 2005	1,670,688	3.58	1,711,688	3.63	38,990	0.08	0	0.00	<ul style="list-style-type: none"> <li>• EMBA, National Chiao Tung University</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>• Manager, Engineering Department, Gongshan Air-conditioning and Refrigerating Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• CEO and President, Acter Co., Ltd.</li> <li>• Chairman, Her Suo Eng., Co., Ltd.</li> <li>• Chairman, Nova Technology Corp.</li> <li>• Chairman, Sheng Huei (Suzhou) Engineering Co., Ltd.</li> <li>• Chairman, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.</li> <li>• Director, Sheng Huei (Shenzhen) Engineering Co., Ltd.</li> <li>• Director, Shenzhen Dingmao Trade Co., Ltd.</li> <li>• Legal Representative, Sheng Huei International Co., Ltd.</li> <li>• Legal Representative, Acter International Limited</li> <li>• Legal Representative, New Point Group Limited</li> <li>• Director, Nova Technology Singapore Pte., Ltd.</li> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>• Supervisor, Winmax Technology Corp.</li> </ul>	None	None	None

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
															<ul style="list-style-type: none"> <li>• Director and CEO, Enrich Tech Co., Ltd.</li> <li>• Chairman, Winmega Technology Corp.</li> <li>• Director, Acter Engineering Co., Ltd.</li> <li>• Supervisor, Suzhou Winmax Technology Corp.</li> <li>• Director, Novatech Engineering &amp; Construction Pte. Ltd.</li> </ul>				
Director	Taiwan	Yang, Jung-Tang	Male	May 28, 2015	3	Feb. 19, 1979	884,660	1.90	865,495	1.84	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• EMBA, Tunghai University</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, Xiang-Hui Development Co., Ltd.</li> <li>• Chairman, Johnwell Co., Ltd.</li> <li>• Director, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.</li> <li>• Director, Sheng Huei International Co., Ltd.</li> <li>• Director, Acter International Limited</li> <li>• Director, New Point Group Limited</li> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>• Director, Season Arts Education Foundation.</li> <li>• Supervisor, Suzuka Chemical Co., Ltd.</li> </ul>	None	None	None

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Taiwan	Kao, Hsin-Ming	Female	May 28, 2015	3	June 16, 2009	1,240,662	2.66	1,156,662	2.45	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• EMBA-International Business Management, National Taiwan University</li> <li>• Section Manager, Electronics Research &amp; Service Organization (ERSO)</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman and CEO, Marketech International Corp.</li> <li>• Chairman, Macrotec Technology Corp.</li> <li>• Chairman, Chi Hsuan Investments Corp.</li> <li>• Chairman, Hua Hsuan Technology Corp.</li> <li>• Director, WT Microelectronics Co., Ltd.</li> <li>• Supervisor, Probeleader Co., Ltd.</li> </ul>	None	None	None
Director	Taiwan	Hu, Tai-Tsen	Male	May 28, 2015	3	June 16, 2009	1,101,401	2.36	601,401	1.28	505,156	1.07	0	0.00	<ul style="list-style-type: none"> <li>• EMBA, Tunghai University</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>• Honorary Member, The Phi Tau Phi Scholastic Honor Society of the Republic of China</li> <li>• Lecturer, Department of Electrical Engineering, National Chin-Yi University of Technology</li> <li>• Executive Director, Taiwan Refrigerator and Air-Conditioning Association of Republic of China</li> <li>• Jury for Technical Examination of</li> </ul>	<ul style="list-style-type: none"> <li>• Director, Sheng Huei International Co., Ltd.</li> <li>• Director, Acter International Limited</li> <li>• Director, New Point Group Limited</li> <li>• Director, Lishan Hotel Corporation</li> </ul>	None	None	None

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
														Refrigeration and Air Conditioning Repair Technician by the Ministry of Internal Affairs					
Independent Director	Taiwan	Yeh, Hui-Hsin	Female	May 28, 2015	3	May 11, 2010	3,000	0.01	3,000	0.01	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Bachelor Degree in Accounting, Tunghai University</li> <li>• Partner CPA, Ernst &amp; Young Global Limited</li> </ul>	<ul style="list-style-type: none"> <li>• Representative, Wei Chin CPAs &amp; Co.</li> <li>• Independent Director, Partner Tech. Corp.</li> <li>• Supervisor, Hyweb Technology Co., Ltd.</li> </ul>	None	None	None
Independent Director	Taiwan	Yang, Qian	Male	May 28, 2015	3	May 28, 2015	0	0.00	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Doctor of Computer Science, Washington University, USA</li> <li>• Master of Computer Science, Georgia Institute of Technology, USA</li> <li>• Master of Management Science, National Chiao Tung University</li> <li>• Bachelor of Electronics Engineering, National Chiao Tung University</li> <li>• Professor and Dean, Institute of Business and Management, National Chiao Tung University</li> <li>• Professor and Acting Dean, Institute of Business and Management, National Chiao Tung University</li> <li>• Professor and EMBA Chief Executive Officer, Institute of Business and</li> </ul>	<ul style="list-style-type: none"> <li>• Honorary Professor, Institute of Business and Management, National Chiao Tung University</li> <li>• Member, Employee Complaint Deliberation Committee, Industrial Technology Research Institute</li> <li>• Supervisor, Chia Chang Co., Ltd.</li> <li>• Independent Director, ASPEED Technology Inc.</li> <li>• Independent Director, Penpower Technology LTD.</li> </ul>	None	None	None

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
														<ul style="list-style-type: none"> <li>Management, National Chiao Tung University</li> <li>• Consultant, Chairman Office, Hon Hai Precision Inc. Co., Ltd.</li> <li>• Member, Endowment Fund Committee, National Chiao Tung University</li> <li>• Member, Operation Fund Committee, National Chiao Tung University</li> <li>• Judicial Yuan Member, Personnel Review Committee</li> <li>• Director, Hermes Microvision, Inc.</li> <li>• Independent Director, BestCom Infotech Corp.</li> </ul>					
Independent Director	Taiwan	Wang, Mao-Rong	Male	May 28, 2015	3	May 28, 2015	0	0.00	3,000	0.01	2,000	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Master, Institute of Management of Technology, National Chiao Tung University</li> <li>• Refrigerating Air-conditioning Division, College of Mechanical &amp; Electrical Engineering, National Taipei University of Technology</li> <li>• Consultant of Energy-saving Department and Senior Manager, Delta Electronics, Inc.</li> <li>• Industrial Technology</li> </ul>	<ul style="list-style-type: none"> <li>• Person in Charge, MJ Energy Master</li> <li>• Director, J-POWER SYSTEM ENGINEERING CO., LTD.</li> <li>• Director, Compresses Air Energy Saving Co., Ltd.</li> <li>• Supervisor, Jesus International Investment Co., Ltd.</li> </ul>	None	None	None

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives or Directors who are spouses or within two degrees of kinship			
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														Research Institute Laboratory Director and Promotion Manager • Great United Technicians Firm, Person in Charge • Top 10 Outstanding Engineer Award (Year 1996) • Refrigeration and air-conditioning engineer (Senior Examinations)						

2. Major shareholders of the institutional shareholders : Not applicable

3. Professional qualifications and independence analysis of directors

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Liang, Chin-Li	None	✓	✓	None	None	None	None	✓	None	✓	✓	✓	✓	✓	None
Yang, Jung-Tang	None	✓	✓	None	✓	None	None	✓	None	None	✓	✓	✓	✓	None
Kao, Hsin-Ming	None	None	None	✓	✓	✓	None	✓	✓	✓	✓	✓	✓	✓	None
Hu, Tai-Tsen	None	✓	✓	None	✓	None	✓	✓	✓	✓	✓	✓	✓	✓	None
Yeh, Hui-Hsin	None	✓	✓	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Name	Criteria			Independence Criteria(Note1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			1	2	3	4	5	6	7	8	9	10		
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company												
Yang, Qian	✓	None	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Wang, Mao-Rong	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note1: Please tick the corresponding boxes that apply to the directors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.



4. Management Team

April 1, 2018

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO and President	Taiwan	Liang, Chin-Li	Male	June 15, 2011	1,711,688	3.63	38,990	0.08	0	0.00	<ul style="list-style-type: none"> <li>• EMBA, National Chiao Tung University</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>• Manager, Engineering Department, Gongshan Air-conditioning and Refrigerating Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, Her Suo Eng., Co., Ltd.</li> <li>• Chairman, Nova Technology Corp.</li> <li>• Chairman, Sheng Huei (Suzhou) Engineering Co., Ltd.</li> <li>• Chairman, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.</li> <li>• Director, Sheng Huei (Shenzhen) Engineering Co., Ltd.</li> <li>• Director, Shenzhen Dingmao Trade Co., Ltd.</li> <li>• Legal Representative, Sheng Huei International Co., Ltd.</li> <li>• Legal Representative, Acter International Limited</li> <li>• Legal Representative, New Point Group Limited</li> <li>• Director, Nova Technology Singapore Pte., Ltd.</li> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>• Supervisor, Winmax Technology Corp.</li> <li>• Director and CEO, Enrich Tech Co., Ltd.</li> <li>• Chairman, Winmega Technology Corp.</li> <li>• Director, Acter Engineering Co., Ltd.</li> <li>• Supervisor, Suzhou Winmax Technology Corp.</li> <li>• Director, Novatech Engineering &amp; Construction Pte. Ltd.</li> </ul>	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Vice President	Taiwan	Chang, Ching-Chuan	Male	Jan. 17, 2008	92,000	0.20	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Master Degree in High Technology Electrical and Mechanical Environmental Control, National Chin-Yi University of Technology</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>• Section Manager, Gongshan Air-conditioning and Refrigerating Co., Ltd.</li> <li>• Assistant Vice President, Chin Chan Air-conditioning Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Director, Sheng Huei Engineering Technology Co., Ltd.</li> <li>• Supervisor, Sheng Huei (Shenzhen) Engineering Co., Ltd.</li> <li>• Director, Enrich Tech Co., Ltd.</li> <li>• Supervisor, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.</li> <li>• Director, Her Suo Eng., Co., Ltd.</li> <li>• Director, Pt. Novamex Indonesia</li> <li>• Director, Sheng Huei (Suzhou) Engineering Co., Ltd.</li> <li>• Director, Nova Technology Singapore Pte., Ltd.</li> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>• Supervisor, Shenzhen Dingmao Trade Co., Ltd.</li> <li>• Director, Acter Engineering Co., Ltd.</li> </ul>	None	None	None
Vice President	Taiwan	Lai, Ming-Kun	Male	Feb. 01, 2007	88,806	0.19	29,321	0.06	0	0.00	<ul style="list-style-type: none"> <li>• EMBA, National Taiwan University of Science and Technology</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>• Vice President, Hao-Han Chung-Hsiao Engineering Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Supervisor, Sheng Huei (Suzhou) Engineering Co., Ltd.</li> <li>• Director, Sheng Huei (Shenzhen) Engineering Co., Ltd.</li> <li>• Director, Shenzhen Dingmao Trade Co., Ltd.</li> </ul>	None	None	None
Vice President	Taiwan	Chen, Cheng-Zhang	Male	Feb. 20, 2017	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Ph.D., Department of Physics at National Tsing Hua University</li> <li>• Assistant Vice President of Admin. Department, Fu-Tsu Construction Co., Ltd.</li> <li>• Director of Engineering, Powerchip Technology Corporation</li> </ul>	None	None	None	

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship				
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
											<ul style="list-style-type: none"> <li>• Manager, Large unified technology co., Ltd</li> <li>• Senior Engineer, Mosel Vitelic Inc.</li> <li>• Deputy manager, Union Optronics Corp.</li> <li>• Deputy chief engineer, Tah Chung Steel Corp.</li> </ul>						
Assistant Vice President	Taiwan	Li, Po-Sheng	Male	Feb. 01, 2007	333,000	0.71	611	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Department of Refrigerating and Air-conditioning, Fu-Hwa Senior High School</li> <li>• Vice Section Manager, Gongshan Air-conditioning and Refrigerating Co., Ltd.</li> </ul>	None	None	None	None	None	
Assistant Vice President	Taiwan	Wang, Chun-Sheng	Male	Jan. 17, 2008	3,541	0.01	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Department of Electrical Engineering, Taipei Tech</li> <li>• Engineer, San-Chun Engineering Limited</li> </ul>	None	None	None	None	None	
Assistant Vice President	Taiwan	Cheng, Chieh-Chung	Male	Nov. 01, 2013	21,000	0.04	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Master of Engineering Chemical, Stevens Institute of Technology</li> <li>• Manager, TSMC Solar Ltd.</li> </ul>	None	None	None	None	None	
Assistant Vice President	Taiwan	Chang, Ri-Dong	Male	Nov. 20, 2014	48,473	0.10	14,079	0.03	0	0.00	<ul style="list-style-type: none"> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>• Assistant Vice President, Chin Chan Air-conditioning Co., Ltd.</li> </ul>	None	None	None	None	None	
Assistant Vice President (Note1)	Taiwan	Wang, Jin-Cyuan	Male	Apr. 1, 2018	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Master Degree in Mechanical Engineering, National Yunlin University of Science and Technology</li> <li>• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech</li> <li>• Deputy manager, New Fab Planning and Engineering</li> </ul>	None	None	None	None	None	

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship				
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
											Division, TSMC • Factory Manager, TSMC Solar Ltd.						
Manager of Financial Division	Taiwan	Tsao, Yun-Han	Female	Aug. 01, 2009	77,716	0.16	11,372	0.02	0	0.00	• Master Degree in Accounting and Information Technology, National Chung Cheng University • Audit Officer, Forhouse Corporation	• Supervisor, Enrich Tech Co., Ltd. • Supervisor, Pt. Novamex Indonesia	None	None	None		

Note1: Assistant Vice President Wang, Jin-Cyuan was newly appointed on April 1, 2018.

### iii. Remuneration of Directors, Supervisors, President, and Vice President

#### 1. Remuneration of Directors

Unit: NT\$ thousand, Thousand Shares

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees						Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary		
		(A) (Note 2)		(B) (Note 2)		(C) (Note 2)		(D) (Note 2)				(E) (Note 2)		(F) (Note 2)		(G) (Note 2)						
		The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)			
Chairman	Liang, Chin-Li	0	0	0	0	13,948	13,948	72	161	1.66	1.68	8,740	9,100	0	0	2,000	0	2,000	0	2.94	2.99	None
Director	Yang, Jung-Tang	0	0	0	0	5,579	5,579	72	72	0.67	0.67	0	0	0	0	0	0	0	0	0.67	0.67	None
Director	Kao, Hsin-Ming	0	0	0	0	5,579	5,579	48	48	0.67	0.67	0	0	0	0	0	0	0	0	0.67	0.67	None
Director	Hu, Tai-Tsen	0	0	0	0	5,579	5,579	72	84	0.67	0.67	0	0	0	0	0	0	0	0	0.67	0.67	None
Independent Director	Yeh, Hui-Hsin	600	600	0	0	0	0	72	72	0.08	0.08	0	0	0	0	0	0	0	0	0.08	0.08	None
Independent Director	Yang, Qian	600	600	0	0	0	0	60	60	0.08	0.08	0	0	0	0	0	0	0	0	0.08	0.08	None
Independent Director	Wang, Mao-Rong	600	600	0	0	0	0	72	72	0.08	0.08	0	0	0	0	0	0	0	0	0.08	0.08	None

In addition to the disclosure of the table above, there are remunerations to the directors provided service (e.g. serve as independent consultant rather than employee) in the most recent year for all companies : NT\$ 1,482 thousands

Note1: Refers to all companies in the consolidated financial statements

Note2: (A)Base Compensation (B)Severance Pay (C)Compensation to Directors (D)Allowances (E)Salary, Bonuses, and Allowances (F)Severance Pay (G)Employee Compensation.

Note3: Board of directors resolved on Feb. 23, 2018 that the appropriated directors' remuneration were NT\$ 30,684,578.

#### 2. Remuneration of Supervisors : Not applicable

### 3. Compensation of President and Vice President

Unit: NT\$ thousand, Thousand Shares

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income(%)		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO and President	Liang, Chin-Li	19,822	20,472	0	0	11,375	11,375	6,600	0	6,600	0	4.49	4.57	None
Senior Vice President	Chang, Ching-Chuan													
Vice President	Lai, Ming-Kun													
Vice President	Chen, Cheng-Zhang													

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	None	None
NT\$2,000,000 ~ NT\$5,000,000	Chen, Cheng-Zhang	Chen, Cheng-Zhang
NT\$5,000,000 ~ NT\$10,000,000	None	None
NT\$10,000,000 ~ NT\$15,000,000	Liang, Chin-Li, Chang, Ching-Chuan, Lai, Ming-Kun	Liang, Chin-Li, Chang, Ching-Chuan, Lai, Ming-Kun
NT\$15,000,000 ~ NT\$30,000,000	None	None
NT\$30,000,000 ~ NT\$50,000,000	None	None
NT\$50,000,000 ~ NT\$100,000,000	None	None
Over NT\$100,000,000	None	None
Total	4	4

#### 4. Employee Compensation Granted to Management Team

Unit: NT\$ thousand

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO and President	Liang, Chin-Li	0	9,526	9,526	1.13%
	Senior Vice President	Chang, Ching-Chuan				
	Vice President	Lai, Ming-Kun				
	Vice President	Chen, Cheng-Zhang				
	Assistant Vice President	Li, Po-Sheng				
	Assistant Vice President	Wang, Chun-Sheng				
	Assistant Vice President	Cheng, Chieh-Chung				
	Assistant Vice President	Chang, Ri-Dong				
	Assistant Vice President	Wang, Jin-Cyuan				
Principal Financial/Accounting Officer	Tsao, Yun-Han					

5. Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents and Vice Presidents

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

Unit : NT\$ thousand

Title	2016				2017			
	Total Remuneration paid to directors, presidents and vice presidents		Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)		Total Remuneration paid to directors, presidents and vice presidents		Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors	49,925	57,369	11.14	13.15	71,602	72,918	8.50	8.66
CEO								
Presidents								
Senior Vice Presidents								
Vice Presidents								

(2)The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and future risk exposure.

A. Directors

Remuneration for directors shall be determined according to the company's "Regulations governing remuneration paid to directors." Remuneration for directors includes base compensation, compensation to directors, and business implementation expense. And according to Article 26-1 of the Articles of Incorporation, when distributing the surplus profits for each fiscal year, the company shall first offset its losses of previous years and set not more than five percent of the profit before tax excluding the amount of employees' and directors' compensation as compensation to directors. The compensation to directors is measured based on the company's business performance, the extent of personal goal achievement rate, contribution made to the company, future risk, and the market averages and shall be approved by Compensation Committee and Board of directors.



**B. Presidents and Vice Presidents**

The compensation for presidents and vice presidents includes salary, bonus, and employee compensation, and is measured based on the position degree, responsibility of each individual role, contribution made to the company, and the market averages. Besides, employee compensation shall be approved by Compensation Committee and Board of directors.

#### iv. Implementation of Corporate Governance

##### 1. Board of Directors

A total of 6(A) meetings of the board of directors were held in 2017. The attendance of director was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Liang, Chin-Li	6	0	100%	Was re-elected on May 28, 2015
Director	Hu, Tai-Tsen	6	0	100%	Was re-elected on May 28, 2015
Director	Kao, Hsin-Ming	4	2	67%	Was re-elected on May 28, 2015
Director	Yang, Jung-Tang	6	0	100%	Was re-elected on May 28, 2015
Independent Director	Yeh, Hui-Hsin	6	0	100%	Was newly elected on May 28, 2015
Independent Director	Yang, Qian	5	1	83%	Was newly elected on May 28, 2015
Independent Director	Wang, Mao-Rong	6	0	100%	Was newly elected on May 28, 2015

Other mentionable items:

- If there are any of the following circumstances applies, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified:
  - Circumstances referred to in Article 14-3 of Securities and Exchange Act.
  - Resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing.

Board Meetings	Major resolutions	Circumstances referred to in Article 14-3 of Securities and Exchange Act	Resolutions objected to by independent directors or subject to qualified opinion
May 11, 2017	1. Approved to lend capital to subsidiary - New Point Group Ltd.	✓	None
	Independents' opinion: None.		
	Company's response to independent directors' opinion: None.		
	Resolved: Approved by all attending directors and independent directors without objection.		
Nov. 09, 2017	1. Approved to dispose stocks of subsidiary (NOVA TECHNOLOGY CORP.) as over-allotment shares.	✓	None
	Independents' opinion: None.		
	Company's response to independent directors' opinion: None.		
	Resolved: Approved by all attending directors and independent directors without objection.		

- If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:

Directors' names	Contents of motions	Causes for avoidance	Resolved
Liang, Chin-Li	The company's 2017 remuneration for executives.	Mr. Liang, Chin-Li, the Chairman, withdrew from the discussion and voting process as he concurrently served as the Company's chief officers.	Approved by all attending directors and independent directors without objection.

- Measures taken to strengthen the functionality of the Board:

In addition to implementing the "Board of Directors Meeting Rules" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies," the company also has an independent director system to complement its board. Independent directors perform their roles in accordance

with the relevant laws and instructions of the competent authority, and serve both executive and supervisory purposes.

(1) Board structure

The board is comprised of members from a variety of backgrounds, who have been chosen based on the development needs of the company. All directors and independent directors have the academic background and experience necessary to enable the board's decision and supervisory capacity. "Directors Election Procedures" that stipulate a cumulative voting system and nomination system for director elections. This voting system not only increases minority shareholders' chances of participating in the board's decisions but also avoid monopolizing of nomination; furthermore, a set of by-election procedures was also introduced to avoid disruption to the company's business operations if some or all directors and independent directors are dismissed. To ensure the independence of the board, the company has rules that each director and independent director is required to exercise their authorities independently. Information such as directors' shareholding positions, transfer restrictions, and collateralized shares are fully disclosed on the Market Observation Post System, which investors are welcome to make inquiries on.

(2) The independent director system

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

(3) Establishment of an Audit Committee

The company established an audit committee, which replaced supervisors according to Article 14-4 of the Securities and Exchange Act. The committee is composed of three independent directors. All of them are chosen from persons with sufficient financial knowledge or business experience. "Audit Committee Charter" outlines the level of independence expected from audit committee and the role they play in the company's operations. Audit committee ensures that the company's internal control system is effectively implemented and financial statements are properly prepared.

The company has created a mailbox exclusively for communication with audit committee on its website (under the "Investors" section), which enables investors, stakeholders and employees to communicate with audit committee directly by e-mail.

(4) Establishment of a Remuneration Committee

The company established the "Remuneration Committee Charter" in accordance with Article 14-6 of the Securities and Exchange Act. And completed the recruitment of committee members to help the board perform its duties.

(5) Improving information transparency

Financial information, resolutions on material issues, board meeting participation, and director ongoing education information are published on the Market Observation Post System as required by law. The company's financial and business performance is also made accessible to the public on its website.

4. Independent directors' attendance of board in 2017 was as follows:

	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting
Yeh, Hui-Hsin	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person
Yang, Qian	Attendance in Person	Attendance in Person	Attendance in Person	By Proxy	Attendance in Person	Attendance in Person
Wang, Mao-Rong	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person

5. In 2018, only one board meeting was held up to April 2 and no one was absent.

## 2. Audit Committee

A total of 6 (A) Audit Committee meetings were held in 2017. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%)【B/A】	Remarks
Independent Director	Yeh, Hui-Hsin	6	0	100%	Was newly elected on May 28, 2015
Independent Director	Yang, Qian	5	1	83%	Was newly elected on May 28, 2015
Independent Director	Wang, Mao-Rong	6	0	100%	Was newly elected on May 28, 2015

Other mentionable items:

1. If there are any of the following circumstances applies, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1)Circumstances referred to in Article 14-5 of the Securities and Exchange Act.

(2)Resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors.

Audit Committee Meetings	Major resolutions	Circumstances referred to in Article 14-5 of the Securities and Exchange Act	Resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors
May 11, 2017	1. Approved to lend capital to subsidiary - New Point Group Ltd. Resolutions of the Audit Committee: Approved by all attending members without objection. Company's response to the Audit Committee's opinion: None.	✓	None
Nov. 09, 2017	1. Approved to dispose stocks of subsidiary (NOVA TECHNOLOGY CORP.) as overallotment shares. Resolutions of the Audit Committee: Approved by all attending members without objection. Company's response to the Audit Committee's opinion: None.	✓	None

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (shall include the material items, methods and results of audits of corporate finance or operations, etc.)

(1)In Audit committee Meeting, the CPAs and internal auditors are summoned to present the company's financial statements, or to report on the functioning of internal controls. These meetings provide independent directors with sufficient overview of the company's operations. In addition to holding audit committee meetings quarterly, the independent directors also maintain regular e-mail contact with financial statement auditors and internal auditors in order to stay informed of the company's operations.

(2)The CPAs reports matters relating to the annual or semi-annual audited financial statements to the Audit committee meeting. During these discussions, audit committee members are given sufficient opportunities to communicate with the CPAs.

(3)The results of communication between the independent directors, the Company's chief internal auditor and CPAs have been revealed on the company's website.

3. Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The company has established “Corporate Governance Practical Rules” based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. These practices are being implemented in compliance with laws with information properly disclosed in the best interests of investors, stakeholders and employees.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(1) The company has appointed a spokesperson and a deputy spokesperson to handle shareholders' suggestions and disputes.  (2) The company's major shareholders are mostly comprised of the management team and long-term shareholders. The company constantly monitors shareholding positions of its directors and major shareholders. Changes in shareholding positions among directors, managers and shareholders with more than a 10% holding are reported regularly to the competent authority.  (3) The company and each of its affiliated enterprises operate independently from each other. The subsidiaries are governed by the internal control system, the “Finance and Business Policy for Group Members and Related Parties,” and the “Subsidiary Management Policy.”  (4) The company has established “Procedures for Handling Material Inside Information and Avoiding Insiders Trading” against insiders trading with undisclosed information.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a	✓		(1) The company has established “Corporate Governance Practical Rules” to	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>diversified policy for the composition of its members?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to</p>			<p>formulate the diversification of the Board members and revealed it on the company's website and MOPS.</p> <p>The board is comprised of members from a variety of backgrounds, gender and skills. Members have been chosen based on the development needs of the company. All directors have the academic background and experience necessary to enable the board's decision and supervisory capacity.</p> <p>Please refer to &lt;Table 1&gt; on page 40 for the diversity of each board member and page 13~18 for their experience and education.</p> <p>(2) The company has established the Remuneration Committee and the Audit Committee and is going to set up the Nominating Committee after the 2018 Annual Meeting of Shareholders. “Nominating Committee Charter” has established after approval by the board on Feb. 23, 2018. The Committee shall be composed of at least three directors selected by the board of directors from among themselves; a majority of the Committee members shall be independent directors. It shall convene at least once a year, and may call a meeting at its discretion whenever necessary. The duties of the Committee are shown as follows:</p> <ol style="list-style-type: none"> <li>1. Laying down the standards of independence and a diversified background covering the expertise, skills, experience, gender, etc. of members of the board, and finding, reviewing, and nominating candidates for directors based on such standards.</li> <li>2. Establishing and developing the organizational structure of the board and each committee, and evaluating the performance of the board, each committee, and each director and the independence of the independent directors.</li> <li>3. Establishing and reviewing on a regular basis programs for director continuing education and the succession plans of directors.</li> <li>4. Establishing corporate governance guidelines of the Company.</li> </ol> <p>(3) The Board has approved to establish the company's “Self-Evaluation of the</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
measure the performance of the Board, and implement it annually?			<p>Board of Director” about the members of the Board to assess their entire operations on Feb. 26, 2015. It shall specifically conduct internal evaluation at the end of each year through questionnaire and also conduct external evaluation on performance at least every three years according to Article 3. The criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Participation in the operation of the company;</li> <li>2. Improvement of the quality of the board of directors' decision making;</li> <li>3. Composition and structure of the board of directors;</li> <li>4. Election and continuing education of the directors;</li> <li>5. Internal control.</li> </ol> <p>The criteria for evaluating the performance of the board members on themselves, should cover, at a minimum, the following six aspects:</p> <ol style="list-style-type: none"> <li>1. Familiarity with the goals and missions of the company;</li> <li>2. Awareness of the duties of a director;</li> <li>3. Participation in the operation of the company;</li> <li>4. Management of internal relationship and communication;</li> <li>5. The director's professionalism and continuing education;</li> <li>6. Internal control.</li> </ol> <p>After all questionnaires are completed, the Financial Division will then collect it and calculate the score. The internal evaluation of the Board in 2017 has been conducted by the Financial Division. The average score of the entire Board and individual member of Board is 99 and 98 respectively. (Total score is 100) It shows good performances for the entire Board and individual member of Board. The external evaluation has been conducted by KPMG as well. It is confirmed that the whole conducting evaluations team have no financial interest and business relations with the company, and they do not violate the requirement of independence. The external evaluation process has combined three approaches, including the data analysis, questionnaires and interviews etc. The items from</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?			<p>nine dimensions applied to evaluate the board of directors included the structure of a functioning board of directors, efficient operations of the board of directors, professional development and advanced training, provisions of the enterprise, execution of the responsibilities and obligations, management of the leadership team, creation of the company culture, stakeholder communications and performance evaluation etc. The other six dimensions, including the control of company goals and missions, awareness of role and responsibilities as the director, business development and capability upgrade, execution of the responsibilities and obligations, involvement of business operations and internal management of relationships and communications etc. were applied for the evaluation of directors. All the evaluation processes were completed with the evaluation report available by Feb. 2, 2018. The results of overall evaluation was between good to excellent; for the nine dimensions of evaluation part on the board of directors and six dimensions of evaluation part on the director, the dimensions of professional development and advanced training, execution of the responsibilities and obligations, stakeholder communications and performance evaluation, and involvement of business operations etc. were identified to have room to improve. Results of both evaluations have been reported to the Board meeting on Feb. 23, 2018 and have been revealed on the website of the company.</p> <p>(4) The company obtains the declaration of Independence from CPA Firm and the Board of the company regulates the independence of the certified accountant assigned to do the appraisal according to No. 10. Integrity, Objectivity and Independence, The Norm of Professional Ethics for Certified Public Accountants of the People’s Republic of China, which stipulates (a) whether the certified accountant, the spouse, minor children or others hold 1% of shares; (b) whether the certified accountant is the spouse or has relations up to the second degree of consanguinity with other directors; (c) whether the certified accountant is the relative of someone holding a post with significant impact such as a manager or financial and accounting supervisors; (d) whether the certified</p>	



Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>accountant takes a rigid and serious attitude towards his/her performance of his/her professional service; (e) whether the certified accountant received any gift with considerable values from directors, managers; (f) whether a collaborative practicing accountant quitted within one year and took charge of the directors, supervisors manger and post with significant impact on auditing cases of audited clients. It shall be confirmed by the Board that the certified accountant has no other financial interest and business relations in addition to governing auditing certification and cost of tax, and the family members of the certified accountant do not violate the requirement of independence meeting with the standard of independence on evaluation. In the case of meeting with all requirements mentioned above that is qualified certified accountant for governing auditing and certification for the company.</p>	
<p>4. Whether TWSE Listed Companies &amp; GTSM Companies set up and dedicated (part-time) cooperate governance unit or person in charge of cooperate governance affairs (including but not limited to providing the essential materials to directors and supervisors for implementation of duties, relevant affairs of directors’ meeting and shareholders’ meeting according to the law, handling company registration and amendment registration and preparing proceedings of directors’ meeting and shareholders’ meeting) ?</p>	✓		<p>The company has set up cooperate governance unit in charging of corporate governance affairs concurrently under the Financial Division according to the resolution of Board on Nov. 8, 2016. And the manager of Financial Division has at least three years' management experience gained at a public company in handling financial affairs. The main duties of cooperate governance unit are shown as follows.</p> <ol style="list-style-type: none"> <li>(1) Furnishing information required for business execution by directors and arranging continuing education for directors.</li> <li>(2) Updating the developments of laws and regulations relating to the operation of the company in order to assist directors with legal compliance.</li> <li>(3) Plans to scheme proper corporate system as well as organizational frame to accelerating the independency of Board of Directors, transparency of company and compliance of decree.</li> <li>(4) Before directors’ meeting, it will inquiry the opinion of every director to scheme and formulate agenda, and inform to all directors for attendance at least 7 days prior to the meeting as well as provide sufficient meeting materials for directors’ understanding about the content of relevant proposal.</li> <li>(5) Registers date of shareholders’ meeting every year according to the deadline of</li> </ol>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>law, produces and declares meeting notice, handbook for agenda and proceeding by deadline, and handles amendment registration after revision of Article of Incorporation or re-election of directors.</p> <p>(6) The company makes not only performance evaluation toward personal directors every year but also internal performance evaluation on its overall operation. Besides, we will implement an external performance evaluation once at least every three years by delegating an external professional independent institution, expert or scholarship.</p> <p>(7) Improves relevant information of corporate governance in compliance with the indicator of corporate governance evaluation system in order to meet with the norm of cooperate governance.</p>	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders(e.g., including but not limited to shareholders, employees, customers and suppliers, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>(1) The company set up stakeholder zones official sites including employee zone, client zone, supplier zone, investor’s zone, service zone and environmental safety and health zone with respective specific contact windows respectively by category of stakeholder.</p> <p>(2) The company has a spokesperson, a deputy spokesperson and a contact mailbox in place to facilitate communication with shareholders.</p> <p>(3) The company has established different kinds of meetings to encourage an open exchange of opinions between employees and management. An employee mailbox and whistle-blower system has also been made available on the company's website (under the HR section), through which employees may reflect their opinions and offer suggestions.</p> <p>(4) The company has a contact mailbox and an audit committee's mailbox to serve as a means of communication with stakeholders.</p>	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company designates KGI Securities Registry and Transfer Department to deal with shareholder affairs.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>7. Information Disclosure</p> <p>(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?</p> <p>(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p>	✓		<p>(1) The company has an official website (<a href="http://www.acter.com.tw">http://www.acter.com.tw</a>) that regularly updates the company's financial performance and discloses corporate governance information.</p> <p>(2) The company has appointed dedicated personnel to gather and disclose information in a timely and appropriate manner.</p> <p>A. The company has implemented a spokesperson and a deputy spokesperson system, and disclosed their names and contact methods on the company's website.</p> <p>B. Information on investor seminars is disclosed on the company's website as it becomes available.</p> <p>C. The Company has already set up its English website to keep foreign investors informed of its financial and business standings.</p>	None
<p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?</p> <p>Below is a summary of steps taken by the management to ensure sound corporate governance:</p> <p>(1) The company has a set of work rules in place that protect employees' interests. Under these rules, employees, irrespective of rank, gender or nationality, are provided with benefits such as insurance, training, health checkups and retirement plans superior to legal requirements. In addition, the company's Employee Welfare Committee introduces welfare packages that aim to create a harmonious workplace and to enrich employees' lifestyles. The company is ISO 14001 and OHSAS 18001-certified for the purpose of ensuring proper management over workplace safety and health. It has a Quality Insurance &amp; safety Department that is dedicated to promoting and supervising workplace safety; meanwhile, an employee opinion mailbox has been made available on the company's website (under the HR section) to facilitate direct communication between employees and the company.</p> <p>(2) Investor relations, supplier relations and stakeholders' rights: as part of its goal of information transparency, the company discloses financial and business information in a timely and appropriate manner in compliance with related laws. It has contact windows and mailboxes that investors, suppliers and stakeholders can use to leave messages and give opinions. Apart from making regular financial and business disclosures, the company has also created a corporate governance section on its website in both Chinese and English, so as to protect the interests of local and foreign investors.</p> <p>The company establishes trade arrangements and issues purchase orders to suppliers in compliance with the principle of equality. These agreements clearly outline the</p>				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>rights and obligations between the two parties, and work to secure both parties' legal interests.</p> <p>(3) Status of the Continuing Education of Directors: all directors of the company have completed the mandatory courses stipulated under “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.” For details regarding these courses, please refer to page 72~73 of the annual report, titled "xi. Status of the Continuing Education of Directors in 2017."</p> <p>(4) Risk management policy and risk assessment standards: the company is focused on its primary business. It has risk management guidelines and policies in place to avoid or minimize risks that may jeopardize the company's interests, while in the meantime ensure employees' safety. All major operating policies, investments, asset acquisitions and disposals, corporate guarantees and endorsements are subjected to thorough analysis before they are proposed for the board's resolution. The Auditing Office develops annual audit plans based on assessed risks and executes accordingly as a means of risk supervision.</p> <p>(5) Customer policy: The company has a Business Department and an Engineering Department responsible for engaging customers in timely communications, responding to customization needs, providing excellent services and resolving any issues that might arise. Besides, the General Administration Division conducts customer satisfaction survey from time to time and keeps all channels open for bilateral communication with customers.</p> <p>(6) Insurance against directors' liabilities: the company has taken out liabilities insurance for its directors. Information about the insured amount, coverage and premium rate has been reported in the Board meeting on Feb. 23, 2018.</p>				
<p>9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange</p> <p>The company is ranked in top 5% in 4th Corporate Governance Evaluation of Listed Companies. The company reviews items not achieving evaluation standard every year after the result of evaluation be announced, makes adjustment and improvement successively and carries out step by step. In the perspective of information disclosure, apart from adjust, update annual report and disclosed content on the website, the company also participates investor conferences, in light of making the information more transparent and reducing the issue of information asymmetry. In terms of system, the company has approved the revision proposal of Article of Incorporation in Shareholders’ meeting in 2017 and will elect directors via candidate nomination system totally. For items that have not achieving evaluation standard yet such as setting up of nomination committee, the company has established “Nominating Committee Charter” after approval by the board on Feb. 23, 2018 and is going to set up the Nominating Committee after the 2018 Annual Meeting of Shareholders.</p>				

<Table 1>

Item Name	Gender	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead	Ability to make policy decisions
Liang, Chin-Li	Male	✓	✓	✓	✓	✓	✓	✓	✓
Yang, Jung-Tang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Hu, Tai-Tsen	Male	✓	None	✓	✓	✓	✓	✓	✓
Kao, Hsin-Ming	Female	✓	✓	✓	✓	✓	✓	✓	✓
Yeh, Hui-Hsin (Independent director)	Female	✓	✓	✓	✓	✓	✓	✓	✓
Yang, Qian (Independent director)	Male	✓	None	✓	✓	✓	✓	✓	✓
Wang, Mao-Rong (Independent director)	Male	✓	None	✓	✓	✓	✓	✓	✓

#### 4. Composition, Responsibilities and Operations of Remuneration Committee

##### (1) Professional Qualifications and Independence Analysis of Remuneration Committee Members

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

Note1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

(2) Attendance of Members at Remuneration Committee Meetings

A. There are three members in the Remuneration Committee.

B. The tenure of the 3rd remuneration committee is from June 15, 2015 to May 27, 2018. A total of 2(A) meetings of the remuneration committee were held in 2017. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By proxy	Attendance Rate in Person(%)(B/A)	Remark
Convener	Yang, Qian	2	0	100%	Re-elected on June 15, 2015
Member	Yeh, Hui-Hsin	2	0	100%	Was newly appointed on June 15, 2015
Member	Wang, Mao-Rong	2	0	100%	Was newly appointed on June 15, 2015

Other matters to be disclosed :

1. If the board of directors declines to adopt, or modifies a recommendation of the remuneration committee, the date of the Board of Directors meeting, term, content of motions, board resolution results and Company handling of remuneration committee opinions shall be specified. (If the compensation approved by the Board of Directors exceeds that proposed by the remuneration committee, the circumstances and cause of the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

## 5. Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>1. Corporate Governance Implementation</p> <p>(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?</p> <p>(2) Does the company provide educational training on corporate social responsibility on a regular basis?</p> <p>(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</p>	✓		<p>(1) The company has established the “Corporate Social Responsibility Best Practice Principles” after taking into consideration the future development trends of CSR, corporate core values, and the effect of the operation on stakeholders. The company assigned General Administration Division in charging of CSR affairs concurrently. They will review periodically the suitability of the corporate social responsibility policies, systems, and relevant management guidelines, and discloses the execution of performance on the annual report and social responsibility report.</p> <p>(2) The company arranges for directors to undergo external training courses on topics such as corporate governance and insider trading policies. Meanwhile, employees are also provided with training on the company's CSR policies, professional skills, and courses that inspire self-development. Through use of advocacy, training and rewards, the company hopes to incorporate corporate social responsibility into its daily operations.</p> <p>(3) In order to implement corporate social responsibility, improve the development of economic, environmental and social, and also implement the company's sustainable management at the same time, the company established the “Corporate Social Responsibility Best Practice Principles” in 2014. Under this principle, the company assigned General Administration Division as the Corporate Social Responsibility Promotion Unit, and is responsible for proposing and executing corporate social responsibility policies or systems. The unit consists of the corporate governance team, the environmental protection team, and the social participation team with employees from Technology Division, Financial Division, Engineering Department, General Administration Division, Procurement Department, Quality Insurance &amp; safety Department, and Business Department. The company reports to Board of Directors about implementation</p>	None



Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>situation for social responsibility and discloses the result and performance on the website of the company simultaneously. It has reported the effect of performance for 2017 in the Board meeting on the 9th of November 2017. Excerpts are as follows</p> <ol style="list-style-type: none"> <li>1. Facilitate the shared prosperity with the whole society to take the corporate social responsibility to the utmost. <ul style="list-style-type: none"> <li>- Specific approaches: Contribute to the social welfare and help the vulnerable groups with our expertise and professional skills to form a corporate culture of willing to do something good and helping people.</li> <li>- Implementation results: Get involved in the services of antisocial teenagers, help to build the houses with our expertise and professional skills and sponsor the elementary schools in remote area to establish their libraries. Total NT\$1,326,900 were donated to these activities and increased by 65% in 2017 compared with the donation of 2016.</li> </ul> </li> <li>2. Facilitate the professional health and build up a safe working environment <ul style="list-style-type: none"> <li>- Specific approaches: Facilitate the project of health promotion and conduct the activities for physical-psychological-spiritual relax and work-life balance. Meanwhile, implement every required working security management system to build up a safe working environment.</li> <li>- Implementation results: There were some activities like bowling and badminton games conducted before. In 2017, the injury at work in Acter was 0%; the total accumulated working hours without injury at work were 2,913,224 hours from 2011 to 2016 (total labors involved was 280).</li> </ul> </li> <li>3. Establish an equal and open workplace culture <ul style="list-style-type: none"> <li>- Specific approaches: Establishing related rules to protect human rights of all employees.</li> </ul> </li> </ol>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			- Implementation results: “Human Rights Policy” was set to secure the human rights and benefits of all the employees (active employees, contractors and temporary workers, interns etc.) Meanwhile, the policy will be updated based on the related regulations continuously.	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?			(4) The Company stipulated “Employment Remuneration Administration Policies,” “Employee Appraisal Guidelines,” “Employee Reward and Discipline Guidelines,” “Employee Ethical Business Guidelines,” and “Regulations Governing Employee Reward” according to the rules which are expected to encourage employees to perform well and improve on weak performance with the open and concrete administrations measures in order to carry out the business philosophy and achieve social responsibility of company. In order to provide sound rewards and remuneration program, the General Administration Division adjusts employee’s salary based on the market level of salary, the trend of economic, and employee’s potential every year. They also take achievement rate of annual budget target and individual performance into consideration when calculating employee’s bonus. Besides, according to Article 26-1 of the “Articles of Incorporation,” when distributing the surplus profits for each fiscal year, the company shall first offset its losses of previous years and set not less than three percent of the profit before tax excluding the amount of employees’ and directors’ compensation as compensation to employees.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1) The company has passed ISO14001 Environmental Management certification, and continues to devote resources to technology R&D to provide customers with energy-saving solutions. Through the use of energy-saving and heat recovery equipment, the company expects to reduce environmental pollution, promote recycling and make more efficient use of resources such as power and water.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>(2) Does the company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?</p>			<p>(2) The company has set up standard operating procedures and operations manuals according to the nature of its construction work. In addition to requiring employees to comply with construction procedures, the company is also dedicated to enhancing safety and hazard control over the work environment, work activities, and any instruments or equipment used. Work environments are tested regularly and the company's work practices have received OHSAS18001 Occupational Health and Safety certification.</p> <p>(3) In addition to researching new energy-saving technologies, the company also takes the initiative in raising employees' environmental awareness.</p> <ol style="list-style-type: none"> <li>1. With regards to the use of paper, the company has been a strong advocate of a paper-less environment, and employees are reminded to print double-side and on used paper whenever deemed appropriate.</li> <li>2. The Company has set an annual target for how to save the resources, including the resource reductions of 1% on water; 3% on power; 3% on gasoline and 2% on wastes etc. The company uses the core techniques to reduce consumption and actively invests in the research and development of energy-saving technical engineering and also advocates energy-saving, carbon reduction, and environmental protection awareness to the employees from time to time, promoting the little environmental protection activities, such as the turning off of lights, water and electricity conservation, and reuse of waste paper, while company headquarters has fully adopted the use of energy-saving equipment for greater energy efficiency. The company has set up a number of policies including: a. Green procurement; purchasing products that are certified environmentally friendly, energy-saving, water-saving, and are rated with a high EER; b. Revision of lighting requirements, improved lighting efficiency, decommissioning of redundant lighting, and development of the habit of turning off lights when not needed; c. Resource reuse: use of recycled paper and materials and refraining from use of over-packaged products. Company</li> </ol>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>headquarters has started to reference to ISO14024 since 2017, the self-audit of the greenhouse gases was implemented for gradually progressing to the actual reduction and meet the goal of carbon neutral through the greenhouse gases inventory check. Therefore, all the services, activities or organizations will not lead to the net increase of the greenhouse gases volume in the atmosphere. 6 types of greenhouse gases (CO2, CH4, N2O, HFCs, PFCs, SF6, NF3) were emitted by the Company at 125.45 tons of CO2e. Direct emission of the greenhouse gases included the emission of mobile sources (gasoline) and fugitive emission (refrigerant, septic tank), the total direct emitted volume was 78.85 tons of CO2e which equaled to 37.15% of total volume; indirect greenhouse gases emission was the fixed emission sources (outsourcing power) and the total volume of emission was 46.60 tons of CO2e which took 62.85% of total volume emitted.</p> <p>With regard to the usage of electricity and carbon emission, the degree of electricity use and carbon emission level was at 88,091 degrees and 46,552 kilometers respectively in 2017, compared to 225,664 of electricity use and carbon emission volume of 118,752 in 2016, it was a reduction of 61% to 137,573 and 61% to 72,200 kilometers separately. It appears that it has taken effect on the electricity saving.</p>	
<p>3. Preserving Public Welfare</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>(1) The Company will follow the human rights related policies announced by the government. According to the Labor Standards Act, Act of Gender Equality in Employment and the related regulations, the company has set the “Work Rules” to secure the legal rights of the employees. “Human Rights Policy” was set to secure the human rights and benefits of all the employees (active employees, contractors and temporary workers, interns etc.) after referencing the related international initiatives, i.e. human rights related parts in International Bill of Human Rights and International Labor Convention etc. These Policy has been announced to all employees and is disclosed on the company's website.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?</p> <p>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?</p> <p>(5) Does the company provide its employees with career development and training sessions?</p>			<p>(2) An employee mailbox has been made available on the company's website (under the HR section), through which employees may reflect their opinions and offer suggestions. There are no opinions or complaints received in 2017.</p> <p>(3) The Company would follow all the regulations and system about the work safety; the health management related tasks and educational trainings would be planned, implemented and monitored by the Quality Insurance &amp; safety Department. Through the regular security and health educational trainings for spontaneous check and disaster prevention, the awareness of work environment hazards and emergency responding capabilities of the staffs could be improved. In 2017, 31 messages for the health promotion and 31 educational work safety trainings were conducted with accumulated 283.5 hours of educational trainings.</p> <p>(4) The Company would regularly conduct meetings based on “Regulations for Implementing Labor-Management Meetings” for the mutual communications, like the regular labor-management coordination meeting, to build a good interactive model between the employers and the employees so the organizational harmony and labors’ right and benefits would be secured. The labor-management coordination meeting was composed by 10 people, 5 from the employers and 5 from the employees (including 40% of women in each party.) It’ s a seasonal meeting and has been conducted for 4 times in 2017. The meeting records and the related references would be provided to the staffs.</p> <p>(5) In order to enhance the professional abilities, the company has set up employee promotion relative systems and founded the Acter Academy in 2014, arranging different courses for different ranks. The courses include professional skill courses, engineering close out report courses, elite training courses, and LOHAS for all courses, etc. It is the company’s expectation to make the development of employees' careers and the company’s interests grow up simultaneously by working and training.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																								
	Yes	No	Abstract Explanation																									
<p>(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?</p> <p>(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?</p>			<p>(6) The company set up stakeholder zones official sites with respective specific contact windows respectively on the company's website.</p> <p>(7) The company provides engineering technical service and provides customized design, as well as integrating construction service, etc. and its marketing and indication are in accordance with the execution of the following regulation and international criterion.</p> <table border="1"> <thead> <tr> <th>Construction Items</th> <th>Regulation / Guide</th> </tr> </thead> <tbody> <tr> <td>Civil construction</td> <td>Building Code and Regulations</td> </tr> <tr> <td>Fire protection</td> <td>Fire Prevention Act, Standards for Installation of Fire Safety Equipments Based on Use and Occupancy</td> </tr> <tr> <td>Air conditioning</td> <td>ISO 14644, PIC/S, FDA</td> </tr> <tr> <td>Instrument and Control</td> <td>GAMP 5</td> </tr> <tr> <td>Compartment material</td> <td>GMP, Building Code and Regulations, Interior Decoration and Repairs Governance Act</td> </tr> <tr> <td>Electric force and illumination</td> <td>Electrical Code</td> </tr> <tr> <td>Commissioning</td> <td>ISPE Commissioning and Qualification</td> </tr> <tr> <td>Water, Water for injection, and Vapor</td> <td>ISPE Water and Steam Systems (Second Edition)</td> </tr> <tr> <td>Sanitary pipe laying and equipment</td> <td>ASME BPE 2009</td> </tr> <tr> <td>Sterile preparation</td> <td>Sterile Product Manufacturing Facilities (Second Edition)</td> </tr> <tr> <td>Biological Products</td> <td>Biopharmaceutical Manufacturing Facilities</td> </tr> </tbody> </table>	Construction Items	Regulation / Guide	Civil construction	Building Code and Regulations	Fire protection	Fire Prevention Act, Standards for Installation of Fire Safety Equipments Based on Use and Occupancy	Air conditioning	ISO 14644, PIC/S, FDA	Instrument and Control	GAMP 5	Compartment material	GMP, Building Code and Regulations, Interior Decoration and Repairs Governance Act	Electric force and illumination	Electrical Code	Commissioning	ISPE Commissioning and Qualification	Water, Water for injection, and Vapor	ISPE Water and Steam Systems (Second Edition)	Sanitary pipe laying and equipment	ASME BPE 2009	Sterile preparation	Sterile Product Manufacturing Facilities (Second Edition)	Biological Products	Biopharmaceutical Manufacturing Facilities	
Construction Items	Regulation / Guide																											
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Biological Products	Biopharmaceutical Manufacturing Facilities																											

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>(8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?</p> <p>(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?</p>			<p>(8) As the company rules management operations of suppliers upon internal control system, and makes records of supplier basic information for material and engineering contractor. Further, it appraises on our supplier comforting to procurement and material management procedure. For the case of suppliers obtaining ISO 9001 quality and management system certificate ISO 14001 international environmental management system criteria, OHSAS18001 vocational security and health management systems relevant certificates, and other qualification remark of government and quality qualification remarks of foreign government, it will evaluated such suppliers as excellent grade, as a plus item to appraisal.</p> <p>(9) It enforces and promotes company corporate social responsibility in its transactions company with its suppliers :</p> <ol style="list-style-type: none"> <li>1. It specifies in the article of the condense agreement of the Company : “Article 12 The suppliers shall abide by the corporate social responsibility company requirements of the company. In the event that any of the policies were violated and their actions cause an impact on environment and society, the company can terminate or cancel the agreement at any time.”</li> <li>2. It stipulates environmental security and management procedure of contractor to specify that contractor shall the related regulations and requirement of environmental safety and health.</li> <li>3. It regulates “safety and health requirement of contractor” on engineering contracting agreement and rigidly conduct the requests the suppliers shall comply with every environmental safety and health requirement during construction toward supplier.</li> <li>4. It concludes “Honest and Integrity Commitment” establish healthy supplier chain relationship between the company and suppliers once the supplier breaches the commitment. The company holds the right to terminate the cooperation relationship and the supplier shall burden all legal responsibilities</li> </ol>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			accordingly.	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		(1) Information relating to corporate social responsibility is disclosed in the company's annual report and corporate social responsibility report. Please refer to the company's website and the Market Observation Post System (MOPS).	None
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The company has made a commitment to corporate social responsibility, and has implemented measures such as an employee code of conduct and environmental safety and health policies. These actions are consistent with the rationale of the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”				
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices : Please refer to <Table 1> on page 52.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The company has prepared a 2016 corporate social responsibility report and entrusted the PricewaterhouseCoopers (PwC) Taiwan to carry out limited assurance according to the Assurance Standards Gazette No. 1 of the Republic of China for the Report. 2017 corporate social responsibility report is still in progress.				



<Table 1>

Social Responsibility Item	Implementation Status			Detailed Description
	Not Yet Executed	Executed	Planning in Progress	
1.Human rights				
(1) Compliance with the Labor Standards Act		V		The Company will follow the human rights related policies announced by the government. According to the Labor Standards Act, Act of Gender Equality in Employment and the related regulations, the company has set the “Work Rules” to secure the legal rights of the employees. “Human Rights Policy” was set to secure the human rights and benefits of all the employees (active employees, contractors and temporary workers, interns etc.) after referencing the International Labor Convention and related international initiatives. To maintain employer-employee relations, the company holds employment meetings on a regular basis according to the “Regulations for Implementing Labor-Management Meetings.” Four meetings were held in 2017.
(2) Other (e.g. protecting employees and recruitment candidates from harassment and discrimination)		V		The company has implemented the “Human Rights Policy,” “Sexual Harassment Prevention Policy,” and “Personal Information Protection Policy” to protect employees' rights, interests and privacy. There were no complaints to violation of human rights as of 2017.
2.Employees' rights, safety and health				
(1) Adequate training for employees		V		In order to inspire growth among employees and nurture professional talent, the company has implemented a set of training guidelines and empowered General Administration Division to oversee employee training.
(2) Employees' right to express opinions		V		An employee mailbox has been made available on the company's website (under the HR section), through which employees may reflect their opinions about rights, welfare, management and the work environment. The company conducts employee satisfaction surveys through questionnaire each year and improvement measures are then proposed so as to achieve employee demands and expectations.
(3) Other (e.g. OHSAS18001 certification on occupational health and safety, and offering of reasonable welfare and remuneration packages to employees)		V		The company has obtained ISO9001 certification on quality, ISO14001 certification on environmental management, and OHSAS18001 certification on occupational safety and health. And the Company is certified by the Health Promotion Administration, Ministry of Health and Welfare to be a healthy workplace. Its employee remuneration system has been developed in compliance with relevant laws including those that govern minimum

Social Responsibility Item	Implementation Status			Detailed Description
	Not Yet Executed	Executed	Planning in Progress	
				wages and mandatory benefits.
3.Employee care				
(1) Workplace safety		V		The company has empowered a Quality Insurance & safety Department to oversee safety and health conditions at various work sites. The department conducts regular tests on the operating environment and takes steps to ensure that safety and health regulations have been strictly complied with to provide employees with the utmost assurance.
(2) Establishment of written employee health and safety policies		V		The company has employee health and safety policies in place and co-operates in their execution.
(3) Other (e.g. care for employees' physical/mental development and family life)		V		The company has established "Employee Welfare Committee" in 2005. It plans employee traveling activities, association, gathering party, reunion party and so on, including family day, using activities to increase the interaction of employees with their families. We anticipated that our employee could attach importance on the family life and mental development apart from work value the importance of family for our employees and our Human Resource Division staff aims to take care of the needs of the employee, including physical and mental development. In 2017, total budget of Employee Welfare Committee is NT\$3,538,959. They held 11 trips to domestic and foreign destinations, including 3 family day activities.
4.Environmental Protection				
(1) Establishment of written environmental protection policy		V		The Company has established the environmental management system based on the internal "Environment manual" and passed the certification of ISO14000 International Environmental Management Systems in 2010. We have not only continuously improved the ISO14000 International Environmental Management Systems but also followed the requirements of the revised ISO version to have the system upgraded in 2017 to apply for the certification again. We' ve done our best to protect the environment to take our corporate social responsibility. We have done nothing illegal or against regulations by the end of 2017.
(2) Compliance with environmental protection laws		V		
(3) Other (e.g. development of energy-saving and pollution-reducing technologies, equipment and activities; steps taken to reuse or recycle waste, or to reduce or prohibit the use of hazardous substances)		V		
5.Community involvement				

Social Responsibility Item	Implementation Status			Detailed Description																					
	Not Yet Executed	Executed	Planning in Progress																						
(1) Participation in community services and charity activities		V		The Company employees have formed the 「Volunteering group of Acter」 to join in the irregular community services and activities. The total involvement of employees in community services and service hours were as the following table:																					
(2) Other (e.g. aid and investment in the community [including manpower, supplies, knowledge and skills], steps taken to ensure the health and safety of the community)		V		<table border="1"> <thead> <tr> <th>Content</th> <th>Number of participants</th> <th>Hours</th> <th>Total hours</th> </tr> </thead> <tbody> <tr> <td>donated a new build project in Xin-gan, Chiayi</td> <td>24</td> <td>9.5</td> <td>228</td> </tr> <tr> <td>Shopping with vulnerable seniors</td> <td>30</td> <td>3.5</td> <td>105</td> </tr> <tr> <td>Total</td> <td>54</td> <td>13</td> <td>333</td> </tr> </tbody> </table>	Content	Number of participants	Hours	Total hours	donated a new build project in Xin-gan, Chiayi	24	9.5	228	Shopping with vulnerable seniors	30	3.5	105	Total	54	13	333					
				Content	Number of participants	Hours	Total hours																		
				donated a new build project in Xin-gan, Chiayi	24	9.5	228																		
				Shopping with vulnerable seniors	30	3.5	105																		
				Total	54	13	333																		
The company donated second-hand item to social vulnerable groups. In 2017, the company totally donated 5 second-hand computer hosts and 5 second-hand computer monitors to Changhua County Grace Home for Children and Juveniles. This not only gives computers a new life, but also enables the children to bridge the learning gap. It is our expectation to minimize digital dividend of our society while protecting our planet.																									
6.Social contributions and social welfare																									
(1) Donations to charities, educational, healthcare, artistic activities etc.		V		The Company has aggressively focused on the resource for the vulnerable group and youth nurturing etc. to connect with the local public beneficial groups to concern the people waiting to be cared. And upgrade the capabilities of the vulnerable groups to achieve the goal of「Shared social benefits」 and pursue the better future. The total social public beneficial sponsorship was collated with summary as the following table:																					
(2) Other (e.g. aid to less-developed countries, offering of employment opportunities to the socially disadvantaged etc)		V		<table border="1"> <thead> <tr> <th>Unit</th> <th>Content</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Taiwan Reading and Culture Foundation</td> <td>Donated to 2017 Philanthropic Library and its benefit concert</td> <td>400,000</td> </tr> <tr> <td>HSINCHU DIOCESE</td> <td>Donated to Services for Youth at Risk</td> <td>350,000</td> </tr> <tr> <td>Chin-ai Music</td> <td>Donated to Chin-ai Music Orchestra</td> <td>30,000</td> </tr> <tr> <td>FORMOSA CHARITY GROUP</td> <td>Donated to FORMOSA CHARITY GROUP</td> <td>500,000</td> </tr> <tr> <td>Hondao Volunteer Association</td> <td>Donated to Elderly Living alone</td> <td>46,900</td> </tr> <tr> <td>Total amount</td> <td></td> <td>1,326,900</td> </tr> </tbody> </table>	Unit	Content	Amount	Taiwan Reading and Culture Foundation	Donated to 2017 Philanthropic Library and its benefit concert	400,000	HSINCHU DIOCESE	Donated to Services for Youth at Risk	350,000	Chin-ai Music	Donated to Chin-ai Music Orchestra	30,000	FORMOSA CHARITY GROUP	Donated to FORMOSA CHARITY GROUP	500,000	Hondao Volunteer Association	Donated to Elderly Living alone	46,900	Total amount		1,326,900
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Social Responsibility Item	Implementation Status			Detailed Description
	Not Yet Executed	Executed	Planning in Progress	
				<p>The Company has followed the article 38 of “People with Disabilities Rights Protection Act” and article 12 of “Indigenous Peoples Employment Rights Protection Act” to hire the people with disabilities and indigenous people. By 2017, 3 people with disabilities and 2 indigenous people were hired and they’d represent 1.1% and 0.7% of total employees in the company. The ratio meets the provisions of the laws and Acter will continue to evaluate if they were at the right position and provide them the equal rights for working.</p> <p>The subsidiary of the Company in Vietnam has aggressively followed the principle for local employment to provide the career opportunity for the local people in those under-developing countries. The local employment in 2017 achieved 67% in Vietnam.</p>
7.Social services				
(1) Promotion of social welfare		V		Over the years, the company has been continuously cooperated with schools and relevant educational institutes for industrial and academic projects, including “industrial and academic cooperation” and “internship programs.” It is the Company’s expectation to integrate the industry and school resources to generate synergy and create more opportunities for students. In 2017, total expenses for “industrial and academic cooperation” and “internship programs” are NT\$1,796 thousand and NT\$494 thousand respectively.
(2) Other		V		
8.Investor relations				
(1) Operating transparency		V		The company publishes financial and business information on the Market Observation Post System as required by law.
(2) Corporate governance		V		In an attempt to achieve more robust corporate governance, the company has empowered its directors and audit committee in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” to make the company's operations more transparent to shareholders.
(3) Other		V		The company has set up its own website and implemented a spokesperson and a deputy spokesperson policy as a means of providing more transparent financial information to investors.
9.Supplier relations				

Social Responsibility Item	Implementation Status			Detailed Description
	Not Yet Executed	Executed	Planning in Progress	
(1) Reasonableness of procurement prices		V		The company has developed a set of “Material Procurement and Management Procedures” based on ISO9001 standards. By establishing procurement contracts with suppliers, the company is able to define the specifications for its purchases and thereby protect its own interests. Business dealings with suppliers are based on trust and a mutually beneficial relationship made possible by open communications.
(2) Other		V		
10.Stakeholder interests				
(1) Intellectual property rights		V		The company respects intellectual property rights, and is yet to be involved in any case of IP infringement.
(2) Regulatory compliance		V		The company's operating policies and systems are in strict compliance with laws.
(3) Other (e.g. disclosure of corporate social responsibilities on company website)		V		The company has disclosed its corporate social responsibilities in prospectus and in its annual reports.
11.Consumer interests				
(1) Emphasis put on customers relations (e.g. consumer protection, product quality, safety and innovation, attention to customers' complaints, provision of full product information etc.)		V		In order to provide customers with "total satisfaction," the company conducts customer satisfaction surveys every year. Analysis and review are carried out for customer complaints and problems or where the overall evaluation score has not reached a certain score, and treatment options, improvement measures, and prevention methods are then proposed so as to achieve customer demands and expectations. Regarding the average customer satisfaction level of Acter in 2017, the Engineering Department was score 88, while the Maintenance Department was score 96.

6. The Status of the Company's Performance in the Area of Ethical Corporate Management and the Adoption of Related Measures

(1) To uphold operational principles of the utmost integrity, the company has established "Ethical Corporate Management Practice Principles," "Code of Ethics," "Ethical Corporate Management Operating Procedures and Conduct Guide," "Corporate Governance Practical Rules," "Corporate Social Responsibility Best Practice Principles" and "Employee Ethical Business Guidelines" that prohibit employees from offering, accepting, committing or requesting any inappropriate benefits, whether directly or indirectly, while performing their duties. Employees are also prohibited against involvement in any conduct that may be construed as dishonest, illegal, or a breach of trust.

(2) Measures adopted :

- A. Employees of the company are prohibited from offering or accepting inappropriate benefits, and are discouraged from doing business with dishonest agents, suppliers, customers or other business partners.
- B. All employees of the company are required to comply with policies and refrain from dishonest conduct.
- C. Employees of the company are required to disassociate themselves whenever there is a conflict between their interests and the interests of the company.
- D. Employees of the company are bound to maintain confidentiality over any commercial secrets learned during their involvement. They are prohibited from revealing such secrets to others as well as inquiring into secrets unrelated to their job roles.
- E. All major operating policies, investments, asset acquisitions and disposals, loans, corporate guarantees and endorsements, and bank financing are subjected to thorough analysis before they are proposed for the board's resolution.
- F. The company's Financial Division is responsible for reviewing transactions according to accounting policies and conducting credit assessments of its customers. The Financial Division clarifies with the financial statement auditor should they encounter any major issues or queries. It reports regularly to the competent authority and makes public announcements on mandatory disclosures as required by law.
- G. The Auditing Office is responsible for carrying out internal audits on various departments within the company, and therefore ensures the robustness and effectiveness of the company's internal control systems.
- H. For the purpose of pursuing sustainable development, the company is committed to the concept of "integrity" as an operational principle. This integrity is reflected in the company's transparent disclosure of financial and corporate governance information on its website and on the Market Observation Post System and its corporate governance system (comprising of its "Ethical Corporate Management Practice Principles" and "Ethical Corporate Management Operating Procedures and Conduct Guide").

(3)Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	✓		<p>(1) The company has always conducted its business activities with the utmost integrity, and for which it has implemented the “Ethical Corporate Management Practice Principles,” “Ethical Corporate Management Operating Procedures and Conduct Guide,” “Code of Ethics,” and “Employee Ethical Business Guidelines.” These corporate ethics policies, along with the board's and the management's commitments, have been explained in annual reports and on the company's website.</p> <p>(2) The company has established the “Ethical Corporate Management Practice Principles,” “Ethical Corporate Management Operating Procedures and Conduct Guide,” and “Code of Ethics” and published it on its website so employees can inquire at anytime.</p> <p>(3) The company's “Employee Ethical Business Guidelines” prohibit employees from requesting, agreeing, delivering, or accepting any form of gift, kickback, bribe or other inappropriate benefits. Reporting channels have been made available for employees to report improper business activities. Also, the company adopts the practice of checking counterparties' legitimacy and credibility before engaging in any business relationships, and therefore ensures that its business partners adopt the same level of fairness and transparency as does the company, and do not request, offer or accept bribes.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p>	✓		<p>(1) The company must assess the legitimacy of suppliers and contractors who have a business relationship with the company, and check any records of unethical conduct, to ensure that the business operating methods of such parties is fair and transparent, and shall avoid conducting business with suppliers and contractors that are involved in unethical conduct.</p> <p>When conducting the above assessment, the company may employ appropriate examination procedures to investigate a company's business partners based on the following items in order to know the state of that party's ethical corporate management:</p> <ol style="list-style-type: none"> <li>1. The country, location of the business operations, organizational structure, management policy and payment location.</li> <li>2. Has an ethical corporate management policy been drafted? What is the policy's state of implementation?</li> <li>3. Is the location of this company's business operations in a high corruption risk country?</li> <li>4. Is the business of this company classified as a high corruption risk business?</li> <li>5. The long-term operating situation and goodwill of this company.</li> <li>6. Ask the business partners of this company about their opinions concerning the company.</li> <li>7. Has this company been involved in any unethical conduct, such as bribery or illegal political contributions?</li> </ol> <p>When signing a contract, it shall be specified in contracts that</p>	None



Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?			<p>when suppliers or contractors are involved in unethical conduct while engaging in business activities, the company can terminate or cancel the contract at any time. Besides, suppliers or contractors are required to sign a "Letter of Ethical Commitment."</p> <p>(2) The company has established “Ethical Corporate Management Practice Principles,” “Ethical Corporate Management Operating Procedures and Conduct Guide,” and “Code of Ethics,” etc. and is active in conveying its underlying rationale to the employees. In order to promote honest business, the General Administration Division supports the Executive Secretary to take charge of honesty relevant system and maintenance and supervision and execution, it shall report to the Board periodically every year and the promoting situation of 2017 has been reported to the Board on November 9, 2017, and which was disclosed on the site. Upon discovering or receiving reports of dishonest conduct, the General Administration Division investigates immediately and demands immediate cessation if such conduct has been verified to have violated laws or the corporate ethical principles. In which case, the violator will be subject to disciplinary action and legal claims if necessary in order to protect the company's reputation. For dishonest conduct that has already occurred, the General Administration Division will help identify weaknesses in the internal control systems or procedures that led to the incident, and instruct the responsible department to rectify so that such incidents do not recur. All departments are required to report to the board of directors on dishonest conduct discovered, actions taken, and subsequent improvements</p>	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>			<p>made.</p> <p>(3) The company has implemented a set of “Employee Ethical Business Guidelines” that requires employees to disassociate themselves from cases that involve their own interests. Violators are subject to disciplinary actions.</p> <p>(4) The company has always paid great attention to the accuracy and completeness of its financial reporting procedures and controls. It has developed effective accounting systems and internal controls to address business activities that present higher integrity risks. Meanwhile, the internal auditor devises annual audit plans based on risk assessment outcomes, and compiles its findings into audit reports for the board of directors' review.</p> <p>(5) The Company would promote the company management concept and requirements by educational trainings and internal meetings to let the employees understand well and follow accurately. Year 2017, we have introduced the integrity standards into the E-learning system to have 189 staffs complete the training, which represented 72% of total employees were trained with 378 training hours in total. Since 2018, the integrity standards were included as the annual required course to enhance the attentions of all the employees constantly. The company assigns employees to participate in ethics training whenever deemed appropriate.</p>	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p>	✓		<p>(1) The company established a “Code of Ethics” and “Employee Ethical Business Guidelines,” and published it on company governance page of the official site. All employees shall abide by the rules and regulations, all executives of each unit shall</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?			<p>carry out and ensure that all department employees understand, accept and comply with the relevant regulations with all its strength. Employees shall be cautious about any behavior that violates the code of conduct, on occasion that any inquiry or discovery of behaviors relating with violating any rule and the norm serious violation cases shall be reported to the Board and then given the corresponding punishment according to the “Employee Reward and Discipline Guidelines,” and a proceeding will be brought up once there is any relevant violation to the law. Employees who violated the regulation with a post under the level of manager for any personal punishment and measure considered as violation of law or impairment of interest and right as unjustified cause, it may submit concrete matter of fact and enclose with related information to appeal to Investigation Unit of General Administration Division, while the person who violated rules with post of above manager, it can conduct according to the regulation about appealing in Code of Ethics. For the reporting channels of the company, in addition to employee personal opinion or claim box, it also set up auditing commission mailbox for completing the function of supervision.</p> <p>(2) In order to reinforce the protection on the interest and right of reporter and avoid the revenge occurred by improper personnel measure, it built "whistleblower protection" relevant measures, for the staff and relevant personnel who denounced someone who has violated regulation or participated with the process of investigation, it will give appropriate protection measure for refrain in them from suffering unfair treatment and revenge. In case that the whistleblower has suffered from revenge, it can</p>	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide proper whistleblower protection?			<p>seek remedies at specific responsibility unit or Office of the Chairman.</p> <p>(3) Concerning "Whistleblower Protection," it safeguards the reporter's position and rewards from degradation or expelling due to reporting, as for the case of suffering the revenge via normal reporting, in addition to providing compensation, a punishment will be imposed on the revenging party according to "Employee Reward and Discipline Guidelines."</p>	
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>	✓		(1) The company has clearly disclosed its business philosophy on its website. Ethical guidelines are also made available for employees to inquire.	None
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>The company has devised “Ethical Corporate Management Practice Principles” and “Ethical Corporate Management Operating Procedures and Conduct Guide” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” and the company's practices. These codes, procedures and manuals serve as guidance to employees while carrying out their roles.</p>				
<p>6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies).</p> <p>In order to develop honesty as part of its corporate culture, governance and risk management, the company has outlined in its “Ethical Corporate Management Operating Procedures and Conduct Guide” the regulations that directors, managers and employees are bound to comply with and a list of conduct to avoid.</p>				

7. Corporate Governance Guidelines and Regulations

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

8. Other Important Information Regarding Corporate Governance

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

9. Internal Control System

(1)Statement of Internal Control System: Please refer to page 65.

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

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

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

Date : Feb. 23, 2018

Acter has conducted a self-assessment of internal controls for the period of January 1, 2017 to December 31, 2017. The results are as follows:

1. Acter acknowledges that the company's Board of Directors and management are responsible for establishing, implementing and maintaining the preexisting internal control system. The purpose of the internal control system is to provide a reasonable assurance for achieving the company's goals: efficient and effective operations (including profit, efficiency, and the safeguard of assets, etc.), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws and regulations.
2. The internal control system has its inherent constrains. Regardless of how well the system is implemented, it can only provide a reasonable assurance that the above goals will be achieved. Indeed the effectiveness of the internal control system may vary due to resulting changes in the environment and circumstances. Acter's internal control system is self-monitoring and requisite actions are promptly taken to address any recognized shortcomings in the system.
3. Acter evaluates the effectiveness of the design and performance of its internal control system as indicated in the Rules Governing Internal Control Systems Established by Public Listed Companies announced by the Securities and Exchange Commission, MOF. Based on the management control process, the items for assessing the internal control specified in the Points are: 1. Control Environment 2. Risk Assessment 3. Control Activities 4. Information and Communication and 5. Monitoring. Each is comprised of certain factors that are described in the Points.
4. Acter has evaluated the effectiveness of the design and performance of its internal control system in accordance with the above factors.
5. Acter believes that the effectiveness of the design and execution of its internal control system in 2017/12/31 the above mentioned assessment period provides reasonable assurance of achieving the goals of operation efficiency and effectiveness, reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws and regulations.
6. This Statement of Internal Control will be a prominent feature of Acter's annual report and prospectus and will be released to the public. Should any statement contained within be misleading or falsely represented, Articles 20, 32, 171 and 174 of the Securities Exchange Law shall apply.
7. This Statement of Internal Control has been approved by Acter's Board of Directors at the Feb. 23, 2018 board meeting. Seven directors attended the meeting and agreed with the content of the statement.

Acter Co., Ltd.

Chairman & President : Liang, Chin-Li

## 11. Major Resolutions of Shareholders' Meeting and Board Meetings

### (1) Major Resolutions of Shareholders' Meeting

Date	Major resolutions	Implementation Status
May 26, 2017	<ol style="list-style-type: none"> <li>1. Adoption of the 2016 Business Report and Financial Statements.</li> <li>2. Adoption of the Proposal for Distribution of 2016 Profits.</li> <li>3. Discussion on the proposal to amend "Articles of Incorporation."</li> <li>4. Discussion on the proposal to amend "Procedure for Acquisition or Disposal of Assets."</li> <li>5. Discussion on the proposal to amend "Procedures for Election of Directors."</li> </ol>	<ol style="list-style-type: none"> <li>1. Resolved by Shareholders' Meeting.</li> <li>2. Resolved by Shareholders' Meeting and the record date was set at Jun. 20, 2017. The company distributed cash dividends on Jul. 7, 2017. (NT\$8.01425153 per share)</li> <li>3. Resolved by Shareholders' Meeting and approved by Economic Development Bureau on Jun. 9, 2017. It was implemented and has been revealed on the company's website.</li> <li>4. Resolved by Shareholders' Meeting. It was implemented and has been revealed on both the company's website and MOPS.</li> <li>5. Resolved by Shareholders' Meeting. It was implemented and has been revealed on both the company's website and MOPS.</li> </ol>

### (2) Major Resolutions of Board Meetings

Date	Major resolutions
Feb. 23, 2017	<ol style="list-style-type: none"> <li>1. Resolved to approve the company's 2016 business report and financial statements.</li> <li>2. Resolved to approve the distribution of 2016 profit.</li> <li>3. Resolved to approve the company's 2016 statement of internal control system.</li> <li>4. Approved to amend the "Subsidiary Management Policy."</li> <li>5. Resolved to approve the independence of the Certified Public Accountants.</li> <li>6. Resolved to approve the company's guarantees and endorsements.</li> <li>7. Approved to provide a guarantee for credit limits applied for by subsidiaries.</li> <li>8. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets."</li> <li>9. Resolved to approve the distribution of 2016 directors and employees compensation.</li> <li>10. Resolved to approve the company's 2017 remuneration for executives.</li> <li>11. Resolved to approve the application for credit limit at the company's banking institutions.</li> <li>12. Resolved to approve the application for general credit limit at the company's banking institutions.</li> <li>13. Approved to adjust the water, gas, and chemical system integration engineering services of subsidiary Nova Technology Singapore Pte., Ltd.</li> <li>14. Resolved to approve that the company does not initiate administrative litigation for the revocation approved by Kaohsiung City Government about the bidding project, which for construction, transfer and BTO as a demonstration case for waste recycling for sewage treatment plant in Fengshan River of Kaohsiung.</li> <li>15. Approved to convene the company's 2017 annual shareholders' meeting.</li> </ol>
Apr. 07, 2017	<ol style="list-style-type: none"> <li>1. Resolved to approve the company's guarantees and endorsements.</li> <li>2. Approved to amend the company's "Articles of Incorporation."</li> <li>3. Approved to amend the company's "Procedures for Election of Directors."</li> <li>4. Resolved to approve the application for credit limit at the company's banking institutions.</li> <li>5. Approved to set out the company's dividend policy.</li> <li>6. Approved to update the cause or subjects for convening the company's 2017 annual shareholders' meeting.</li> </ol>
May 11, 2017	<ol style="list-style-type: none"> <li>1. Approved to lend capital to subsidiary - New Point Group Ltd.</li> <li>2. Resolved to approve the record date for capital reduction due to cancellation of new restricted employee shares.</li> </ol>

Date	Major resolutions
May 26, 2017	3. Resolved to approve the application for credit limit at the company's banking institutions. 1. Resolved to approve the company's guarantees and endorsements. 2. Resolved to approve the ex-dividend date for cash dividends distribution.
Aug. 10, 2017	1. Resolved to approve the company's guarantees and endorsements. 2. Approved to provide a guarantee for credit limits applied for by subsidiaries. 3. Approved to amend the company's "Audit Committee Charter." 4. Resolved to approve the application for general credit limit at the company's banking institutions. 5. Approved to amend the company's "Rules of Procedure for Board of Directors Meeting."
Nov. 09, 2017	1. Resolved to approve the company's guarantees and endorsements. 2. Resolved to approve the company's 2018 annual audit plan. 3. Approved to amend the company's "Ethical Corporate Management Operating Procedures and Conduct Guide." 4. Approved to amend the company's "Business cycle" and "Other Management Control Activities." 5. Approved to dispose stocks of subsidiary (NOVA TECHNOLOGY CORP.) as over-allotment shares. 6. Resolved to approve the company's remuneration policy to directors and employees. 7. Resolved to approve the company's compensation policy for executives. 8. Resolved to approve the application for credit limit at the company's banking institutions. 9. Approved to amend the company's "Rules for Independent Director's Scope of Duties."
Feb. 23, 2018	1. Resolved to approve the company's 2017 business report and financial statements. 2. Resolved to approve the distribution of 2017 profit. 3. Approved to issue new share through capitalization of earnings. 4. Resolved to approve the company's 2017 statement of internal control system. 5. Resolved to approve the evaluation of qualification and independence, and remuneration of the Certified Public Accountants. 6. Resolved to approve the company's guarantees and endorsements. 7. Approved to amend the company's "Procedures for Loaning of Company Funds," "Procedures for Endorsements and Guarantees," and "Procedures for Acquisition and Disposal of Assets." 8. Approved to release shares of Sheng Huei (Suzhou) Engineering Co., Ltd. to its employees. 9. Resolved to approve the adjustments to the investment framework. 10. Approved to provide a guarantee for credit limits applied for by subsidiaries. 11. Resolved to approve the impact that may arise when the company has applied IFRS16 "Leasing." 12. Approved to amend the company's "Compensation Committee Charter." 13. Approved to amend the company's "Regulations governing remuneration paid to directors." 14. Resolved to approve the distribution of 2017 directors and employees compensation. 15. Resolved to approve the company's 2018 remuneration for executives. 16. Resolved to approve the application for credit limit at the company's banking institutions. 17. Approved to establish the company's "Nominating Committee Charter." 18. Approved to elect 7 members of the 11th Board of Directors. (Including 3 independent directors) 19. Approved to release the directors from non-competition restrictions. 20. Approved to nominate 7 directors. (Including 3 independent directors) as a candidate of the 11th Board of Directors. 21. Approved to amend the company's "Articles of Incorporation." 22. Approved to convene the company's 2018 annual shareholders' meeting.



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

None.

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

None.

**v. Information on CPA professional fees**

1. CPA professional fee range

CPA Information

CPA Firm	CPA' s Name		Audit Period	Remark
KPMG	Chang, Tzu-Hsin	Huang, Hai-Ning	Jan. 1, 2017~Dec. 31, 2017	-

Fee Range

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

2. Information on Audit Fee and Non-Audit Fee

Unit : NT\$ thousand

CPA Firm	CPA' s Name	Audit Fee	Non-Audit Fee				Subtotal	Audit Period	Remark
			System Design	Industrial and Commercial Registration	Human Resource	Others (Note1)			
KPMG	Chang, Tzu-Hsin	1,660	-	-	-	570	570	Jan. 1, 2017~Dec. 31, 2017	-
	Huang, Hai-Ning								

Note1: Non-Audit fees include tax report of NT\$370 thousand and external board performance evaluation report of NT\$200.

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

Not Applicable.

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

Not Applicable.

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

None.

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

None.

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

**1. Shares Changes in Shareholding of Directors, Managers and Major Shareholders with a Stake of More than 10 Percent**

Unit: Share

Title	Name	2017		As of Apr. 2, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman(CEO and President)	Liang, Chin-Li	31,000	0	0	0
Director	Hu, Tai-Tsen	(500,000)	0	0	0
Director	Kao, Hsin-Ming	(18,000)	0	(66,000)	0
Director	Yang, Jung-Tang	(23,000)	0	4,000	0
Independent Director	Yeh, Hui-Hsin	0	0	0	0
Independent Director	Yang, Qian	0	0	0	0
Independent Director	Wang, Mao-Rong	(7,000)	0	0	0
Senior Vice President	Chang, Ching-Chuan	(17,000)	0	0	0
Vice President	Lai, Ming-Kun	27,000	0	0	0
Vice President	Chen, Cheng-Zhang (Note1)	0	0	0	0
Assistant Vice President	Li, Po-Sheng	(110,163)	0	(3,000)	0
Assistant Vice President	Wang, Chun-Sheng	(3,000)	0	0	0
Assistant Vice President	Cheng, Chieh-Chung	16,000	0	0	0
Assistant Vice President	Chang, Ri-Dong	14,000	0	0	0
Assistant Vice President	Wang, Jin-Cyuan	(Note2)			
Manager of Financial Division	Tsao, Yun-Han	10,000	0	0	0

Note1: Vice President Chen, Cheng-Zhang was newly appointed on February 20, 2017.

Note2: Assistant Vice President Wang, Jin-Cyuan was newly appointed on April 1, 2018.

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

Name	Reason of the Transfer	Transfer Date	Transferee	Relation with the Transferee	Shares	Transfer Price
Hu, Tai-Tsen	Gifting	Aug. 22, 2017	Sun, Cheng-Mei	Director's spouse	500,000	Not Applicable

### 3. Shares Pledge with Related Parties

None.

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

As of April 1, 2018

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Xiang-Hui Development Co., Ltd. Representative : Yang, Jung-Tang	2,257,567	4.79%	0	0.00%	0	0.00%	Yang, Jung-Tang	Chairman of Xiang-Hui Development Co., Ltd.	None
Chiu-Chang Investment Co., Ltd Representative : Wang, Yi-Hua	1,838,807	3.90%	0	0.00%	0	0.00%	Liang, Chin-Li	Spouse of the representative of Chiu-Chang Investment Co., Ltd.	None
Liang, Chin-Li	1,711,688	3.63%	38,990	0.08%	0	0.00%	Chiu-Chang Investment Co., Ltd	The representative of Chiu-Chang Investment Co., Ltd is the spouse of Liang, Chin-Li	None
Sumitomo Chemical Engineering Co., Ltd. Representative : Hideaki Matsuura	1,200,421	2.55%	0	0.00%	0	0.00%	None	None	None
Kao, Hsin-Ming	1,156,662	2.45%	0	0.00%	0	0.00%	None	None	None
Merrill Lynch International	885,000	1.88%	0	0.00%	0	0.00%	None	None	None
Yang, Jung-Tang	865,495	1.84%	0	0.00%	0	0.00%	Xiang-Hui Development Co., Ltd.	Chairman of Xiang-Hui Development Co., Ltd.	None
Credit Suisse Securities (Europe) Limited	817,000	1.73%	0	0.00%	0	0.00%	None	None	None
Far Eastern International Bank Trust Account - Acter Co. Ltd.	703,000	1.49%	0	0.00%	0	0.00%	None	None	None
J.P. Morgan Securities Plc	632,000	1.34%	0	0.00%	0	0.00%	None	None	None

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

As of Dec. 31, 2017

Long-Term Investment (Note 1)	Ownership by Acter		Ownership by directors and managers, and any companies controlled either directly or indirectly by the company (Note 4)		Total Ownership	
	Shares	%	Shares	%	Shares	%
HER SUO ENG., CO., LTD.	10,000,000	100%	0	0%	10,000,000	100%
NOVA TECHNOLOGY CORP.( Note 3)	21,098,179	62.19%	441,898	1.30%	21,540,077	63.49%
ENRICH TECH CO., LTD	3,600,000	60%	600,000	10%	4,200,000	70%
WINMEGA TECHNOLOGY CORP.	0	0%	3,000,000	100%	3,000,000	100%
SHENG HUEI INTERNATIONAL CO., LTD	4,204,773.82	100%	0	0%	4,204,773.82	100%
NOVA TECHNOLOGY SINGAPORE PTE., LTD.	2,700,000	100%	0	0%	2,700,000	100%
NOVA TECHNOLOGY MALAYSIA SDN BHD	0	0%	2,600,000	100%	2,600,000	100%
PT. NOVAMEX INDONESIA	0	0%	500,000	100%	500,000	100%
ACTER ENGINEERING CO.,LTD.	0	0%	25,000	100%	25,000	100%
ACTER INTERNATIONAL LIMITED	0	0%	500,000	100%	500,000	100%
NEW POINT GROUP LIMITED	0	0%	200,000	100%	200,000	100%
SHENG HUEI (SUZHOU) ENGINEERING CO., LTD.	0	0%	Note 2	100%	Note 2	100%
SHENG HUEI (SHENZHEN) ENGINEERING CO., LTD.	0	0%	Note 2	100%	Note 2	100%
SHENZHEN DINGMAO TRADE CO.,LTD	0	0%	Note 2	100%	Note 2	100%
ZHANGJIAGANG FREE TRADE ZONE FUYUINTERNATIONAL TRADE CO.,LTD.	0	0%	Note 2	100%	Note 2	100%
SHENG HUEI ENGINEERING TECHNOLOGY CO., LTD.	0	0%	Note 2	100%	Note 2	100%
WINMAX TECHNOLOGY CORP.	0	0%	Note 2	100%	Note 2	100%
GLOBAL ONE SOURCE LIFE SCIENCES CO. LTD.	0	0%	Note 2	40%	Note 2	40%
SUZHOU WINMAX TECHNOLOGY CORP.	0	0%	Note 2	100%	Note 2	100%
NOVATECH ENGINEERING & CONSTRUCTION PTE. LTD.	0	0%	1,000,000	100%	1,000,000	100%
GLOBAL ONE SOURCE LIFE SCIENCES (SHANGHAI) CO. LTD.	0	0%	Note 2	40%	Note 2	40%

Note1: Investments accounted for using the equity method.

Note2: Limited Company.

Note3: Numbers of shareholding is according to the register of shareholders of Nova Technology Corp. on March 30, 2018.

Note4: The investment related data about direct controlling or indirect controlling business of the company refers to number of share and shareholding ratio of the reinvestment business invested by the controlling business.

Note5: SCEC (Shanghai) Corp. and SCEC (Suzhou) Corp. completed the liquidation procedures in October 2017 and December 2017, respectively.

### xi. Status of the Continuing Education of Directors in 2017

Title	Name	Date	Host Organization	Course	Continuing Education Hours
Chairman	Liang, Chin-Li	Feb. 22, 2017	Taiwan Institute of Director	Global economic trends in 2017 and the impact of the Black Swan	3
		Jul. 14, 2017	Taiwan Corporate Governance Association	Corporate governance and the securities acts and regulations	3
		Jul. 26, 2017	Taiwan Institute of Director	Major resolutions of Board Meetings- the review of ten years and the outlook	3
Director	Yang, Jung-Tang	Jan. 13, 2017	Accounting Research and Development Foundation	Legal liabilities and case studies of Plea Bargaining in economic crime	3
		Mar. 24, 2017	Taiwan Corporate Governance Association	The application and characteristics of close company when Corporate Transformed	3
		May 05, 2017	Taiwan Corporate Governance Association	How does the court say? - What does "information is precise" mean in insider trading?	3
		May 18, 2017	Taiwan Corporate Governance Association	Group management	3
		Jun. 16, 2017	Accounting Research and Development Foundation	The impact and responses of criminal legal liability arising in confiscation to enterprise	3
		Jul. 13, 2017	Securities & Futures Institute, ROC	Civil liability of the insiders under Corporate governance and Securities and Exchange Act	3
		Jul. 20, 2017	Securities & Futures Institute, ROC	The newest practical development of insider trading and how to prevent and avoid by the enterprise	3
		Jul. 28, 2017	Taiwan Corporate Governance Association	The way that director lead the enterprise when the environment was changed quickly by technology	3
		Aug. 03, 2017	Securities & Futures Institute, ROC	"Fraudulently selling shares to gain money" Securities Fraud - Talking about illegal issue of stock and corporate bond	3
		Oct. 31, 2017	Securities & Futures Institute, ROC	The impact of new Money Laundering Control Act	3
Director	Hu, Tai-Tsen	Jul. 07, 2017	Taiwan Corporate Governance Association	Tax-avoidance and anti-tax-avoidance	3
		Aug. 15, 2017	Accounting Research and Development Foundation	Legal liabilities and case studies of Unauthorized Fund-Raising	3
Director	Kao, Hsin-Ming	Sep. 21, 2017	Taiwan Corporate Governance Association	The analysis of global trends - Risk and opportunity	3
		Sep. 21, 2017	Taiwan Corporate Governance Association	Information security governance under the development of technology	3
Independent Director	Yeh, Hui-Hsin	Apr. 14, 2017	Taiwan Institute of Director	Audit committee's challenges and its first task	3
		Aug. 15, 2017	Taiwan Corporate Governance Association	Information security governance under the development of technology	3
Independent Director	Yang, Qian	Mar. 22, 2017	Securities & Futures Institute, ROC	Corporate governance and CSR	3
		Mar. 31, 2017	Taiwan Corporate Governance Association	International trends for issuing long-term reward to directors and managerial officers	3
Independent Director	Wang, Mao-Rong	Jan. 06, 2017	Accounting Research and Development Foundation	Corporate Governance Practice:the practical closing activities of the corporation under the new "The Auditor's Report on Financial Statements," and the new Corporate Governance Evaluation standard	3
		May 05, 2017	Taiwan Corporate Governance Association	How does the court say? - What does	3

Title	Name	Date	Host Organization	Course	Continuing Education Hours
				"information is precise" mean in insider trading?	
		Aug. 24, 2017	Securities & Futures Institute, ROC	The early warning and the type analysis of the enterprise's financial risks	3
		Sep. 07, 2017	Accounting Research and Development Foundation	How does internal auditor help to deal with enterprise's crisis - Based on the sight of internal control and internal audit systems and legal compliance	6
		Oct 25, 2017	Taiwan Corporate Governance Association	The 13th international corporate governance forum	6

## IV. Capital Overview

### i. Capital and Shares

#### 1. Source of Capital

Unit : NT\$/Share

Month/ Year	Offering Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
06/2017	10	72,000,000	720,000,000	47,152,819	471,528,190	Cancel of restricted shares for employees NT\$840 thousand	None	Note 1

Note1: Approved no. Fu So Jing Shang Zi 10607268810, 06/09/2017

#### 2. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	47,152,819(Note)	24,847,181	72,000,000	GTSM Listed Company Stock

Note1: 703,000 shares of Restricted Employee Shares Granted are under Custody.

#### 3. Information for Shelf Registration: Not applicable.

### ii. Composition of Shareholders

As of April 1, 2018

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	54	4,775	78	4,907
Shareholding (Shares)	0	0	6,363,083	30,981,550	9,808,186	47,152,819
Percentage	0.00%	0.00%	13.49	65.71%	20.80%	100.00%

### iii. Shareholding Distribution Status

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

As of April 1, 2018

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	628	94,314	0.20%
1,000 ~ 5,000	3,434	6,170,689	13.09%
5,001 ~ 10,000	388	2,969,756	6.30%
10,001 ~ 15,000	124	1,607,726	3.41%
15,001 ~ 20,000	80	1,474,083	3.13%
20,001 ~ 30,000	83	2,085,898	4.42%
30,001 ~ 50,000	54	2,141,385	4.55%
50,001 ~ 100,000	43	3,132,164	6.64%
100,001 ~ 200,000	29	3,961,918	8.40%
200,001 ~ 400,000	25	6,872,627	14.58%
400,001 ~ 600,000	7	3,352,218	7.11%
600,001 ~ 800,000	4	2,557,401	5.42%
800,001 ~ 1,000,000	3	2,567,495	5.45%
1,000,001 or over	5	8,165,145	17.30%
Total	4,907	47,152,819	100.00%

#### 2. Preferred Shares

The Company did not issue any preferred share.

### iv. List of Major Shareholders

As of April 1, 2018

Shareholder's Name	Shareholding	
	Shares	Percentage
Xiang-Hui Development Co., Ltd.	2,257,567	4.79%
Chiu-Chang Investment Co., Ltd	1,838,807	3.90%
Liang, Chin-Li	1,711,688	3.63%
Sumitomo Chemical Engineering Co., Ltd.	1,200,421	2.55%
Kao, Hsin-Ming	1,156,662	2.45%
Merrill Lynch International	885,000	1.88%
Yang, Jung-Tang	865,495	1.84%
Credit Suisse Securities (Europe) Limited	817,000	1.73%
Far Eastern International Bank Trust Account - Acter Co. Ltd.	703,000	1.49%
J.P. Morgan Securities Plc	632,000	1.34%
Total	12,067,640	25.60%



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

Unit: NT\$ ; Thousand Shares

Item	2016	2017	2018/01/01-2018/04/2 (Note 4)
<b>Market Price per Share</b>			
Highest Market Price	98.80	221.50	231.50
Lowest Market Price	76.20	92.00	174.50
Average Market Price	86.99	169.87	211.50
<b>Net Worth per Share</b>			
Before Distribution	66.32	83.58	89.35
After Distribution	58.31	70.35 (Note 5)	Not Applicable
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	46,187	46,357	46,450
Diluted Earnings Per Share	9.45	18.17	4.28
Adjusted Diluted Earnings Per Share	9.45	18.17	Not Applicable
<b>Dividends per Share</b>			
Cash Dividends	8.01425153	13 (Note 5)	Not Applicable
Stock Dividends			
• Dividends from Retained Earnings	0	1.5 (Note 5)	Not Applicable
• Dividends from Capital Surplus	0	0	Not Applicable
Accumulated Undistributed Dividends	0	0	Not Applicable
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 1)	9.21	9.34	Not Applicable
Price / Dividend Ratio (Note 2)	10.87	13.07	Not Applicable
Cash Dividend Yield Rate (Note 3)	9.20%	7.65%	Not Applicable

Note1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note4: The data of net worth per share and earnings per share were from the latest audited financial statement.

Note5: The distribution of earnings for 2017 shall be determined by the 2018 Annual General Shareholders' Meeting.

## vi. Dividend Policy and Implementation Status

### 1. Dividend Policy

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

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

A. Remit tax;

B. Compensate loss;

C. 10% legal reserve, unless the amount of legal reserve has reached the total capital amount;

D. Special reserve in accordance with law and the competent authority.

E. 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.

(2)The board of directors shall set out the company’s dividend policy based on the operational performance and the need of capital and submit it to the shareholder meeting for resolution. According to the resolution of board, the distributed shareholder dividend would be not less than 51% of the current undistributed profit. Besides, cash dividend should account for 10% or more of the total shareholder dividend. Please refer to the company’s website at [www.acter.com.tw](http://www.acter.com.tw)→Investors→Shareholder service→Stock quote & Dividends history.

## 2. Proposed Distribution of Dividend

The proposal for distribution of 2017 profits was passed at the Meeting of the Board of Directors on Feb. 23, 2018. This proposal, a cash dividend of NT\$612,986,647 (NT\$13 per share) and a stock dividend of NT\$70,729,230 (NT\$1.5 per share), will be discussed at the annual shareholders’ meeting on May 30, 2018.

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

Unit : NTD\$, Share

Item		Year	2018 (Forecast)
Beginning paid-in Capital			471,528,190
Dividend Distribution (Note 1)	Cash dividend per share		13
	Stock dividend per share for capital increase from retained earnings		0.15
	Stock dividend per share for capital increase from capital reserve		0
Business Performance Variation	Operating profit		Not Applicable (Note 2)
	Year-on-year increase / decrease (%) of operating profit		
	Net profit after tax		
	Year-on-year increase / decrease (%) of net profit after tax		
	Earnings per share		
	Year-on-year increase / decrease of earnings per share		
Average return over investment (annualized)			
Pro forma earnings per share and its P/E ratio	If cash dividend is distributed instead of capital increase from retained earnings	Pro forma earnings per share	Not Applicable (Note 2)
		Pro forma average return over investment (annualized)	
	If no capital increase from capital reserve	Pro forma earnings per share	Not Applicable (Note 2)
		Pro forma average return over investment (annualized)	
	If no capital reserve and cash dividend is distributed instead of capital increase from retained earnings	Pro forma earnings per share	Not Applicable (Note 2)
		Pro forma average return over investment (annualized)	

Note1: The distribution of 2017 profits shall be determined by the 2018 annual shareholders’ meeting.

Note2: Acter is not required to disclose its 2018 financial forecast pursuant to “Regulations Governing the Publication of Financial Forecasts of Public Companies.”

### **viii. Compensation of employees and directors**

1. The percentages or ranges with respect to employee and director compensation, as set forth in the company's articles of incorporation.

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

2. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

(1)The basis for estimating the amount of employee and director compensation

Please refer to viii.1 Policy.

(2)The company doesn't distribute employee compensation in stock for the current period.

(3)The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period

Shall there be any difference between the actual distributed amount and the estimated figure, it will be deemed as the changes in accounting estimates and will be recognized in the profit and loss account of the distributing year.

3. Information on any approval by the board of directors of distribution of compensation

(1)The amount of any employee compensation distributed in cash or stocks and compensation for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

A. The amount of any employee compensation distributed in cash or stocks and compensation for directors.

The proposal was passed at the Meeting of the Board of Directors on Feb. 23, 2018. The employee cash compensation is NT\$61,369,156 and the compensation for directors is NT\$30,684,578.

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

(2)The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation.

None.

4. The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated

(1)The actual distribution of employee and director compensation for the previous fiscal

year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) are as follows.

Employee compensation: NT\$20,607,630.

The compensation for directors: NT\$10,303,815.

(2) If there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated: None.

**ix. Buyback of Treasury Stock**

None.

**x. Issuance of Corporate Bonds**

None.

**xi. Issuance of Preferred Stock**

None.

**xii. Issuance of Global Depository Receipts**

None.

**xiii. Employee Stock Options**

None.

#### xiv. New Restricted Employee Stocks

##### 1. Issuance of Restricted Employee Shares

April 2, 2018

Type of Restricted Shares	1 <sup>st</sup> Issuance of restricted employee shares	2 <sup>nd</sup> Issuance of restricted employee shares
Approval Date by the Authority	2015/01/12	2015/06/12
Grant Date	2015/01/26	2016/01/11
Number of Restricted Employee Shares Granted	480,000	720,000
Price of Issuance	0	0
Percentage of Restricted Employee Shares to Outstanding Common Shares	1.02%	1.53%
Conditions for Exercise of Restricted Employee Shares	Vesting conditions are based on the years of service and financial performance which are both achieved.	Vesting conditions are based on the years of service and financial performance which are both achieved.
Limitations to the Rights of Restricted Employee Shares	<p>Restricted rights before employees meet the vesting conditions :</p> <p>(a) During the vesting term, the new restricted employee shares may not be sold, pledged, transferred, donated or otherwise disposed of.</p> <p>(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.</p> <p>(c) 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.</p>	<p>Restricted rights before employees meet the vesting conditions :</p> <p>(a) During the vesting term, the new restricted employee shares may not be sold, pledged, transferred, donated or otherwise disposed of.</p> <p>(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.</p> <p>(c) 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.</p>
Custody of Restricted Employee Shares	Before employees fulfill vesting conditions, all the assigned shares will be entrusted first in accordance with the Company's "Restrict Stock Awards Plan."	Before employees fulfill vesting conditions, all the assigned shares will be entrusted first in accordance with the Company's "Restrict Stock Awards Plan II."
Procedures for 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.	After Company shall redeem and cancel all new restricted employee shares for free from any employee whom received the new restricted employee shares but fail to meet the vesting conditions.

Type of Restricted Shares	1 <sup>st</sup> Issuance of restricted employee shares	2 <sup>nd</sup> Issuance of restricted employee shares
Number of Restricted Employee Shares Bought Back	78,000	105,000
Number of Restricted Employee Shares Free from Custody	198,000	116,000
Number of Restricted Employee Shares under Custody	204,000	499,000
Number of Restricted Employee Shares under Custody to Outstanding Common Shares (%)	0.43%	1.06%
Impact on Shareholders' Equity	The number of new restricted employee shares proposed to be issued is 480,000 common shares. Based on the market closed price of NT\$83 on Jan. 13, 2015, the potential dilution of EPS from 2015 to 2018 is estimated at NT\$0.41, NT\$0.28, NT\$0.15 and NT\$0.01 respectively.	The number of new restricted employee shares proposed to be issued is 720,000 common shares. Based on the market closed price of NT\$67.7 on Jun. 12, 2015, the accumulative potential dilution of EPS from 2015 to 2018 is estimated to be NT\$1.03. (Average NT\$0.34 each year) Since the potential dilution of EPS is limited, it shall not have any material impact on shareholders' equity.

2. Information on Name of Managers and Top 10 Employees Obtaining Restricted Employee Shares

April 2, 2018

	Title	Name	Number of Restricted Shares	Number of Restricted Employee Shares to Outstanding Common Shares	Free from the Trust			Under the Trust				
					Number of Restricted Employee Shares Free from Custody (Note5)	Price of Issuance	Total Amount of Issuance	Number of Restricted Employee Shares Free from Custody to Outstanding Common Shares (%)	Number of Restricted Employee Shares Under Custody	Price of Issuance	Total Amount of Issuance	Number of Restricted Employee Shares under Custody to Outstanding Common Shares (%)
Manager	CEO	Liang, Chin-Li	813,000	1.72%	333,000	0	0	0.70%	480,000	0	0	1.02%
	President	Hsu, Chung-Cheng (Note1)										
	Senior Vice President	Chang, Ching-Chuan										
	Vice President	Lai, Ming-Kun										
	Assistant Vice President	Li, Po-Sheng										
	Assistant Vice President	Fan, Kuo-Ping(Note2)										
	Assistant Vice President	Chang, Ri-Dong										
	Assistant Vice President	Cheng, Chieh-Chung										
	Assistant Vice President	Wang, Chun-Sheng										
	Assistant Vice President	Wang, Jin-Cyuan(Note4)										
Manager of Financial Division	Tsao, Yun-Han											
Employee	Manager	Lin, Jing-Yi	370,000	0.78%	157,000	0	0	0.33%	213,000	0	0	0.45%
	Manager	Chen, Yuan-Bi										
	Manager	Yang, Huei-Bao										
	Manager	Lan, Rong-Sing										
	Manager	Zuo, Cing-Fu (Note2)										
	Manager	Li, Ming-Jhih										
	Manager	Lin, Guo-Li										
	Manager	Li, Shih-Huei										
	Manager	Shih, Cheng-Hong(Note3)										
	Manager	Zeng, Huei-Syong										

Note1: President Hsu, Chung-Cheng was resigned on June 1, 2016.

Note2: Assistant Vice President Fan, Kuo-Ping and Manager Zuo, Cing-Fu were resigned on October 28, 2016.

Note3: Manager Shih, Cheng-Hong were resigned on March 31, 2016.

Note4: Assistant Vice President Wang, Jin-Cyuan was newly appointed on April 1, 2018.

Note5: Number of restricted employee shares free from custody contains both numbers that achieved the vesting conditions and numbers that has been redeemed.



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

None.

**xvi. Financing Plans and Implementation**

None.

## V. Operational Highlights

### i. Business Activities

#### 1. Business Scope

##### (1) Main areas of business operations

- A. Turnkey engineering projects.
- B. Cleanroom engineering.
- C. Bio-medical engineering.
- D. Energy technology services.
- E. Air-conditioning electromechanical engineering.
- F. Ice storage projects.
- G. Industrial ventilation engineering.
- H. Constant-temperature constant-humidity engineering.
- I. Design and construction of pure water as well as wastewater systems.
- J. Environmental engineering.
- K. Water, gas, and chemical system integration engineering services for high-tech processes.
- L. Design and construction of high-purity chemical supply systems.
- M. Design and construction of high-purity gas supply systems.
- N. Design and construction of volatile organic gas processing systems.
- O. Design and construction of CMP solution supply systems.
- P. Design and construction of shared systems for entire plants.
- Q. Repair and maintenance engineering.
- R. High-tech equipment/materials sales and services.

##### (2) Revenue distribution

Unit ; NT\$ thousand ; %

Major Divisions	Total Sales in Year 2017	(%) of total sales
Construction Revenue	9,206,324	80.49%
Sales	2,165,081	18.93%
Other Operating Revenue	66,277	0.58%
Total	11,437,682	100%

##### (3) Main products (Services)

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

- A. Cleanroom engineering for high-tech factory construction.
- B. Full-plant electromechanical system integration for high-tech factory construction.
- C. Full-plant electromechanical system integration for biomedical technology facilities.
- D. Air-conditioning electromechanical engineering for traditional industries.
- E. Other general electromechanical engineering and customer services.
- F. Liquid waste recycling system.
- G. Reclaimed water recycling system.
- H. Green energy certification.

(4)New products (Services) planned for development

- A. Desalination system
- B. Energy conservation technique
- C. Wastewater reclamation system

2. Industry Overview

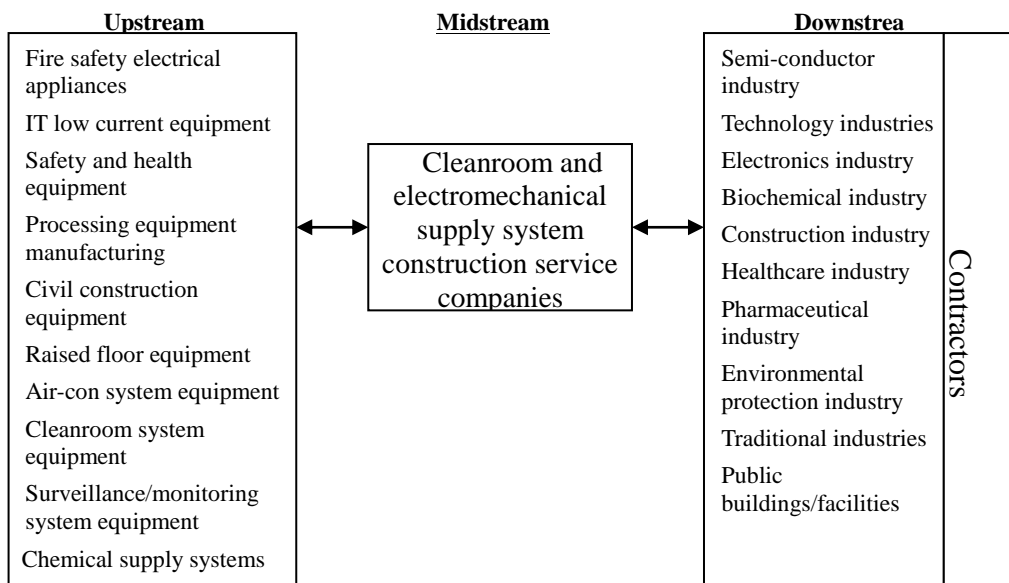
(1)Current Status and Development of the Industry

Large-scale construction suppliers offered turnkey solutions that enabled them to gain control of the electricity and machine engineering market, which led to greater competition in the electricity, machine and cleanroom engineering industry.

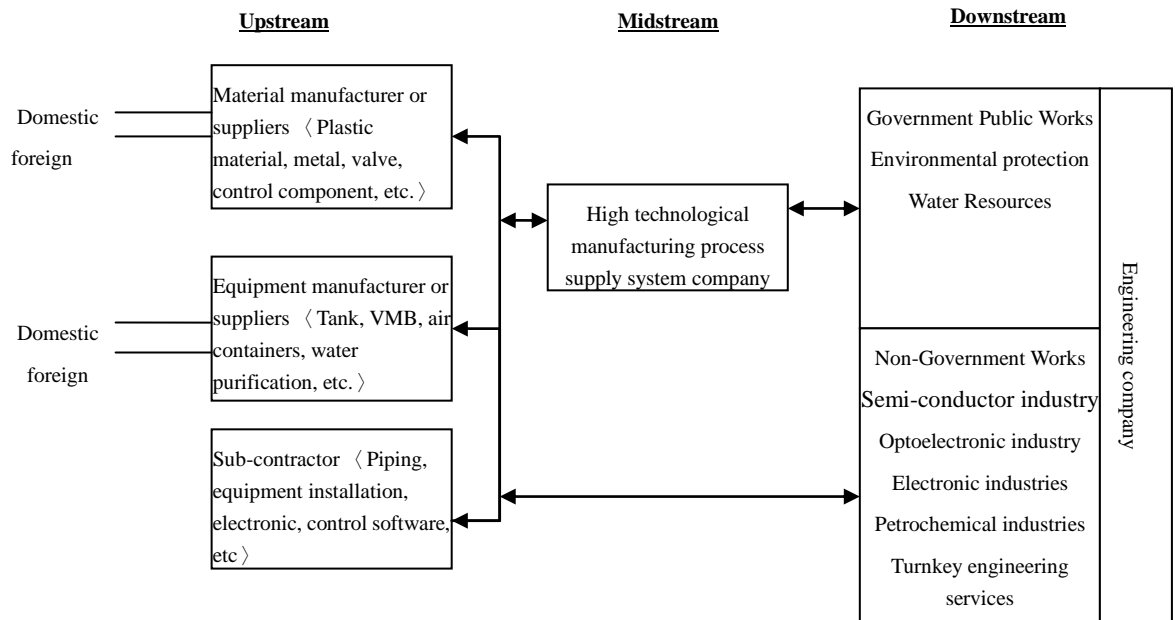
In the business environment, global growth for 2018 is projected to edge up to 3.1% according to the World Bank’s global outlook. In Indonesia, the economic growth rate is predicted to increase to 5.3 %, while it estimates 6.4% in China. In addition, according to the foreign research Mordor Intelligence’s newest report forecast, the value of global cleanroom market (including equipment and consumables) is projected to reach USD 7.16 billion by 2022. It shows huge business opportunities in global cleanroom market. Acter is committed to creating valuable projects and reduces the financial burden of its clients through innovative technologies and special engineering methods. In addition, it reduces overhead expense and engineering construction risks. It also forms a stable and cooperative relationship with suppliers for effective cost control and improvement of price competition in construction engineering.

(2)The Links between the Upstream, Midstream and Downstream segments of the Industry

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



High technological manufacturing process supply system industry is in charge of the connection between the owners of engineering companies and the merchants of engineering materials, equipment and projects. The industry will provide the manufacturing process supply system equipment and engineering services. The relationships between upstream, midstream, and downstream are shown in the figure below:



### (3) Development Trends for the Company's Products

- A. The systems integration engineering services industry is becoming increasingly important.
- B. There is a trend towards joint venture projects or cross-industry alliances and turnkey services.
- C. Safety and quality requirements are becoming increasingly strict.
- D. Energy conservation and environmental protection awareness is on the rise.
- E. User-friendly spatial integration is becoming increasingly popular.
- F. High-tech product life cycles are becoming shorter, resulting in an increased need to quickly and safely adjust production lines.
- G. Health awareness and preventive healthcare has become mainstream, creating a wealth of opportunities for the biotech industry.
- H. Safety, stability, conciseness and precision of each system.
- I. Pursuing energy saving and sustainable development

### (4) Competition for the Company's Products

Engineering services have been a cornerstone for the advancement of civilization and industry. Human knowledge and intellect are continuing to evolve, while the industrial engineering market undergoes rapid changes. The key to survival and rapid growth in this highly competitive environment is being able to keep up with the pace of change. With competition between both foreign and domestic engineering service providers becoming increasingly fierce, economies of scale, increased efficiency, and integrated services are the keys to success. Sound engineering practices and professional techniques have always

been critical to the expansion of engineering businesses and to the creation of new opportunities. The ability to quickly obtain sources of raw materials as well as provide customers with rapid and advanced engineering services will dictate whether or not a service provider will be able to achieve industry-leading status in today's competitive environment. This is why Acter continues to engage in the development of new system integration techniques, as well as research ways to conserve energy, with an emphasis on inter-system compatibility, in order to meet the integration needs of plant-wide systems.

### 3. Research and Development

#### (1) Technology and Research Development

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

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

Unit ; NT\$ thousand

Year	2017	As of April 2, 2018
Total R&D Expenses	92,488	29,608

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

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

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

Category	Unique or innovative technique
	Integration engineering technology of whole plant import of Tobacco manufacturer
Bio-tech engineering	Integrated technologies for the first H1N1 vaccine plant
	Cleanroom integration technologies for CGMP plants
	Integration techniques for professional bio-tech drug production (Cordyceps sinensis) plants
	Biomedical equipment plant energy conservation electromechanical integration technologies
	GTP cleanroom integration engineering technology
	Food cGMP plants integrate their technologies to reach beyond borders
	Energy saving mechatronics technology for poultry mooring and processing manufacturer
	Integration technologies of switching environments of positive or negative pressure randomly by product attribute at manufacturing sector
Green energy engineering	Integration of techniques in solar power supply
Cleanroom turnkey engineering	Innovative techniques for the first PDP mass production plant
	Innovative techniques for Japanese light polarization board production plants
	Innovative techniques for professional TFT glass board production plants
	Special techniques for the 6" fab turnkey project in cooperation with Sony
	Innovative techniques for Taiwan's second-largest packaging and production plant
	Innovative techniques for the plant-wide electromechanical integration of a module plant
	Innovative techniques for a soft PCB board copper film plant
	Innovative techniques for a Japanese full-plant export components factory
	Innovative techniques for the electromechanical integration of an optoelectronics chemical materials production plant
	Micro environmental innovation method of semiconductor element washing manufacturer

Patent type	Patent name
Invention patents	Methodology for air duct installation
	Methodology for the engineering implementation of machine and power installation
Utility model	Door and window system of cleanroom
	Pass box of cleanroom
	Suspended ceiling of cleanroom
	Return vent of cleanroom
	Fire hose connector
	HVAC pipeline
	Fire hose
	Outdoor wall decoration plaster device
	Bracket for air duct installation
	Lifting slings for air duct installation
	Pipe connector
	Water blocking device for oil pipeline overhaul
	Outdoor distributing box
	Pedestal for electromechanical device installation
Secured pedestal for electromechanical device installation	

Note1: The above patents were newly added in 2017.

#### 4. Long-term and Short-term Development

##### (1) Short-term Development

- A. To expand the scope of operation in Southeast Asia.
- B. Energy conservation service expansion engineering.
- C. Assisting biotech companies with factory upgrades.
- D. Actively develop turnkey services for technology industries.
- E. Establish industry-academia cooperative efforts in order to develop talent.
- F. Integrate marketing services in order to boost customer satisfaction levels.
- G. Waste water and gas treatment and cremation of sludge and waste liquids.
- H. Water recycling, desalination, and zero emissions of waste water.
- I. Pre-fabrication Technique for Large Cement Tanks.

##### (2) Long-term Development

- A. Strengthen governance in subsidiaries and enhance enterprise culture
- B. Rooting deeply in this industry and continuing to carry out a diverse, multi-project integrated engineering service
- C. Maintain constant contact with current customers from mainland China and Southeast Asia, develop new customers, create multi-regional business, and improve investment efficiency
- D. Cooperate with international partners and continuously expand the scope of its professional service in biological, pharmaceutical, medical industries and desalination
- E. Combine the professional manufacturing processes of gas and chemical supply systems in the treatment of liquid waste and solvent waste to create a new generation engineering integration technology and Earth-friendly technology
- F. Recruiting more diverse talents and actively training management teams
- G. Focus on its core technology and initiate projects that offer professional advantages and building a comprehensive marketing service system
- H. Develop an environmental, energy-saving, and green system in fulfillment of its duty as a global citizen
- I. Integrate a diversified technology and pursue an innovative engineering method that expands versatile application of its core competence
- J. Continuing to root deeply in the technology, biotechnology, livelihood, petrochemical, and other industries

#### ii. Market and Sales Overview

##### 1. Market Analysis

###### (1) Sales (Service) Region

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

###### (2) Market Share (%)

High-tech cleanrooms and electromechanical systems integration services for industrial plants are needed in a wide range of fields and sectors including the semiconductor industry, the optoelectronic industry, as well as the biomedical industry. In addition, domestic engineering companies participate in bidding on projects across a wide range of engineering fields, therefore, market share percentages calculated based on individual industries would not be able to reflect the actual state of the market, making it difficult to

calculate our company's market share based on output on a consistent basis. However, in terms of engineering scale as well as technological maturity, there are only a few engineering companies that can compete with publically listed companies, and Acter is one of the few companies that can simultaneously service the optoelectronics, electronics, biochemical drug production, and residential construction industries, with a wealth of project experience. In Common Wealth Magazine's survey of the top 1000 Greater China companies, in the service industry - engineering contractors category, Acter ranked 13th in 2016. (2017 rankings not yet announced)

(3) Demand and supply conditions for the market in the future, and the market's growth potential

A. Supply conditions for the market in the future

There are currently many service providers providing cleanroom air conditioning electromechanical engineering services in Taiwan. Electromechanical systems integration services, on the other hand, require long-term accumulation of experience and technological expertise. In some market segments, factors including professionalism of employees, company reputation, and past engineering accomplishments form entrance barriers, resulting in only a few service providers currently being able to provide professional electromechanical system integration services, with Acter being one of them.

B. Demand conditions for the market in the future

Electromechanical engineering services business opportunities are created by factory expansion, plant upgrade, or maintenance projects of customers. Primary customer groups include high-tech manufacturers, biomedical manufacturers, and hospitals. In recent years, due to innovation in the global semiconductor, optoelectronics, and other electronics-related industries, the functionality and performance of electronic products has continued to advance, creating new market demand for the electronics industry. In light of the uniqueness of the industry, businesses have to be ready for an upgrade and expansion at all times. In addition, the constantly increasing awareness of environmental protection and energy saving gives rise to the needs for mechanical and electrical engineering not only in the high-tech industry but also in the daily life. As such, the demand for integration of mechanical/electrical systems and clean rooms continues to remain at a certain level. On the other hand, due to the adjustment of Chinese industrial strategies, the demand of investment service toward TLT-LCD and IC semiconductor is urgent, and it is predicted that substantial demand will be driven from Indonesia, Vietnam, China, etc. The customers in Indonesia will focus on transformation and southward of the excellent traditional industry, while it will stress on the development of electronic component and textile industry in Vietnam. In addition, China will expand its horizon to include emerging opportunities such as high-end panels, semiconductors, high-end office buildings etc.

C. The market's growth potential

Cleanroom electromechanical air conditioning systems and chemical systems engineering are considered an important production facility for high-tech manufacturers, and particular emphasis is placed on the technological grade and sophistication of these systems. Industries, including semiconductors, optoelectronics, as well as biomedical, all rely on these types of equipment to achieve their required production environments. In addition, driven by continual industry upgrade requirements, market demand for cleanroom electromechanical systems is



significantly increasing. Furthermore, domestic service providers have accumulated an abundant amount of high-tech factory construction experience in recent years, allowing their technological capabilities to significantly improve. Domestic service providers also have a price advantage as well as the advantage of being based locally and being able to provide local services, allowing them to compete head-to-head with foreign service providers. Looking to the future, demand for cleanrooms, electromechanical systems integration engineering, and chemical systems engineering will come from factory expansion and factory upgrade projects of semiconductor, and biomedical manufacturers. Another source of future demand will come from the need for domestic manufacturers to establish new plants in mainland China and Southeast Asian region, as well as Japanese and other foreign investors expanding their investments in the Southeast Asian region, which will in turn drive spending as well as capital expenditure for the establishment of factory facilities. Moreover, the biotech industry, which the government is currently heavily investing in, is still in its infancy, with strong demand for cleanroom facilities, electromechanical systems integration engineering services, and chemical systems engineering. Looking to the future, business opportunities in China are unlimited, therefore, the cleanroom, electromechanical engineering, and chemical systems engineering markets still have room for future growth.

#### (4)competitive niche

##### A. Exceptional construction performance and extensive service coverage

Over the 40 years of the company's existence, it has been involved in the construction of commercial buildings, public infrastructure, department stores, hospitals, and facilities for green energy, optoelectronics, semiconductors, and biotech industries. It has built up a strong track record in the construction of air-conditioning, electrical and cleanroom facilities, making it one of the few local construction service companies that are able to deliver across different industries and across borders. Compared to its peers, the company is able to quickly adjust to changes in economic cycles, and hence is exposed to fewer business risks. In addition, the company also proactively engages itself in the environmental protection and energy saving fields. The company and its subsidiary Nova Technology Corp. cooperate with the overseas large-scale company for developing water treatment relevant business and actively expand various fields.

##### B. A high quality image and reputation

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

##### C. A quality management team and modularized construction methods

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

With engineering experiences accumulated over the years, for related projects, there are the closure meetings where authorities concerned are invited to take part so that we can learn further and it helps us modularize different types of customers and is therefore able to reduce design costs and respond to customers with optimal construction solutions in a timely manner.

#### D. Specialized construction talents

The Company has staff with practical experience in many areas and has placed comparable emphasis on educational training for its employees and recruitment of various professionals since its establishment. Besides internally, the Company sends people to attend all kinds of educational trainings that are held externally as well. It has placed great emphasis on training and recruitment since its establishment. Employees undertake regular training to develop skills applicable both in the integration of large-scale construction projects and in ensuring work quality. These training courses give our engineers a distinct advantage over competitors. The company also works with professional institutions in developing new construction design methods.

#### E. Stringent cost control and complete after-sales services

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

#### F. Robust financial structure

Although the company is a provider of integrated system construction services, it outsources actual construction work to other subcontractors. Depending on the nature of the construction agreement, some of the materials and equipment needed for the job are purchased by the subcontractors while others are purchased by the company subject to proper procurement procedures. Subcontractors are required to have sufficient capital resources for payments such as tender bonds, performance bonds, material and equipment purchases, construction costs, and warranties, before they engage in large-scale integrated system projects. Meanwhile, the financial structure of the Company has been sound and healthy. There is sufficient working fund to support engineering operations. There are also abundant financing credits available at financial institutions. The sound and healthy financial structure helps enhance the level of confidence that clients have in the Company as well.

(5)Favorable and Unfavorable Factors in the Long-range Future, and the company's response to such factors.

#### A. Favorable Factors

##### a. Technological development and plant upgrade

We are currently in an era characterized by rapidly evolving technology and emerging opportunities such as biotech, healthcare, energy conservation, environmental control.... The pace of technological development means a constant need for plant upgrade to keep up with production, and thus gives

construction service providers an opportunity to thrive. The demand for industries relating cloud application is also increasing on a daily basis as changes continue. One of the most prominent opportunities in the future will perhaps be biotech industries. A focus of recent government policy and an ongoing global trend, the growth of the biotech industries should not be underestimated. Due to the fact that biotech workplaces are subject to more stringent regulatory requirements and higher technology standards, the company is confident that its abundant experience in the sector stands it in good stead for future development.

b. As living standards rise living space requirements also rise

Because of improved living standards, people accordingly have increased demand for quality living spaces. This naturally gives rise to the sightseeing and tourism industry. The demand for constructions of large hotels and shopping malls, for example, is climbing as well and construction companies with the ability to deliver quality living space will be able to capitalize on this growth.

c. Opportunities within the China market

China presents enormous and growing potential for Taiwanese businesses because of the similarities in language and culture unmatched by any foreign company. Over the years, investment from Taiwan in China has evolved from small businesses to large conglomerates, and from labor-intensive businesses to capital and technology-intensive businesses. The increasing amount of factory construction presents immense opportunities for the company's air-conditioning business in China, and our subsidiary, Sheng Hwei (Suzhou) Engineering, has acquired the highest qualification of the first grade of general contractor in mechanical and electrical installation engineering and Winmax Technology Corp. become a participating development unit simultaneously for technical code for chemical system of electronic engineering in China with the technical advantage, which is very beneficial for business development in Mainland China.

d. Growth in Southeast Asia Markets

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

e. The global biotech/healthcare markets

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

f. Complete and versatile categories of services and providing TOTAL SOLUTION

The company provides engineering integration services including construction, mechatronics, cleanroom, processing, environmentally-friendly and energy saving programs, biotechnology certification, chemical supplying system and equipment. Moreover, it possesses a professional design work to provide utmost efficiency and maintenance service.

B. Unfavorable Factors and the company's response to such factors

a. Price competition

Many large construction companies are starting to offer cleanrooms as part of their factory turnkey solutions, and hence pose a threat to cleanroom specialists.

**Response strategies:**

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

b. Intensifying competition from international industry peers

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

**Response strategies:**

For 40 years, the company has grown its business through differentiation and specialized construction techniques. This method has proven to be effective not only in Taiwan, but in China and Southeast Asia as well. It has been our goal to play the role of a pioneer in industry upgrade and optimization. We respond to changes in the construction market by striving for outstanding innovation and services that set us apart; over time, this becomes the means by which we compete in the market. Furthermore, the company is taking a proactive step towards globalization and hopes to develop a business presence outside of China.

c. Recruitment and retention of professionals meet challenges

For the engineering service industry that the Company belongs to, professional engineers have to deal with a relatively changeable and difficult workplace, not to mention the required technical attainments. It is hence comparatively difficult for younger generations to work in such an environment, which makes recruitment of talent uneasy and results in the susceptibility to brain drain, particularly among new hires, and talent shortage. "People" are the most important assets of the Company. It is hence a big challenge for the Company as to how to find professionals and enable them to develop steadily in their profession.

### **Response strategies:**

Internally, the apprenticeship system is adopted in order to pass down the experience, culture, and technology. Each new hire is led by a senior master while getting to know the Company and the new hire's work. This helps reduce the sense of frustration felt by new hires, make them feel cared for, and expose them to professional learning to greatly cut down the learning time and create a sense of belonging as well as achievement in them. In addition, there are a defined discipline and reward system and a transparent evaluation system in place to adequately provide employees with feedback. The sound systems and humanistic warmth create a substantial momentum that helps retain talent.

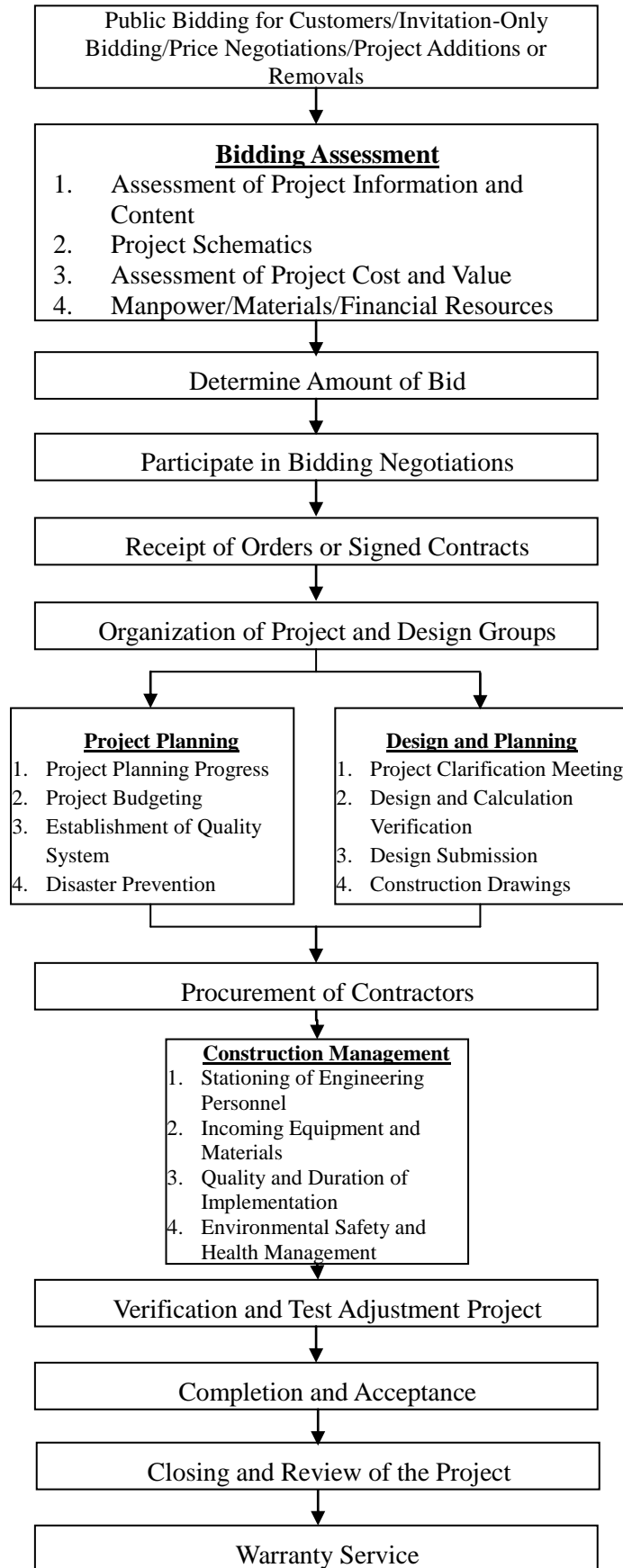
Externally, the Company creates a favorable image and collaborates with related departments in colleges and universities to increase its publicity and a sense of identity so that students will prioritize the Company when choosing a career in the future.

## 2. The Production Procedures of Main Products

### (1) Major Products and Their Main Uses

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

(2)Major Products and Their Production Processes



### 3. Supply Status of Main Materials

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

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

(1)Major Suppliers Information for the Last Two Calendar Years

Unit : NT\$ thousand

Item	2016				2017				As of March 31, 2018			
	Company Name	Amount	(%)	Relation With Issuer	Company Name	Amount	(%)	Relation With Issuer	Company Name	Amount	(%)	Relation With Issuer
	Others	6,694,030	100	Not applicable	Others	9,202,067	100	Not applicable	Note3			
	Net Total Supplies	6,694,030	100	Not applicable	Net Total Supplies	9,202,067	100	Not applicable				

Note1: The reason for increases or decreases of the amount was due to business demand.

Note2: There were no suppliers accounting for 10 percent or more of the company's total procurement amount in 2016 and 2017.

Note3: Information for the period as of the quarter preceding the date of printing of the annual report has not been reviewed by CPA.

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

Unit : NT\$ thousand

Item	2016				2017				As of March 31, 2018			
	Company Name	Amount	(%)	Relation With Issuer	Company Name	Amount	(%)	Relation With Issuer	Company Name	Amount	(%)	Relation With Issuer
	Others	8,404,421	100%	Not applicable	Others	11,437,682	100.00	Not applicable	Note3			
	Net Sales	8,404,421	100%	Not applicable	Net Sales	11,437,682	100.00	Not applicable				

Note1: The reason for increases or decreases of the amount was due to business demand.

Note2: There were no clients accounting for 10 percent or more of the company's total sales amount in 2016 and 2017.

Note3: Information for the period as of the quarter preceding the date of printing of the annual report has not been reviewed by CPA.



### 5. Production over the Last Two Years

Unit: NT\$ thousand

Output	Year	2016			2017		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products(or by departments)							
Cleanroom electromechanical integration engineering		Note	Note	3,238,102	Note	Note	5,153,230
Consumer industry electromechanical integration engineering		Note	Note	998,389	Note	Note	719,554
Biomedical integration engineering		Note	Note	427,969	Note	Note	824,548
Water gasification supply integration engineering		Note	Note	1,112,517	Note	Note	703,358
High-tech equipment and materials sales and services		Note	Note	1,317,371	Note	Note	1,993,123
Total		Note	Note	7,094,348	Note	Note	9,393,813

Note1: Due to the characteristics of the industry, the major products cannot be measured using production capacity or production quantity.

### 6. Shipments and Sales over the Last Two Years

Unit: NT\$ thousand

Shipments& Sales	Year	2016				2017			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Major Products(or by departments)									
Cleanroom electromechanical integration engineering		Note	3,690,798	Note	27,025	Note	5,894,065	Note	0
Consumer industry electromechanical integration engineering		Note	1,129,646	Note	0	Note	849,574	Note	0
Biomedical integration engineering		Note	449,077	Note	0	Note	932,458	Note	0
Water gasification supply integration engineering		Note	997,318	Note	301,925	Note	848,496	Note	210,266
High-tech equipment and materials sales and services		Note	1,459,608	Note	349,024	Note	2,321,657	Note	381,166
Total		Note	7,726,447	Note	677,974	Note	10,846,250	Note	591,432

Note1: Due to the characteristics of the industry, the major products cannot be measured using production capacity or production quantity.

### iii. Human Resources

Year		2016	2017	As of April 2, 2018
Number of Employees	Direct Employees	738	836	856
	Indirect Employees	183	185	184
	Total	921	1021	1,040
Average Age		35.37	35.33	34.92
Average Years of Service		5.56	5.28	5.27
Education	Ph.D.	0	0	1
	Masters	51	53	53
	Bachelor's Degree	431	462	472
	Junior College	291	323	333
	Senior High School	88	98	99
	Below Senior High School	60	85	82

### iv. Disbursements for Environmental Protection

- Total losses (including damage awards) and fines for environmental pollution for the 2 most recent fiscal years, and during the current fiscal year up to the date of printing of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible)  
None.

### v. Labor Relations

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

#### (1) Employee Benefit Plans

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

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

(2) Continuing Education, Training

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

Unit: hour; NT\$

Content		Acter	Taiwan Subsidiaries	Mainland	Southeast Asia	Total expense
Senior Executives (Executives of Managerial Rank or Higher) Average Training Hours	Male	11	5	15	4	1,036,623
	Female	6	9	6	0	
Middle Management Executives (Executives of Associate Department Head Rank) Average Training Hours	Male	14	12	10	0	
	Female	8	6	15	8	
General Employees Average Training Hours	Male	15	11	25	1	
	Female	11	12	26	8	

Below is a description of courses offered to employees:

- A. Specialized training: these courses are offered to enhance employees' work skills and practical experience, and include training on sales skills, construction design and supervision, project management, project cost estimation, 3D drawing, quality management, and work site safety. These courses are carried out in a lecture format combined with the practical experience of project managers.
- B. General knowledge training: the company organizes seminars on a variety of topics such as self-development, time management, listening and communication to help employees develop a positive attitude towards their jobs. These courses also give them the chance to learn about their own potential and encourage them to participate in mental and physical activities.
- C. Operation and management training: For important staff, operation and management-related training courses are provided; with case studies and the instructor's abundant practical experiences, it helps enrich the trainees' management skills.
- D. Orientation: these are training courses given to new hires upon arrival. They provide an introduction to the company's welfare system, work culture, and basic work practices such as construction management, procurement, information processing and accounting.
- E. Subsidies: Different subsidies are available for different areas and positions. There are cross-area allowances, phone bill subsidies, and medical care reimbursements, for example.
- F. Bounties: In some companies, there are subsidies and bounties for foreign language learning programs, covering tuition or increasing salary.

(3) Retirement Systems, and the Status of their Implementation

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

(4) The Status of Labor-Management Agreements and Measures for Preserving Employees' Rights and Interests

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

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

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

None.

3. Protective measures about safety and health of employees

The company is ISO 14001 and OHSAS 18001-certified for the purpose of ensuring proper management over workplace safety and health. It has a Quality Insurance & safety Department that is dedicated to promoting and supervising workplace safety.

The company strives to prevent occupational disasters and safeguard labor safety and health. According to its industrial mandate, the company maintains a management system that ensures environmental safety and health, and identifies unacceptable risks by taking into account major environmental considerations and occupational safety and health. It monitors possible risks and hazards caused by the environment and personnel. Using the PDCA management method, it continuously plans, implements, checks, improves and enhances its environmental safety and health performance.

The company's operating procedures related to working environment and employee safety include: protective measures such as general safety operations, elevated safety operations, hot work safety operations, electrical safety operations, hanging safety operations, milling hole safety operations, stacker safety operations, confined space safety operations, organic solvent safety operations, cleanroom safety operations, environmental safety and health inspections, safety equipment management, emergency response management, hazard education and management, site audits, self-inspection operations, etc., and employee safety.

The company's major target/subject and project management was as follows:

No.	Target/Subject	Project management	Status description	Course of action
1	Projects to enhance the identification of engineering personnel risk factors and safety management capabilities	<ol style="list-style-type: none"> <li>1. All engineers are required to effectively take action in case of major risks.</li> <li>2. Continue to strictly monitor safety and health work conditions, as well as collection, integration and management of safety and health documents at each site.</li> <li>3. Continue to require all safety staff to strengthen inspections to prevent unsafe behavior from contractors.</li> <li>4. Impose fines on contractors with poor cooperation and poor implementation of safety and health standards according to relevant regulations.</li> </ol>	<ol style="list-style-type: none"> <li>1. Some newly recruited engineers had poor management capabilities in handling site environmental hazards, and safety and health procedures.</li> <li>2. Some engineering personnel have poor management capabilities in requiring manufacturers to implement safety and health procedures.</li> <li>3. Some contractors fail to cooperate.</li> </ol>	<ol style="list-style-type: none"> <li>1. Continuously implement site audit in terms of safety and health and management capabilities, and require engineers to comply with company risk management and operating procedures operations, to enable the project personnel to assess risks and improve protection capabilities.</li> <li>2. The annual manufacturer's appraisal obtains the appraisal score of the engineer for a fair evaluation. Manufacturers that do not meet the requirements are filtered out and excluded.</li> <li>3. Impose fines on contractors with poor cooperation and poor implementation of safety and health standards according to relevant regulations.</li> </ol>
2	Projects to improve contractor safety and health monitoring	<ol style="list-style-type: none"> <li>1. A contractor is required to obtain a qualification certificate after completing a 6-hour safety and health education/ training held by the training unit before the project is carried out, or personally undergo a safety and health education/ training.</li> <li>2. A contractor issues a hazard notification before commencing construction.</li> <li>3. Strengthen on-site inspections. A contractor found to have violated</li> </ol>	<ol style="list-style-type: none"> <li>1. A construction contractor personnel failed to comply with company safety and health regulations.</li> <li>2. Contractors have limited knowledge of risk factors on-site and relevant safety and health procedures.</li> <li>3. The company's engineering staff (security personnel and engineers) fails to strictly require contractor personnel to follow safety and health procedures.</li> </ol>	<ol style="list-style-type: none"> <li>1. Continue to require the construction contractor personnel to acquire relevant knowledge on safety and health from the training unit before entering the site, or personally obtain certification or proof of safety and health education and training provided by the contractor.</li> <li>2. Pre-work hazard assessment should be continuously implemented and included in the standard procedures before starting work.</li> </ol>

No.	Target/Subject	Project management	Status description	Course of action
		<p>company safety and health regulations shall be penalized according to company rules. All engineering personnel are required to implement safety and health management procedures.</p> <p>4. A contractor who underperforms and fails to implement safety and health procedures is required to conduct a rehabilitative training and perform regular inspections.</p>		<p>3. Newly recruited staff must receive education and training within three months. They are required to be familiar with the company's relevant safety and health regulations and to take a test.</p> <p>4. Strengthen on-site implementation capability of workers and security personnel, assist newly recruited project personnel to strictly implement labor safety and health management policies, and require contractors to perform self-checks.</p>
3	Projects to improve office wiring inspection and lighting installation procedures	<p>1. Wiring inspections are conducted in February, May, August and November. Damaged wires should be replaced immediately. Any induction problem should be solved.</p> <p>2. In February, May, August and November, the company conducts lighting inspections to maintain sufficient illumination in the workplace, providing a comfortable and safe operating environment for employees and preventing eye/vision-related problems. (The average office lighting level is above 300 meters.)</p> <p>3. Damaged light fixtures should be replaced immediately.</p>	<p>1. To prevent electrical risks, wiring inspections should be conducted regularly and damaged electrical wires should be replaced immediately. All electricity related matters should be addressed promptly.</p> <p>2. Damaged lighting fixtures cause insufficient illumination.</p>	<p>1. Wiring inspections are conducted in February, May, August and November to ensure electrical safety.</p> <p>2. In February, May, August and November, the company conducts lighting inspections to maintain sufficient illumination in the workplace, providing a comfortable and safe operating environment for employees and preventing eye/vision-related problems.</p>

No.	Target/Subject	Project management	Status description	Course of action
4	Projects to implement a waste paper reduction and recovery program	<ol style="list-style-type: none"> <li>1. The company continues to promote environmental awareness by implementing a waste paper recycling and recovery program, which includes paper cups, as well as aluminum foils packets, lunch boxes, and expired newspapers.</li> <li>2. Check the office's waste paper recycling program status each month. Count the waste paper recycling rate according to the number of inspections versus the number of noncompliance per month.</li> <li>3. If inspection resulted in a noncompliant rating, the action should be recorded using a camera and photos should be sent to all employees. Those involved will be asked to improve and take action.</li> </ol>	<ol style="list-style-type: none"> <li>1. After relocating to the new building in 2017, the areas for recycling waste paper, paper cups, foils packages, lunch boxes, and expired newspapers were changed, and employees have become less familiar with the segregation and recycling areas.</li> <li>2. The single-sided waste paper next to the photocopier is used repeatedly by colleagues to implement the reduction of the paper consumption.</li> </ol>	<ol style="list-style-type: none"> <li>1. Check the office's waste paper recycling program status each month. Count the waste paper recycling rate according to the number of inspections versus the number of noncompliance per month.</li> <li>2. If inspection resulted in a noncompliant rating, the action should be recorded using a camera.</li> <li>3. The average annual recovery rate of double-sided waste paper is 96.12%.</li> <li>4. The single-sided waste paper next to the photocopier is used repeatedly by colleagues.</li> </ol>

## vi. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Financing Contract	Taiwan Cooperative Bank	2017/06/13~2018/06/13 (Acter Co., Ltd.) 2018/01/12~2019/01/12 (Her Suo) 2017/05/09~2018/05/09 (Nova Technology)	Overall credit limit & Financing for external debt	None
Financing Contract	Land Bank of Taiwan	2017/08/22~2018/08/22 (Acter Co., Ltd.) 2017/02/22~2018/08/22 (Sheng Huei (Suzhou) & Sheng Huei (Shenzhen))	Overall credit limit	None
Financing Contract	Mega International Commercial Bank	2017/06/23~2018/06/22 (Acter Co., Ltd.) 2017/08/19~2018/08/18 (Her Suo) 2017/06/26~2018/01/30 (Nova Technology) 2017/04/13~2018/04/12 (Sheng Huei (Suzhou)) 2017/06/26~2019/01/24 (Winmax) 2018/01/25~2019/01/24 (Suzhou Winmax)	Overall credit limit	None
Financing Contract	Hua Nan Bank	2017/12/08~2018/12/08 (Acter Co., Ltd.) 2017/07/13~2018/07/12 (Nova Technology) 2017/04/07~2018/09/11 (Sheng Huei (Suzhou)) 2017/06/26~2018/06/26 (Enrich Tech)	Overall credit limit & Financing for external debt	None
Financing Contract	Shin Kong Bank	2017/09/25~2019/09/25 (Acter Co., Ltd) 2017/07/14~2019/07/13 (Nova Technology) 2017/11/25~2018/11/24 (Sheng Huei (Shenzhen)) 2017/09/22~2019/09/21 (Sheng Huei (Suzhou))	Overall credit limit & Financing for external debt	None
Financing Contract	Taishin International Bank	2016/11/30~2017/11/30 (Winmax)	Financing for external debt	None
Financing Contract	Bank of Shanghai	2017/03/24~2019/03/23 (Acter Co., Ltd) 2018/01/22~2018/07/31 (Sheng Huei (Shenzhen))	Overall credit limit	None
Financing Contract	CTBC Bank	2016/06/17~2018/06/17 (Acter Co., Ltd) 2017/12/09~2018/12/31 (Sheng Huei (Vietnam)) 2016/12/31~2017/12/31 (Sheng Huei (Suzhou))	Overall credit limit & Financing for external debt	None
Financing Contract	Bank SinoPac	2016/12/01~2017/11/30 (Acter Co., Ltd) 2016/12/01~2017/11/30 (Sheng Huei (Shenzhen) & Sheng Huei (Suzhou))	Overall credit limit & Financing for external debt	None
Financing Contract	Taichung Commercial Bank	2017/06/21~2018/06/21 (Acter Co., Ltd)	Overall credit limit	None
Financing Contract	CITI BANK	2017/08/30~2018/08/30 (Acter Co., Ltd) 2017/10/13~2018/08/15 (Nova Technology) 2017/08/29~2018/08/28 (Sheng Huei (Shenzhen)) 2017/08/29~2018/08/28 (Sheng Huei (Suzhou)) 2017/08/15~2018/08/15 (Winmax & Suzhou Winmax)	Overall credit limit	None



Agreement	Counterparty	Period	Major Contents	Restrictions
Financing Contract	Cathay United Bank	2018/02/12~2019/02/12 (Acter Co., Ltd) 2018/02/24~2019/02/24 (Nova Technology) 2017/10/18~2018/10/18 (Sheng Huei (Suzhou))	Overall credit limit	None
Financing Contract	Industrial Bank of Taiwan	2016/07/13~2018/07/12 (Acter Co., Ltd)	Overall credit limit	None
Financing Contract	DBS	2017/05/12~2018/05/12 (Acter Co., Ltd) 2017/12/12~2018/12/12 (Sheng Huei (Shenzhen) & Sheng Huei (Suzhou))	Overall credit limit	None
Financing Contract	Standard Chartered	2018/01/17~2018/10/31 (Acter Co., Ltd)	Overall credit limit	None
Financing Contract	HSBC	2018/02/23~2018/11/29 (Acter Co., Ltd)	Overall credit limit	None
Financing Contract	Bank of Taiwan	2018/03/09~2019/03/09 (Nova Technology)	Overall credit limit	None
Financing Contract	United Overseas Bank	2018/01/23~2019/01/22 (Nova Technology)	Guarantee credit limit	None
Financing Contract	Taipei Fubon Bank	2017/10/25~2020/10/25 (Nova Technology)	Overall credit limit	None
Financing Contract	E.SUN BANK	2017/06/22~2018/06/22 (Nova Technology)	Overall credit limit	None
Financing Contract	First Bank	2018/02/28~2019/03/01 (Sheng Huei (Vietnam))	Overall credit limit	None
Financing Contract	China Construction Bank	2017/03/30~2018/12/31 (Sheng Huei (Suzhou))	Letter of Guarantee	None
Financing Contract	KGI Bank	2018/02/08~2019/02/07 (Sheng Huei (Suzhou)) 2017/03/02~2018/05/09 (Winmax)	Financing for external debt	None
Financing Contract	Shanghai Pudong Development Bank	2017/10/17~2018/10/16 (Sheng Huei (Suzhou) & Fuyu)	Letter of Guarantee	None
Financing Contract	Huaxia Bank	2017/08/10~2018/08/09 (Sheng Huei (Suzhou))	Letter of Guarantee	None
Financing Contract	Bank of China	2017/04/10~2018/02/03 (Winmax)	Letter of Guarantee	None
Engineering Contract	Hong Pu Real Estate Development CO.,LTD.	Work completed and inspected according to schedule from 2017/12/25	Engineering Contract	Guaranteed commitment
Engineering Contract	Enrich Tech Co., Ltd	Work completed and inspected according to schedule from 2017/12/04	Engineering Contract	Guaranteed commitment
Engineering Contract	LI JIN ENGINEERING CO., LTD.	Work completed and inspected according to schedule from 2017/12/25	Engineering Contract	Guaranteed commitment
Engineering Contract	China Ecotek Corporation	Work completed and inspected according to schedule from 2017/11/30	Engineering Contract	Guaranteed commitment
Engineering Contract	LI JIN ENGINEERING CO., LTD.	Work completed and inspected according to schedule from 2017/08/28	Engineering Contract	Guaranteed commitment
Engineering Contract	Kuo Yuan Construction Co., Ltd.	Work completed and inspected according to schedule from 2017/08/15	Engineering Contract	Guaranteed commitment
Engineering Contract	M+W Taiwan Co., Ltd.	Work completed and inspected according to schedule from 2017/04/10	Engineering Contract	Guaranteed commitment
Engineering Contract	Huaku development Co., Ltd	Work completed and inspected according to schedule from 2017/03/22	Engineering Contract	Guaranteed commitment

Agreement	Counterparty	Period	Major Contents	Restrictions
Engineering Contract	Flexium Interconnect, Inc.	Work completed and inspected according to schedule from 2017/02/22	Engineering Contract	Guaranteed commitment
Engineering Contract	Chi Mei Hospital- Chi Mei Chiali	Work completed and inspected according to schedule from 2016/07/18	Engineering Contract	Guaranteed commitment
Engineering Contract	Pegatron Corporation	Work completed and inspected according to schedule from 2016/03/10	Engineering Contract	Guaranteed commitment
Engineering Contract	LI JIN ENGINEERING CO., LTD.	Work completed and inspected according to schedule from 2016/03/30	Engineering Contract	Guaranteed commitment
Engineering Contract	LI JIN ENGINEERING CO., LTD.	Work completed and inspected according to schedule from 2015/11/05	Engineering Contract	Guaranteed commitment
Engineering Contract	LI JIN ENGINEERING CO., LTD.	Work completed and inspected according to schedule from 2015/09/08	Engineering Contract	Guaranteed commitment
Engineering Contract	Kuo Yuan Construction Co., Ltd.	Work completed and inspected according to schedule from 2015/07/06	Engineering Contract	Guaranteed commitment
Engineering Contract	TTY Biopharm Co., Ltd.	Work completed and inspected according to schedule from 2014/06/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Show-Chwan Health Care System	Work completed and inspected according to schedule from 2014/07/09	Engineering Contract	Guaranteed commitment
Engineering Contract	Hong Pan Kai Fa Co., Ltd.	Work completed and inspected according to schedule from 2014/09/02	Engineering Contract	Guaranteed commitment
Engineering Contract	Immense Team Construction and Building Company, Limited	Work completed and inspected according to schedule from 2014/11/20	Engineering Contract	Guaranteed commitment
Engineering Contract	CTCI Corporation	Work completed and inspected according to schedule from 2011/09/01	Engineering Contract	Guaranteed commitment
Sales contract	CEC Panda FPD Technology Co., Ltd.	2014/05/20~2016/06/11	Sales contract	Guaranteed commitment
Sales contract	Xianyang Caihong Optoelectronics Technology Co., Ltd.	2017/02/28	Sales contract	Guaranteed commitment
Sales contract	Shenzhen China Star Optoelectronics Technology Co., Ltd	2017/07/01~2018/11/15	Sales contract	Guaranteed commitment
Sales contract	Chengdu China Electronics Panda Crystal Technology Corporation	2017/06/15~2018/12/30	Sales contract	Guaranteed commitment
Sales contract	Wuhan China Star Optoelectronics Technology Co., Ltd.	2017/10/24~2020/12/31	Sales contract	Guaranteed commitment
Sales contract	Shenzhen China Star Optoelectronics Technology Co., Ltd	2015/10/30~2017/03/03	Sales contract	Guaranteed commitment
Sales contract	Wuhan China Star Optoelectronics Technology Co., Ltd.	2016/04/05	Sales contract	Guaranteed commitment
Sales contract	The IT Electronics Eleventh Design &Research Institute Scientific and Technological Engineering Corporation Limited	2017/08/09~2020/12/31	Sales contract	Guaranteed commitment

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales contract	Shenzhen China Star Optoelectronics Technology Co., Ltd	2017/11/15~2020/12/31	Sales contract	Guaranteed commitment
Sales contract	Vi Brant Display Technology Co., Ltd.	2016/09/22~2017/08/31	Sales contract	Guaranteed commitment
Engineering Contract	PAIHONG VIETNAM	2017/06/05~2017/11/30	Engineering Contract	Guaranteed commitment
Engineering Contract	Kinsus Interconnect Technology	Work completed and inspected according to schedule from 2016/12/27	Engineering Contract	Guaranteed commitment
Engineering Contract	China Construction First Building(group) Co., Ltd.	2016/01/25~2018/05/31	Engineering Contract	Guaranteed commitment
Engineering Contract	Wafer Works (Zhengzhou) Corporation	2017/12/11~2018/08/20	Engineering Contract	Guaranteed commitment
Engineering Contract	Siliconware Precision Industries Co., Ltd	2018/01/02~2018/12/30	Engineering Contract	Guaranteed commitment
Engineering Contract	Siliconware Precision Industries Co., Ltd	2016/09/03~2018/12/30	Engineering Contract	Guaranteed commitment
Engineering Contract	Siliconware Precision Industries Co., Ltd	2018/01/02~2018/10/31	Engineering Contract	Guaranteed commitment
Engineering Contract	Vi Brant Display Technology Co., Ltd.	2016/12/06~2018/04/30	Engineering Contract	Guaranteed commitment
Engineering Contract	Vi Brant Display Technology Co., Ltd.	2016/11/07~2018/05/31	Engineering Contract	Guaranteed commitment
Equipment contract	Tacoma Semiconductor	Work completed and inspected according to schedule from 2017/12/01	Equipment contract	Guaranteed commitment
Engineering Contract	SAKAI SIO International GuangZhou Co., LTD	Work completed and inspected according to schedule from 2018/03/15	Engineering Contract	Guaranteed commitment
Engineering Contract	S.Y. Technology, Engineering & Construction Co., LTD Jinjiang Branch	Work completed and inspected according to schedule from 2017/11/11	Engineering Contract	Guaranteed commitment
Engineering Contract	Asia Best Healthcare Co.,Ltd. Taiwan Branch	Work completed and inspected according to schedule from 2016/09/08	Engineering Contract	Guaranteed commitment
Engineering Contract	Panasonic Homes Taiwan Co., Ltd.	Work completed and inspected according to schedule from 2016/12/26	Engineering Contract	Guaranteed commitment
Engineering Contract	LINGSEN PRECISION INDUSTRIES, LTD.	Work completed and inspected according to schedule from 2017/11/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Vi Brant Display Technology Co., Ltd.	Work completed and inspected according to schedule from 2016/08/22	Engineering Contract	Guaranteed commitment
Engineering Contract	International Sources Limited	Work completed and inspected according to schedule from 2016/10/07	Engineering Contract	Guaranteed commitment
Engineering Contract	L&K Engineering Co., Ltd.	Work completed and inspected according to schedule from 2015/05/29	Engineering Contract	Guaranteed commitment
Engineering Contract	Micron Technology, Inc.	Work completed and inspected according to schedule from 2015/08/24	Engineering Contract	Guaranteed commitment
Engineering Contract	Micron Technology, Inc.	Work completed and inspected according to schedule from 2014/05/20	Engineering Contract	Guaranteed commitment
Engineering Contract	United Microelectronics Corporation	Work completed and inspected according to schedule from 2014/07/30	Engineering Contract	Guaranteed commitment

## VI. Financial Information

### i. Five-Year Financial Summary

#### 1. Condensed Balance Sheet

##### (1) Condensed Consolidated Balance Sheet-IFRS

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary					Financial data as of 2018/03/31
		2013	2014	2015	2016	2017	
Current assets		6,477,953	6,252,885	7,512,052	8,006,879	10,686,151	(Note 1)
Property, plant and equipment		334,438	340,595	380,354	374,530	401,971	
Intangible assets		11,694	23,482	19,957	16,493	21,561	
Other assets		181,197	268,938	273,844	486,161	444,088	
Total assets		7,005,282	6,885,900	8,186,207	8,884,063	11,553,771	
Current liabilities	Before distribution	3,892,753	4,024,960	4,915,104	5,289,571	6,602,150	
	After distribution	4,354,111	4,118,192	5,199,119	5,667,466	Not applicable	
Non-current liabilities		213,944	192,562	207,286	213,856	287,100	
Total liabilities	Before distribution	4,106,697	4,217,522	5,122,390	5,503,427	6,889,250	
	After distribution	4,568,055	4,310,754	5,406,405	5,881,322	Not applicable	
Equity attributable to owners of the parent							
Common stock		461,359	461,359	466,159	472,369	471,529	
Capital surplus		896,599	936,951	978,475	1,071,656	1,412,098	
Retained earnings	Before distribution	1,499,592	1,129,996	1,451,733	1,597,951	2,057,315	
	After distribution	1,038,234	1,036,764	1,167,718	1,220,056	Not applicable	
Other equity		41,035	55,867	23,145	(78,851)	(66,649)	
Treasury stock		0	0	0	0	0	
Non-controlling interest		0	84,205	144,305	317,511	790,228	
Total shareholders' equity	Before distribution	2,898,585	2,668,378	3,063,817	3,380,636	4,664,521	
	After distribution	2,437,227	2,575,146	2,779,802	3,002,741	Not applicable	

Note1: Financial information for the period as of the quarter preceding the date of printing of the annual report has not been reviewed by CPA.

Note2: The distribution of 2017 profits shall be determined by the 2018 annual shareholders' meeting.

## (2) Condensed Standalone Balance Sheet-IFRS

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary				
		2013	2014	2015	2016	2017
Current assets		2,357,410	1,964,539	2,494,429	2,400,845	2,562,762
Property, plant and equipment		160,134	157,648	155,735	155,653	155,580
Intangible assets		5,623	4,324	1,760	1,983	4,750
Other assets		1,781,102	1,759,635	1,939,441	2,121,569	2,768,913
Total assets		4,304,269	3,886,146	4,591,365	4,680,050	5,492,005
Current liabilities	Before distribution	1,222,246	1,147,972	1,520,102	1,488,005	1,465,536
	After distribution	1,683,604	1,241,204	1,804,117	1,865,900	Not applicable
Non-current liabilities		183,438	154,001	151,751	128,920	152,176
Total liabilities	Before distribution	1,405,684	1,301,973	1,671,853	1,616,925	1,617,712
	After distribution	1,867,042	1,395,205	1,955,868	1,994,800	Not applicable
Equity attributable to owners of the parent						
Common stock		461,359	461,359	466,159	472,369	471,529
Capital surplus		896,599	936,951	978,475	1,071,656	1,412,098
Retained earnings	Before distribution	1,499,592	1,129,996	1,451,733	1,597,951	2,057,315
	After distribution	1,038,254	1,036,764	1,167,718	1,220,056	Not applicable
Other equity		41,035	55,867	23,145	(78,851)	(66,649)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total shareholders' equity	Before distribution	2,898,585	2,584,173	2,919,512	3,063,125	3,874,293
	After distribution	2,437,227	2,490,941	2,635,497	2,685,230	Not applicable

Note1: The distribution of 2017 profits shall be determined by the 2018 annual shareholders' meeting.

## 2. Condensed Statement of Income

### (1) Condensed Consolidated Statement of Income-IFRS

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary					Financial data as of 2018/03/31
		2013	2014	2015	2016	2017	
Operating revenue		8,656,072	7,581,552	8,558,768	8,404,421	11,437,682	(Note1)
Gross profit		1,038,965	622,295	1,111,609	1,310,072	2,043,869	
Income from operations		564,321	53,881	478,274	601,253	1,376,732	
Non-operating income(expenses)		56,010	31,422	36,548	(5,599)	(85,179)	
Income before tax		620,331	85,303	514,822	595,654	1,291,553	
Income from continuing operations - after tax		466,391	89,034	423,030	453,862	982,140	
Loss of discontinued operation		0	0	0	0	0	
Net income		466,391	89,034	423,030	453,862	982,140	
Other comprehensive income - after tax		62,692	3,874	(13,316)	(95,739)	(19,543)	
Total comprehensive income		529,083	92,908	409,714	358,123	962,597	
Net income attributable to owners of the parent		466,391	94,830	416,345	436,276	842,154	
Net income attributable to non-controlling interest		0	(5,796)	6,685	17,586	139,986	
Total comprehensive income attributable to owners of the parent		529,083	106,594	403,092	342,190	824,751	
Total comprehensive income attributable to non-controlling interest		0	(13,686)	6,622	15,933	137,846	
Earnings per share		10.11	2.06	9.02	9.45	18.17	

Note1: Financial information for the period as of the quarter preceding the date of printing of the annual report has not been reviewed by CPA.

### (2) Condensed Standalone Statement of Income-IFRS

Unit : NT\$ thousand

Item	Year	Five-Year Financial Summary				
		2013	2014	2015	2016	2017
Operating revenue		3,183,429	2,953,833	3,828,829	3,372,670	3,866,236
Gross profit		458,676	302,277	469,029	405,137	537,602
Income from operations		333,450	185,169	301,139	249,760	354,695
Non-operating income(expenses)		222,753	(95,399)	165,621	234,011	576,874
Income before tax		556,203	89,770	466,760	483,771	931,569
Income from continuing operations - after tax		466,391	94,830	416,345	436,276	842,154
Loss of discontinued operation		0	0	0	0	0
Net income		466,391	94,830	416,345	436,276	842,154
Other comprehensive income - after tax		62,692	11,764	(13,253)	(94,086)	(17,403)
Total comprehensive income		529,083	106,594	403,092	342,190	824,751
Net income attributable to owners of the parent		466,391	94,830	416,345	436,276	842,154
Net income attributable to non-controlling interest		0	0	0	0	0
Total comprehensive income attributable to owners of the parent		529,083	106,594	403,092	342,190	824,751
Total comprehensive income attributable to non-controlling interest		0	0	0	0	0
Earnings per share		10.11	2.06	9.02	9.45	18.17

### 3. Auditors' Opinions from 2013 to 2017

Year	CPA Firm	CPA's Name	Auditing Opinion
2013	KPMG	Wu, Whe-Land · Chen, Cheng-Hsueh	Unqualified opinion
2014	KPMG	Wu, Whe-Land · Chang, Tzu-Hsin	Unqualified opinion
2015	KPMG	Chang, Tzu-Hsin · Huang, Hai-Ning	Unqualified opinion
2016	KPMG	Chang, Tzu-Hsin · Huang, Hai-Ning	Unqualified opinion
2017	KPMG	Chang, Tzu-Hsin · Huang, Hai-Ning	Unqualified opinion

## ii. Five-Year Financial Analysis

### 1. Financial Analysis-IFRS(Consolidated Financial Statements)

Item(Note 2)	Year	Financial analysis in the past five years					As of 2018/03/31
		2013	2014	2015	2016	2017	
Financial structure(%)	Ratio of liabilities to assets	58.62	61.24	62.57	61.94	59.62	(Note 1)
	Ratio of long-term capital to property, plant and equipment	866.70	839.98	822.07	959.73	1,231.83	
Solvency (%)	Current ratio	166.41	155.35	152.83	151.37	161.85	
	Quick ratio	103.34	87.59	95.61	102.18	106.44	
	Times interest earned ratio	10,516.38	2,537.48	25,166.76	18,410.44	13,739.57	
Operating ability	Accounts receivable turnover (turns)	4.11	3.63	3.48	2.99	4.17	
	Average collection period	88.80	100.55	104.88	122.07	87.52	
	Inventory turnover (turns)	0.97	0.81	0.76	0.68	0.80	
	Accounts payable turnover (turns)	3.28	2.81	2.77	2.64	3.27	
	Average days in sales	376.28	450.61	480.26	536.76	456.25	
	Property, plant and equipment turnover (turns)	25.65	22.46	23.74	22.26	29.45	
	Total assets turnover (turns)	1.24	1.09	1.13	0.98	1.11	
Profitability	Return on total assets (%)	6.77	1.40	5.54	5.34	9.68	
	Return on stockholders' equity (%)	16.28	3.40	15.12	14.40	24.41	
	Ratio of Pre-tax income to issued capital (%) (Note 6)	134.46	18.48	110.43	126.09	273.90	
	Profit ratio (%)	5.39	1.25	4.86	5.40	8.58	
	Earnings per share (\$)	10.11	2.06	9.02	9.45	18.17	
Cash flow	Cash flow ratio (%)	(4.73)	4.57	6.11	24.61	16.21	
	Cash flow adequacy ratio (%)	54.62	49.01	39.85	73.11	63.54	
	Cash reinvestment ratio (%)	(20.67)	(9.48)	6.18	27.68	13.73	
Leverage	Operating leverage	1.03	1.60	1.06	1.04	1.02	
	Financial leverage	1.01	1.07	1.00	1.01	1.01	

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

1. The increase in ratio of long-term capital to property, plant and equipment was mainly due to the increase in net income and gain of subsidiaries disposed.
2. The decrease in times interest earned ratio was mainly due to the increase in subsidiary's loan interest expense.
3. The increase in accounts receivable turnover and the decrease in average collection period was mainly due to the increase in net sales by 36.09%.
4. The increase in accounts payable turnover (turns) was mainly due to the increase in cost of goods sold by 32.41%.

Item(Note 2)	Year	Financial analysis in the past five years					As of 2018/03/31
		2013	2014	2015	2016	2017	
5. The increase in property, plant and equipment turnover was mainly due to the increase in net sales by 36.09%.							
6. The increase in profitability was mainly due to the increase in net income.							
7. The decrease in cash flow ratio was mainly due to the decrease in cash flow from operating activities and the increase in purchases which made the liability increased.							
8. The decrease in cash reinvestment ratio was mainly due to the decrease in cash flow from operating activities.							

Note1: Financial information for the period as of the quarter preceding the date of printing of the annual report has not been reviewed by CPA

Note2: Formulas for the above table are as follows.

1. Financial Structure

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

2. Solvency

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

3. Operating ability

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

4. Profitability

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

5. Cash flow

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

6. Leverage

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

Note3: The following factors are to be included in the consideration for the calculation of earnings per share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year end.
2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.



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

Note4: The following factors are to be included for consideration for the analysis of cash flow:

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

Note5: Issuer should classify operating cost and operating expense according to fixed and variable category. If the classification is estimated and subjective, it should correspond with rationality and consistency.

Note6: In the case of shares issued by a company with no par value or a par value other than NT\$10 per share, the calculation of ratio of the paid-in capital shall be replaced by ratio of the equity attributable to owners of the parent.

## 2. Financial Analysis-IFRS(Standalone Financial Statements)

Item(Note 1)	Year	Financial analysis in the past five years				
		2013	2014	2015	2016	2017
Financial structure (%)	Ratio of liabilities to assets	32.65	33.50	36.41	34.54	29.45
	Ratio of long-term capital to property, plant and equipment	1,924.64	1,736.89	1,972.11	2,050.74	2588.03
Solvency (%)	Current ratio	192.87	171.13	164.09	161.34	174.86
	Quick ratio	164.64	124.08	122.78	127.01	128.41
	Times interest earned ratio	13,645,906.57	2,597,623	13,505,902	16,992,419	61,816,240
Operating ability	Accounts receivable turnover (turns)	3.53	3.59	4.18	3.28	4.21
	Average collection period	103.39	101.67	87.32	111.28	86.69
	Inventory turnover (turns)	0.90	0.71	0.75	0.64	0.65
	Accounts payable turnover (turns)	2.78	3.13	3.28	2.75	3.73
	Average days in sales	405.55	514.08	486.66	570.31	561.53
	Property, plant and equipment turnover (turns)	19.67	18.59	24.43	21.66	24.84
	Total assets turnover (turns)	0.72	0.72	0.90	0.72	0.76
Profitability	Return on total assets (%)	10.69	2.31	9.82	9.41	16.55
	Return on stockholders' equity (%)	16.28	3.45	15.12	14.58	24.27
	Ratio of Pre-tax income to issued capital (%) (Note 5)	120.55	19.45	100.12	102.41	197.56
	Profit ratio (%)	14.65	3.21	10.87	12.93	21.78
	Earnings per share (\$)	10.11	2.06	9.02	9.45	18.17
Cash flow	Cash flow ratio (%)	26.74	(6.47)	26.27	14.57	23.94
	Cash flow adequacy ratio (%)	89.53	64.76	73.21	75.26	53.21
	Cash reinvestment ratio (%)	(4.35)	(19.48)	9.91	(2.09)	(0.66)
Leverage	Operating leverage	1.02	1.03	1.02	1.02	1.01
	Financial leverage	1.00	1.00	1.00	1.00	1.00

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

- The increase in ratio of long-term capital to property, plant and equipment and times interest earned ratio was mainly due to the increase in income before tax by 92.56%.
- The increase in accounts receivable turnover and the decrease in average collection period was mainly due to the increase in net sales by 14.63%.
- The increase in accounts payable turnover (turns) and the decrease in average days in sales was mainly due to the increase in cost of goods sold by 12.17%.
- The increase in profitability was mainly due to the increase in net income by 93.03% and most of them come from construction revenue and gain on investments.
- The increase in cash flow ratio and cash reinvestment ratio was mainly due to the increase in net cash flow from operating activity.
- The decrease in cash reinvestment ratio was mainly due to the decrease in net cash flow from operating activity in the past 5 years.

Note1: Formulas for the above table are as follows.

- Financial Structure
  - Ratio of liabilities to assets = Total liability / Total assets
  - Ratio of long-term capital to property, land and equipment = (Net shareholders' equity + Long-term liability) / Net property, land and equipment
- Solvency

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

Note2: The following factors are to be included in the consideration for the calculation of earnings per share:

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

Note3: The following factors are to be included for consideration for the analysis of cash flow:

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

cumulative depreciation.

Note4: Issuer should classify operating cost and operating expense according to fixed and variable category. If the classification is estimated and subjective, it should correspond with rationality and consistency.

Note5: In the case of shares issued by a company with no par value or a par value other than NT\$10 per share, the calculation of ratio of the paid-in capital shall be replaced by ratio of the equity attributable to owners of the parent.

### **iii. Audit Committee's Review Report in the Most Recent Year**

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

#### **Audit Committee's Review Report**

This company's 2017 financial statements have been approved by the audit committee and resolved by the board of directors. The foregoing financial statements have been audited by CPA of KPMG under commission to the board, and the auditor has issued an audit report relating to the financial statements.

This company's 2017 business report and earnings distribution proposal have been prepared and issued by the board of directors. The foregoing business report and earnings distribution proposal have been reviewed and determined to be correct and accurate by the audit committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

2018 shareholders meeting of Acter Co., Ltd.

**Acter Co., Ltd.**

Chairman of the Audit Committee: Yeh, Hui-Hsin

February 23, 2018

### **iv. Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report**

Please refer to page 140 ~ page 209 of this annual report.

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

None.

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

### i. Financial Position

Unit: NT\$ thousand

Item	Year	2016	2017	Difference	
				Amount	%
Current Assets		8,006,879	10,686,151	2,679,272	33.46
Non-Current Assets		877,184	867,620	(9,564)	(1.09)
<b>Total Assets</b>		<b>8,884,063</b>	<b>11,553,771</b>	<b>2,669,708</b>	<b>30.05</b>
Current Liabilities		5,289,571	6,602,150	1,312,579	24.81
Non-Current Liabilities		213,856	287,100	73,244	34.25
<b>Total Liabilities</b>		<b>5,503,427</b>	<b>6,889,250</b>	<b>1,385,823</b>	<b>25.18</b>
Capital stock		472,369	471,529	(840)	(0.18)
Capital surplus		1,071,656	1,412,098	340,442	31.77
Retained Earnings		1,597,951	2,057,315	459,364	28.75
Other Equity		(78,851)	(66,649)	12,202	(15.47)
<b>Total Equity attributable to the parent of company</b>		<b>3,063,125</b>	<b>3,874,293</b>	<b>811,168</b>	<b>26.48</b>
<b>Total Equity</b>		<b>3,380,636</b>	<b>4,664,521</b>	<b>1,283,885</b>	<b>37.98</b>

#### 1. Analysis of changes in financial ratios:

- (1) Current assets and total assets increased due to the increase in cash and cash equivalents.
- (2) Current liabilities and total liabilities increased due to the increase in accounts payable and advance sales receipts.
- (3) Non-current liabilities increased due to the increase in deferred tax liabilities.
- (4) Capital surplus increased due to the gain of subsidiaries disposed.
- (5) Retained earnings increased due to the increase in net income.
- (6) Total equity attributable to the parent of company and total equity increased due to the increase in net income and gain of subsidiaries disposed.

#### 2. Future response actions: Not applicable.

### ii. Financial Performance

Unit: NT\$ thousand

Item	Year	2016	2017	Difference	Percentage change (%)
Cost of Sales		7,094,349	9,393,813	2,299,464	32.41
Gross Profit		1,310,072	2,043,869	733,797	56.01
Operating Expenses		708,819	667,137	(41,682)	(5.88)
Operating Income		601,253	1,376,732	775,479	128.98
Non-operating Income and Gains		30,196	38,011	7,815	25.88
Non-operating Expenses and Losses		35,795	123,190	87,395	244.15
Income Before Tax		595,654	1,291,553	695,899	116.83
Tax Expense		141,792	309,413	167,621	118.22
Net Income		453,862	982,140	528,278	116.40

#### 1. Analysis of changes in financial ratios:

- (1) The increase in net sales and cost of sales was mainly due to the increase in sales volume.
- (2) The increase in gross profit and operating profit was mainly due to the increase in net sales by 36.09%.
- (3) The increase in non-operating income and gains was mainly due to the increase in interest income.
- (4) The increase in non-operating expenses and losses was mainly due to the loss from foreign exchange transactions.

- (5) The increase in income before tax and net income was mainly due to the increase in net sales by 36.09%.
- (6) The increase in tax expense was mainly due to the increase in income before tax.
2. Expected sales volume and basis for estimates :  
Please refer to page 5 “2.2.2 Expected sales volume and basis for estimates” of this annual report.

### iii. Cash Flow

#### 1. Cash Flow Analysis for the Current Year (2017)

Item \ Year	2016	2017	Variance %
Cash Flow Ratio (%)	24.61	16.21	(34.13)
Cash Flow Adequacy Ratio (%)	73.11	63.55	(13.08)
Cash Reinvestment Ratio (%)	27.68	13.73	(50.40)

#### Analysis of financial ratio change:

- The decrease in cash flow ratio was mainly due to the decrease in cash flow from operating activities and the increase in purchases which made the current liability increased.
- The decrease in cash reinvestment ratio was mainly due to the decrease in cash flow from operating activities.

#### 2. Remedy for Cash Deficit and Liquidity Analysis

None.

#### 3. Cash Flow Analysis for the Coming Year(2018)

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow(Inflow) from Investing and Financing Activities (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
3,923,800	1,100,000	(821,000)	4,202,800	None	None

#### Analysis of change in cash flow for the coming year:

- Operating Activities: The cash inflow will be generating from construction revenue.
- Investing Activities: The cash outflow will be mainly due to financing plans.
- Financing Activities: The cash inflow will be mainly due to cash dividend payment and bank loans.

### iv. Major Capital Expenditure Items

None.

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

#### 1. Investment Policy

Acter aims to become a globalized organization, first by securing a strong foothold in Asian markets, and then gradually replicating its successful experience to other parts of the world. This strategy begins with the Greater China region, where the company has subsidiaries in Suzhou, Shenzhen and Shanghai. Each subsidiary will be run by a dedicated team in order to closely serve local industry. Southeast Asia is another one of the company's overseas business focuses. Acter established a presence here as early as 2010 by creating a subsidiary named Nova Technology Singapore Pte. Ltd. (NTS) in Singapore. This Singaporean subsidiary has turned out to be a successful foundation for promoting the company's cleanroom services to chemical and petrochemical industries

throughout emerging Asian nations. In 2016, the subsidiary, Nova Technology Corp., has had the investment in Singapore and formed Novatech Engineering & Construction Pte. Ltd. (abbreviated as NTEC). In order to allocate the resources effectively within the business group and maximize the expertise of professional engineering for market development to upgrade the operational effectiveness and industrial competitiveness, NTS engineering business of water, gas and chemicals will be integrated and handed over to NTEC. NTS and its subsidiaries will dedicate to the clean room and electromechanical integration business. Recently, Acter continues to expand its business reach deep within Southeast Asia, with plans to set up in Malaysia, Indonesia, and Myanmar. By which time, Taiwan, China, Singapore and Vietnam will play a role as a support center that supplies Malaysian, Indonesian and Myanmar counterparts with raw materials, technical know-how, and human resources. Once the Southeast Asian subsidiaries have formed a functional network, they will provide more flexibility to the company's engineering services in Southeast Asia.

## 2. Main Causes for Profits or Losses and Improvement Plans

### (1) Main Causes for Profits or Losses

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

### (2) Improvement Plans

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

## 3. Investment Plans for the Coming Year

The company actively develops business in Southeast Asia and will continue down this path over the next year, to adopt a globalized strategy that creates optimum returns for investors. And subsidiary named Sheng Huei (Suzhou) Engineering Co., Ltd. will turn out to be a core of clean room engineering and electromechanical system integration services in China at the meanwhile.



## vi. Analysis of Risk Management

### 1. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate and its affiliates Finance, and Future Response Measures

#### (1) Interest Rates

##### A. Effects of Changes in Interest Rates on Corporate and its affiliates Finance

The interest income or interest expenses to net operating revenues in 2017 were below 0.17%. The effect of interest rate movements on net income was limited.

Unit: NT\$ thousand

Item	Year	2017	The 1 <sup>st</sup> Quarter of 2018
Interest Income(1)		19,338	Note1
Interest Expenses(2)		9,469	
Net Operating Revenue(3)		11,437,682	
Ratio of Interest Income to Net Operating Revenue (1)/(3)		0.17%	
Ratio of Interest Expenses to Net Operating Revenue (2)/(3)		0.08%	

Note1: Financial information in 2017 has been audited by CPA and financial information for the 1<sup>st</sup> quarter of 2018 has not been reviewed by CPA.

##### B. Future Response Measures

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

#### (2) Foreign exchange rates

##### A. Effects of Changes in Foreign Exchange Rates on Corporate and its affiliates Finance

The company and its affiliates are construction services provider and not importer/exporter. Although some of its raw materials are purchased from overseas suppliers and are denominated in foreign currencies, the NTD(88,726) thousand in exchange gains (losses) in 2017 was relatively insignificant compared to overall revenue and operating profits. For this reason, changes in exchange rates should not cause any significant impact on the company and its affiliates' revenues and profitability.

Unit: NT\$ thousand

Item	Year	2017	The 1 <sup>st</sup> Quarter of 2018
Income/Loss from Foreign Exchange Transactions		(88,726)	Note1
Net Operating Revenue		11,437,682	
Ratio of Income/Loss from Foreign Exchange Transactions to Net Operating Revenue(%)		(0.776)	
Operating Income		1,376,732	
Ratio of Income/Loss from Foreign Exchange Transactions to Operating Income (%)		6.445	

Note1: Financial information in 2017 has been audited by CPA and financial information for the 1<sup>st</sup> quarter of 2018 has not been reviewed by CPA.

## B. Future Response Measures

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

### (3) Inflation

#### A. Effects of Changes in Inflation on Corporate and its affiliates Finance

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

#### B. Future Response Measures

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

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

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

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

(3) The company has established the "Procedure for Endorsements and Guarantees" which was reported to and approved by the shareholders meeting as the basis for making endorsements and guarantees for others. The transactions and procedures related to making endorsement and guarantees are based on the company's "Procedure for Endorsements Guarantees."

(4) The Company has established the "Procedure for Acquisition and Disposal of Assets." which was reported to and approved by the shareholders meeting as the basis for conducting any derivative transactions. The transaction and procedures related to conducting any derivative transactions are based on the Company's "Procedure for Acquisition and Disposal of Assets."

## 3. Future Research & Development Projects and Corresponding Budget

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

the company's future R&D plans:

- (1) Patent development: the company keeps acquiring patents in China; most of them relating to construction methods, applications and new materials, and software programming of a chemical equipment supply system.
- (2) Talent incubation and academia-industry cooperation: the company has comprehensive on-the-job training programs in place to help employees develop skills required, and works with scholars to explore new innovations. The company has been collaborating with National Taipei University of Technology, National Taiwan University of Science and Technology, and National Chin-Yi University of Technology in an internship program since 2006, and allying with Feng Chia University.
- (3) Energy-saving technologies: in light of rising global emphasis on energy-saving, green and low-carbon lifestyles, the company has devoted many resources into research on energy-saving construction techniques and products that help customers reduce costs by making more efficient use of available resources, and improving business competitiveness.
- (4) Biotech research: The innovation, research, and development efforts in the implementation of biotech pharmaceutical projects were mainly reflected in the system impact assessment (SIA). Modern biotech pharmaceutical companies must comply with the PIC/S GMP requirements and GEP (Good Engineering Practice) is the cornerstone of PIC/S GMP while SIA is at the core of GEP.  
The standard SIA operating procedure researched and developed by the Quality Control Department applies to projects during the design stage. Quality control engineers and system engineers apply the standard SIA operating procedure while performing internationally approved assessments of all systems involved in biotech pharmaceutical projects comprehensively. By successfully implementing the standard SIA operating procedure, it helps set a clear goal while biotech pharmaceutical projects are being qualified, which not only saves the manpower and time needed for a project but also perfects the qualification logic for biotech pharmaceutical projects.
- (5) Studies on rationalized production procedures: in-depth studies on project owners' production procedures are helpful to facilitate communications with them. Doing so allows the company to make adjustments and help project owners optimize the efficiency of their production environment. Due to the extensive range of industries that the company's services touch on, it is imperative for the company to gain in-depth knowledge of production procedures involved before recommending any solutions to customers.
- (6) Corresponding Budget

Unit : NT\$ thousand

Research projects	Current Progress	Expected research expenditure in the future	Completion Date	Project Description	Major factors that will impact future success
Useful new patents	We are continually applying for related patents	96,411	Dec. 2019	Construction techniques are optimized and the capabilities of equipments are upgraded.	<ul style="list-style-type: none"> <li>• Personnel participate in research</li> <li>• Encouragement and support from management</li> </ul>

Research projects	Current Progress	Expected research expenditure in the future	Completion Date	Project Description	Major factors that will impact future success
Research for aseptic wet stencils	Installing the experimental equipment	754	Not applicable	The research and development of a rinsing mechanism for sterile wet template can simultaneously solve the problem of micro-molecular contamination on the product and reduce risks for operators.	<ul style="list-style-type: none"> <li>• Benefits of antibacterial material</li> </ul>
Developing talent as well as industry-academia cooperation	Opening of training courses	80	Dec. 2018	On-the-job training strengthens job skills, while cooperative R&D projects with academia pursue further innovation and breakthroughs.	<ul style="list-style-type: none"> <li>• Combining academic knowledge with practice</li> <li>• Passing down technical applications</li> </ul>

#### 4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

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

#### 5. Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

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

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

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

#### 7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The Company and its affiliates have no ongoing merger and acquisition activities.

8. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

The company currently does not have any plans to expand its plants.

9. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

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

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

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

The share transfer of the company's director has been disclosed on page 69. Because the counterparty of the transfer is director's spouse, it will not cause significant impact on the company.

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

11. Effects of, Risks Relating to and Response to Changes in Control over the Company

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

12. Litigious or Non-litigious Matters

(1)Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.

(2)Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors or shareholders with over 10% shareholdings:

A. Project payment lawsuit against Walsin Technology Corporation (Walsin):

Cause of lawsuit: The Company undertook the mechanical/electrical air-conditioning project of Walsin in December 2010. The project acceptance was completed in 2011 and the warranty period expired in 2013. Walsin demanded that the surplus of project payment worth NT\$42,189,100 be returned in November 2012.

Status of lawsuit: Taipei District Court, Taiwan determined that the company shall pay Walsin NTD 14,665,869 for the first trial (Reference number: 102 Year chien zi di No. 31) judgment. As both parties brought suits, Taiwan High Court is hearing the case at the present, and the Company has entrusted The National Architects Association of R.O.C (NAAROC) to conduct supplementary appraisal to the appraisal report at the first trial on December 21, 2016 after investigation of testimonies by a formal request. The supplementary appraisal procedure has not been completed up to the publish date of annual report.

B. The non-contentious case of project payment with Wintek Corporation (Wintek) and its subsidiaries in China and Vietnam:

Cause of lawsuit: The Company and its subsidiary undertook the new manufacturing facility projects of Wintek in Dongguan, China and Gwangju, Vietnam between 2012 and 2013. Wintek started to be delinquent on payments in 2013 and filed for reorganization with Taiwan Taichung District Court on October 13, 2014. To protect the Company's rights as creditor, proceedings have been ongoing in respective jurisdictions for the debts in accordance with local legal requirements.

Status of lawsuit:

- a. Wintek Taiwan: Taiwan Taichung District Court has confirmed the reorganization ruling of Wintek on October 5, 2016. Currently it has entered the reorganization procedure. Wintek estimates that its loss ratio for the firm with unwarranted claim is 16%. At the first stage, NT\$5.5 billion will be allocated as per the proportion of debt to the unsecured creditors; and the second stakeholder meeting will be conducted on Jul. 3, 2018 to proceed the vote for the reorganization project and the Company will vote for "agree".
- b. Wintek subsidiary in Vietnam: It has obtained an arbitrary award of winning a court case through Vietnam international arbitrary center. The parties shall reach a settlement pursuant to the payment on the arbitrary award and come to an agreement on reduction of debt with three installment payments. The Company has acquired all installment payments.
- c. Wintek subsidiary in China: After Guangdong Dongguan People' Court conducted corporate reorganization ruling, the loss ratio for the firm with unwarranted claim is 6.5%, and every firm will be paid with an extra of RMB 50,000 as compensation money. The Company has acquired compensation money in 2017.

C. Project payment lawsuit against Jing He Science Co., Ltd. (JHS) N2O & CO2 Gas Plant:

Cause of lawsuit: Nova Technology, a subsidiary company, has concluded a construction agreement with Jing He Science Co., Ltd. As Jing He suspended the construction without any prior consent causing the investment cost and procurement amount to surpass the price of the contract and that is unable to compensate the loss part. Currently, Nova Technology recognized Construction Loss in NTD 42,805 thousand according to International Financial Report Standards and testimony and information collected at the present stage. The Construction Loss recognized in accordance with the difference between shall-be obtain amount and investing cost based on the appraisal report of court. Nova Technology has delegated an attorney of a law office to submit an action against Jing He Company. Nova Technology neither able to make estimation and evaluation on the result of judgment nor to appraise whether it may determined to take responsibility to the claim of damage of claim.

Status of lawsuit: Nova Technology has delegated an Attorney's Office to file a suit against Jing He Science currently. It neither predicts and evaluates the result of verdict for the case nor attempts to make an assessment on the claim for damages.

D. A lawsuit of engineering cost for elimination of white smoke against AX-CELLENT Green Energy & Repro. Corp. (NERCA) :

Cause of lawsuit: Nova Technology and NERCA have entered an engineering contract. This engineering project has been terminated by NERCA without completing the engineering project. According to the payment terms in the contract, NERCA shall pay Nova Technology for NT\$3,379,227 based on the progress percentage of the engineering project then.

Status of lawsuit: Nova Technology has delegated an attorney for bringing a suit against NERCA, currently Taiwan Tainan District Court is hearing the case numbered as 2016 su-zi-di-No.1727.

13. Other Major Risks

None.

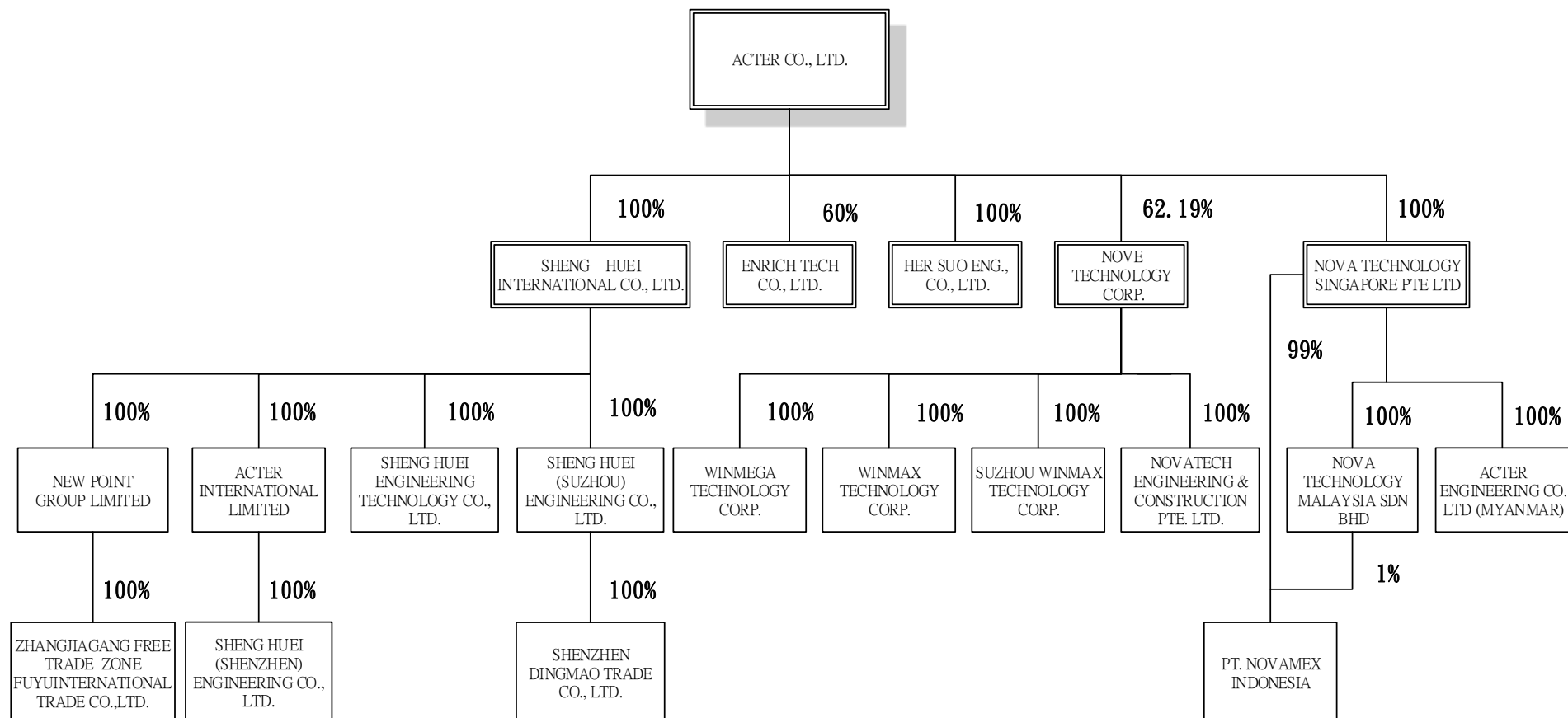
**vii. Other Important Matter**

None.

## VIII. Special Disclosure

### i. Summary of Affiliated Companies

#### 1. Organizational chart of the affiliates (Dec. 31, 2017)





## 2. Basic Information on Affiliates

Dec. 31, 2017

Name of Affiliate	Date of Incorporation	Place of Registration	Paid-in Capital (in thousands)	Business Activities
Sheng Huei International Co., Ltd.	2003.07.15	Samoa	NT\$129,126 (USD4,205)	Investment Holding company
Her Suo Eng., Co., Ltd.	1998.04.30	Hsinchu County, Taiwan	NT\$100,000	Construction and set-up of freezing equipment
Enrich Tech Co., Ltd.	1996.05.20	Taichung, Taiwan	NT\$60,000	Comprehensive construction company
Nova Technology Corp.	1997.06.13	Hsinchu County, Taiwan	NT\$339,280	Wholesaling of electronic and chemical equipment
Nova Technology Singapore Pte., Ltd.	1999.11.10	Singapore	NT\$63,233 (SGD2,700)	Investment Holding company
New Point Group Limited	2008.03.10	Seychelles	NT\$6,110 (USD200)	Holding company and trading of clean rooms and air conditioners
Acter International Limited	2007.11.20	Kowloon, Hong Kong	NT\$15,980 (USD500)	Holding company and trading of clean rooms and air conditioners
Sheng Huei (Suzhou) Engineering Co., Ltd.	2003.09.03	Jiangsu, China	NT\$252,821 (USD7,980)	Construction and set-up of electronic equipment and air conditioners
Sheng Huei Engineering Technology Co., Ltd.	2007.05.02	Vietnam.	NT\$48,238 (USD1,500)	Set-up of electronic protection systems and central air conditioners
Winmega Technology Corp.	2014.08.05	Hsinchu County, Taiwan	NT\$30,000	Wholesaling of electronic and chemical equipments
Winmax Technology Corp.	2002.06.13	Shanghai, China	NT\$151,426 (USD4,890)	Design and manufacture of air containers and liquid containers
Nova Technology Malaysia Sdn Bhd.	2011.11.24	Malaysia	NT\$26,780 (RM2,600)	Investment Holding company
Pt. Novamex Indonesia	2013.6.24	Indonesia	NT\$14,966 (USD500)	Equipment trading and set-up
Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.	2008.06.04	Jiangsu, China	NT\$6,110 (USD200)	Agent for electronic equipment importing and exporting

Name of Affiliate	Date of Incorporation	Place of Registration	Paid-in Capital (in thousands)	Business Activities
Sheng Huei (Shenzhen) Engineering Co., Ltd.	2005.06.21	Shenzhen, China	NT\$172,877 (USD5,330)	Construction and set-up of electronic equipment and air conditioners
Shenzhen Dingmao Trade Co., Ltd	2012.10.31	Shenzhen, China	NT\$2,338 (RMB500)	Electronic equipment and machinery trading
Acter Engineering Co., Ltd.	2014.12.05	Myanmar	NT\$798 (USD25)	Construction and set-up of electronic equipment and air conditioners
Suzhou Winmax Technology Corp.	2016.05.31	Jiangsu, China	NT\$32,478 (USD1,000)	Design and manufacture of air containers and liquid containers
Novatech Engineering & Construction Pte. Ltd.	2016.06.28	Singapore	NT\$24,179 (SGD1,000)	Chemical supply system

Note1: SCEC (Shanghai) Corp. and SCEC (Suzhou) Corp. completed the liquidation procedures in October 2017 and December 2017, respectively.

3. Directors, Supervisors, Presidents of Affiliates

Dec. 31, 2017 ; Unit : Shares ; %

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage
Her Suo Engineering Co., Ltd.	Chairman	Acter Co., Ltd. (Representative : Liang, Chin-Li)	10,000,000	100%
	Director	Acter Co., Ltd. (Representative : Tsai, Chih-Cheng)		
	Director	Acter Co., Ltd. (Representative : Chang, Ching-Chuan)		
	Supervisor	Acter Co., Ltd. (Representative : Chen, Chih-Hao)		
	President	Tsai, Chih-Cheng	0	0.00%
Sheng Huei International Co., Ltd.	Legal Representative	Acter Co., Ltd. (Representative : Liang, Chin-Li)	4,204,773.82	100%
	Director	Acter Co., Ltd. (Representative : Yang, Jung-Tang)		
	Director	Acter Co., Ltd. (Representative : Hu, Tai-Tsen)		
	Supervisor	None		
Sheng Huei (Suzhou) Engineering Co., Ltd.	Chairman	Sheng Huei International Co., Ltd. (Representative : Liang, Chin-Li)	Note 1	100%
	Vice Chairman	Sheng Huei International Co., Ltd. (Representative : Chen, Chih-Hao)		
	Director	Sheng Huei International Co., Ltd. (Representative : Chang, Ching-Chuan)		
	Supervisor	Sheng Huei International Co., Ltd. (Representative : Lai, Ming-Kun)		
	President	Chu, Chi-Hua	0.00%	
Shenzhen Dingmao Trade Co.,Ltd	Chairman	Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative : Chen, Chih-Hao)	Note 1	100%
	Director	Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative : Lai, Ming-Kun)		
	Director	Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative : Liang, Chin-Li)		
	Supervisor	Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative : Chang, Ching-Chuan)		
	President	Chu, Chi-Hua	0.00%	
Sheng Huei (Shenzhen) Engineering Co., Ltd.	Chairman	Acter International Limited (Representative : Chen, Chih-Hao)	Note1	100%
	Director	Acter International Limited (Representative : Lai, Ming-Kun)		
	Director	Acter International Limited (Representative : Liang, Chin-Li)		
	Supervisor	Acter International Limited (Representative : Chang, Ching-Chuan)		
	President	Chu, Chi-Hua	0.00%	

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage
Acter International Limited	Legal Representative	Sheng Huei International Co., Ltd. (Representative : Liang, Chin-Li)	500,000	100%
	Director	Sheng Huei International Co., Ltd. (Representative : Yang, Jung-Tang)		
	Director	Sheng Huei International Co., Ltd. (Representative : Hu, Tai-Tsen)		
	Supervisor	None		
New Point Group Limited	Legal Representative	Sheng Huei International Co., Ltd. (Representative : Liang, Chin-Li)	200,000	100%
	Director	Sheng Huei International Co., Ltd. (Representative : Yang, Jung-Tang)		
	Director	Sheng Huei International Co., Ltd. (Representative : Hu, Tai-Tsen)		
	Supervisor	None		
Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.	Chairman	New Point Group Limited (Representative : Liang, Chin-Li)	Note 1	100%
	Director	New Point Group Limited (Representative : Yang, Jung-Tang)		
	Director	New Point Group Limited (Representative : Chen, Chih-Hao)		
	Supervisor	New Point Group Limited (Representative : Chang, Ching-Chuan)		
	President	Chu, Chi-Hua	0.00%	
Nova Technology Corp.	Chairman	Acter Co., Ltd. (Representative : Liang, Chin-Li)	21,098,179	62.19%
	Director	Acter Co., Ltd. (Representative : Hsu, Chung-Cheng)		
	Director	Acter Co., Ltd. (Representative : Wu, Pi-Huei)		
	Independent Director	Li, Cheng	0	0.00%
	Independent Director	Yeh, Shu	0	0.00%
	Independent Director	Chi, Chih-Yi	0	0.00%
	Independent Director	Yang, Sheng-Yung	0	0.00%
President	Hsu, Chung-Cheng	252,158	0.74%	
Winmax Technology Corp.	Chairman	Nova Technology Corp. (Representative : Hsu, Chung-Cheng)	Note 1	100%
	Director	Nova Technology Corp. (Representative : Jian, Jian-Jhih)		
	Director	Nova Technology Corp. (Representative : Ma, Wei)		
	Supervisor	Nova Technology Corp. (Representative : Liang, Chin-Li)		
	President	Hsu, Chung-Cheng	0.00%	

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage
Nova Technology Singapore Pte. Ltd.	Director	Acter Co., Ltd. (Representative : Chang, Ching-Chuan)	2,700,000	100%
	Director	Acter Co., Ltd. (Representative : Liang, Chin-Li)		
	Supervisor	None		
Nova Technology Malaysia Sdn. Bhd.	Director	Nova Technology Singapore Pte. Ltd. (Representative : Chang, Ching-Chuan)	2,600,000	100%
	Director	Nova Technology Singapore Pte. Ltd. (Representative : Liang, Chin-Li)		
	Director	Nova Technology Singapore Pte. Ltd. (Representative : Yang, Jung-Tang)		
	Director	Nova Technology Singapore Pte. Ltd. (Representative : Feng, Tai-Fang)		
	Director	Nova Technology Singapore Pte. Ltd. (Representative : Tsai, Cheng-Yu)		
	Supervisor	None		
Sheng Huei Engineering Technology Co., Ltd.	Chairman	Sheng Huei International Co., Ltd. (Representative : Tseng, Wen-Jan)	Note 1	100%
	Director	Sheng Huei International Co., Ltd. (Representative : Tsai, Chih-Cheng)		
	Director	Sheng Huei International Co., Ltd. (Representative : Chang, Ching-Chuan)		
	Supervisor	None		
	President	Tseng, Wen-Jan		0.00%
Pt. Novamex Indonesia	Chairman	Nova Technology Singapore Pte. Ltd. (Representative : Chang, Ching-Chuan)	500,000	100%
	Supervisor	Nova Technology Singapore Pte. Ltd. (Representative : Tsao, Yun-Han)		
Enrich Tech Co., Ltd	Chairman	Acter Co., Ltd. (Representative : Chuang, Cheng-Ting)	3,600,000	60%
	Director	Acter Co., Ltd. (Representative : Hsu, Chung-Cheng)		
	Director	Acter Co., Ltd. (Representative : Liang, Chin-Li)		
	Director	Acter Co., Ltd. (Representative : Chang, Ching-Chuan)		
	Director	Li Xin Investment Co., Ltd. (Representative : Yeh, Shu-Chuan)	1,200,000	20%
	Supervisor	Tsao, Yun-Han	0	0.00%
	President	Chuang, Cheng-Ting	100,000	1.67%
Winmega Technology	Chairman	Nova Technology Corp. (Representative : Liang, Chin-Li)	3,000,000	100%

Company Name Corp.	Title	Name or Representative	Shareholding	
			Shares	Percentage
	Director	Nova Technology Corp. (Representative : Hsu, Chung-Cheng)	0	0.00%
	Director	Nova Technology Corp. (Representative : Wu, Chien-Nan)		
	Supervisor	Nova Technology Corp. (Representative : Ma, Wei)		
	President	Wu, Jian-Nan		
Acter Engineering Co., Ltd.	Legal Representative	Nova Technology Singapore Pte. Ltd. (Representative : Chen, Chih-Hao)	25,000	100%
	Director	Nova Technology Singapore Pte. Ltd. (Representative : Liang, Chin-Li)		
	Director	Nova Technology Singapore Pte. Ltd. (Representative : Chang, Ching-Chuan)		
	Supervisor	None		
Suzhou Winmax Technology Corp.	Chairman	Nova Technology Corp. (Representative : Hsu, Chung-Cheng)	Note 1	100%
	Director	Nova Technology Corp. (Representative : Jian, Jian-Jhih)		
	Director	Nova Technology Corp. (Representative : Ma, Wei)		
	Supervisor	Nova Technology Corp. (Representative : Liang, Chin-Li)		
	President	Hsu, Chung-Cheng		0.00%
Novatech Engineering & Construction Pte. Ltd.	Director	Nova Technology Corp. (Representative : Liang, Chin-Li)	1,000,000	100%
	Director	Nova Technology Corp. (Representative : Hsu, Chung-Cheng)		
	Supervisor	None		
	President	Hsu, Chung-Cheng		

Note1: The company is a limited company and doesn't issue shares.

Note2: SCEC (Shanghai) Corp. and SCEC (Suzhou) Corp. completed the liquidation procedures in October 2017 and December 2017, respectively.

#### 4. Operation Status of Affiliates

Dec. 31, 2017 ; Unit: NT\$ thousand

Company Name	Capital Stock	Total Assets	Total Liabilities	Net Equity	Net Revenue	Operating Income	Net Income (Loss)	Basic Earnings Per Share
Her Suo Engineering Co., Ltd.	100,000	477,418	263,806	213,611	671,526	63,171	51,321	5.13
Enrich Tech Co., Ltd	60,000	196,300	109,236	87,064	540,406	52,767	48,933	8.16
Nova Technology Corp.	339,280	3,216,068	1,218,432	1,997,636	1,466,807	295,479	447,475	13.19
Winmega Technology Corp.	30,000	101,969	18,193	83,776	82,248	50,108	35,306	11.77
Winmax Technology Corp.	151,426	2,770,045	1,979,938	790,107	1,956,329	324,811	254,723	Note 1
Suzhou Winmax Technology Corp.	32,478	290,157	266,894	23,262	30,651	2,751	933	Note 1
Novatech Engineering & Construction Pte. Ltd.	24,179	34,722	13,326	21,396	46,301	0	(6)	Note 1
Nova Technology Singapore Pte., Ltd.	63,233	47,005	599	46,406	1,474	(1,020)	3,152	Note 1
Nova Technology Malaysia Sdn Bhd.	26,780	4,271	181	4,091	62	(727)	(613)	Note 1
Pt. Novamex Indonesia	14,966	73,309	49,217	24,091	92,505	8,230	5,617	Note 1
Acter Engineering Co., Ltd.	798	10,678	10,858	(180)	0	(844)	(991)	Note 1
Sheng Huei International Co., Ltd.	129,126	940,260	129	940,131	0	(160)	148,897	Note 1
Sheng Huei Engineering Technology Co., Ltd.	48,238	149,812	67,917	81,895	297,280	40,759	29,098	Note 1
Acter International Limited	15,980	159,251	11,497	147,754	0	(112)	(11,121)	Note 1
Sheng Huei (Shenzhen) Engineering Co., Ltd.	172,877	211,702	53,913	157,789	65,110	(8,486)	(11,044)	Note 1
New Point Group Limited	6,110	282,440	101,875	180,565	228,995	29,486	38,877	Note 1
Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.	6,110	140,735	25,367	115,368	97,553	11,398	8,493	Note 1
Sheng Huei (Suzhou) Engineering Co., Ltd.	252,821	1,941,121	1,455,931	485,190	2,248,037	126,208	92,083	Note 1
Shenzhen Dingmao Trade Co., Ltd	2,338	50,638	42,197	8,442	78,251	7,537	5,697	Note 1

Note1: The company is a limited company, so it's not applicable.

Note2: SCEC (Shanghai) Corp. and SCEC (Suzhou) Corp. completed the liquidation procedures in October 2017 and December 2017, respectively.

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

None.

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

None.

**iv. Other matters that require additional description**

None.

**IX. Any situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report**

None.



## **Representation Letter**

The entities that are required to be included in the combined financial statements of Acter Co., Ltd. as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation 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 International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Acter Co., Ltd. and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Acter Co., Ltd.

Chairman: Mr. Liang

Date: February 23, 2018

## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of Acter Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Revenue recognition

Refer to Note 4(q) “Revenue”, Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty: Revenue recognition” and Note 6(d) “Construction contracts” to the consolidated financial statements.

#### Description of key audit matter

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

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

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

### **2.Assessment of impairment of receivables**

Refer to Note 4(g) "Financial instruments", Note 5(b) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty: Impairment of receivables" and Note 6(c) "The net of notes and accounts receivable and other receivables" to the consolidated financial statements.

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

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

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

Our principal audit procedures included: testing related internal control of account receivable; reviewing collection of notes and accounts receivable during the subsequent period; evaluating the Group's assumption of impairment by performing receivables aging analysis and reviewing historical collection record, comparing the allowance for impairment and actual unrecoverable receivables to assess the adequacy of allowance for impairment assessing whether the impairment is fairly presented.

### **3.Provisions**

Refer to Note 4(p) "Provisions", Note 5(c) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty: Recognition and measurement of provisions", Note 6(k) "Provisions" and Note 9(f) "Significant commitments and contingencies" to the consolidated financial statements.

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

The Group estimates the future probability of warranty occurrence based on historical experience. For the construction lawsuit which is still in trial, the Group also makes provisions for construction loss. Provisions of warranty involves judgment and estimation uncertainty of the Group's management. Consequently, provisions of warranty is one of the key matters for our audit.

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

Our principal audit procedures included: comparing actual warranty expenses and provisions of warranty to assess the accuracy of estimation; considering the management's methods and data sources of estimating provisions and evaluating the possibility to change accounting estimates; assessing whether the provision is fairly presented and in accordance with related accounting standards; if the lawsuit of constructions is still in trial, the recoverable costs might depend on the result of the pending litigation, we will assess the provisions of construction loss in accordance with related recognition conditions.

## **Other Matter**

Acter Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Hsin Chang and Hai-Ning Huang.

KPMG

Taipei, Taiwan (Republic of China)

February 23, 2018

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated 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' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese.)  
**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2017 and 2016**

(Expressed in Thousands of New Taiwan Dollars)

	<u>December 31, 2017</u>		<u>December 31, 2016</u>			<u>December 31, 2017</u>		<u>December 31, 2016</u>		
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
<b>Assets</b>					<b>Liabilities and Equity</b>					
<b>Current assets:</b>					<b>Current liabilities:</b>					
1100	\$ 3,926,890	34	2,553,478	29	2100	Short-term borrowings (note 6(l)and(u))	\$ 344,806	3	193,680	2
1125	198,460	2	202,046	2	2150	Notes payable (note 6(u))	220,246	2	235,806	3
1150	156,038	1	95,956	1	2170	Accounts payable (note 6(u))	2,627,433	23	2,084,077	23
1170	2,409,665	21	2,350,980	27	2180	Accounts payable to related parties (note 6(u)and 7(b))	381	-	118	-
1190	1,543,171	13	904,016	10	2190	Construction contracts payable (note 6(d))	764,337	6	1,028,078	12
1200	110,562	1	30,082	-	2201	Accrued salaries and bonuses	254,228	2	213,790	2
1220	3,546	-	5,008	-	2230	Current income tax liabilities	108,630	1	66,075	1
1310	1,653,559	14	1,193,997	13	2250	Current provisions (note 6(k))	335,595	3	235,573	3
1476	222,630	2	167,513	2	2311	Advance sales receipts (note 6(m))	1,706,250	15	1,055,346	12
1479	461,630	4	503,803	6	2399	Other current liabilities and accrued expenses (note 9)	240,244	2	177,028	2
	<u>10,686,151</u>	<u>92</u>	<u>8,006,879</u>	<u>90</u>			<u>6,602,150</u>	<u>57</u>	<u>5,289,571</u>	<u>60</u>
<b>Non-current assets:</b>					<b>Non-Current liabilities:</b>					
1523	4,050	-	3,960	-	2570	Deferred tax liabilities (note 6(s))	241,328	2	173,142	2
1550	796	-	877	-	2640	Non-current provisions for employee benefits (note 6(n))	45,458	-	40,400	-
1600	401,971	4	374,530	4	2645	Guarantee deposits received	314	-	314	-
1760	245,741	2	248,228	3			<u>287,100</u>	<u>2</u>	<u>213,856</u>	<u>2</u>
1840	142,511	2	184,886	2		<b>Total liabilities</b>	<u>6,889,250</u>	<u>59</u>	<u>5,503,427</u>	<u>62</u>
1985	34,590	-	35,910	1	<b>Equity attributable to owners of parent (notes 6 (o)):</b>					
1990	37,961	-	28,793	-	3100	Ordinary shares	471,529	4	472,369	5
	<u>867,620</u>	<u>8</u>	<u>877,184</u>	<u>10</u>	3200	Capital surplus	1,412,098	12	1,071,656	12
					3300	Retained earnings	2,057,315	18	1,597,951	18
					3400	Other equity interest	(66,649)	-	(78,851)	(1)
						Total equity attributable to owners of parent	<u>3,874,293</u>	<u>34</u>	<u>3,063,125</u>	<u>34</u>
					36XX	Non-controlling interests (note 6(g)and (h))	790,228	7	317,511	4
						<b>Total equity</b>	<u>4,664,521</u>	<u>41</u>	<u>3,380,636</u>	<u>38</u>
<b>Total assets</b>	<u>\$ 11,553,771</u>	<u>100</u>	<u>8,884,063</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 11,553,771</u>	<u>100</u>	<u>8,884,063</u>	<u>100</u>

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

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2017 and 2016**

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		<u>2017</u>		<u>2016</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Operating Revenues:</b>					
4521	Construction revenue (note 6(d))	\$ 9,215,041	80	6,855,632	81
4529	Less: allowances	<u>(8,717)</u>	<u>-</u>	<u>(69,092)</u>	<u>(1)</u>
		<u>9,206,324</u>	<u>80</u>	<u>6,786,540</u>	<u>80</u>
4110	Sales	2,165,081	19	1,555,421	19
4800	Other operating revenue	<u>66,277</u>	<u>1</u>	<u>62,460</u>	<u>1</u>
		11,437,682	100	8,404,421	100
<b>Operating costs:</b>					
5520	Construction cost (note 6(d) and 7(2))	7,791,620	68	5,928,771	71
5110	Cost of goods sold (note 6(e))	1,590,693	14	1,161,499	14
5800	Other operating costs	<u>11,500</u>	<u>-</u>	<u>4,079</u>	<u>-</u>
		<u>9,393,813</u>	<u>82</u>	<u>7,094,349</u>	<u>85</u>
<b>Gross profit from operations</b>		<u>2,043,869</u>	<u>18</u>	<u>1,310,072</u>	<u>15</u>
<b>Operating expenses:</b>					
6100	Selling expenses	95,744	1	101,949	1
6200	Administrative expenses (note 6(c))	478,905	4	530,091	6
6300	Research and development expenses	<u>92,488</u>	<u>1</u>	<u>76,779</u>	<u>1</u>
		<u>667,137</u>	<u>6</u>	<u>708,819</u>	<u>8</u>
<b>Net operating income</b>		<u>1,376,732</u>	<u>12</u>	<u>601,253</u>	<u>7</u>
<b>Non-operating income and expenses:</b>					
7050	Finance costs	(9,469)	-	(3,253)	-
7010	Other income (note 6(q))	11,076	-	22,559	-
7070	Share of loss of associates accounted for using equity method (note 6(f))	(8)	-	(234)	-
7020	Other gains and losses, net (note 6(q))	<u>(86,778)</u>	<u>(1)</u>	<u>(24,671)</u>	<u>-</u>
		<u>(85,179)</u>	<u>(1)</u>	<u>(5,599)</u>	<u>-</u>
7900	<b>Profit before income tax</b>	1,291,553	11	595,654	7
7950	<b>Less: Income tax expense (note 6(s))</b>	<u>309,413</u>	<u>3</u>	<u>141,792</u>	<u>2</u>
	<b>Profit</b>	<u>982,140</u>	<u>8</u>	<u>453,862</u>	<u>5</u>
8300	<b>Other comprehensive income (loss) :</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss (note 6(n))</b>				
8311	Remeasurements effects on defined benefit plans	<u>(6,382)</u>	<u>-</u>	<u>(6,043)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign operations	(18,549)	-	(118,193)	(1)
8362	Net change in fair value of available-for-sale financial assets	1,936	-	8,685	-
8399	Less: income tax relating to components of other comprehensive income that may be reclassified subsequently to profit or loss (note 6(s))	<u>3,452</u>	<u>-</u>	<u>19,812</u>	<u>-</u>
		<u>(13,161)</u>	<u>-</u>	<u>(89,696)</u>	<u>(1)</u>
8300	<b>Other comprehensive income, net of tax</b>	<u>(19,543)</u>	<u>-</u>	<u>(95,739)</u>	<u>(1)</u>
8500	<b>Total comprehensive income</b>	<u>\$ 962,597</u>	<u>8</u>	<u>358,123</u>	<u>4</u>
<b>Profit, attributable to:</b>					
8610	Owners of parent	\$ 842,154	7	436,276	5
8620	Non-controlling interests	<u>139,986</u>	<u>1</u>	<u>17,586</u>	<u>-</u>
		<u>\$ 982,140</u>	<u>8</u>	<u>453,862</u>	<u>5</u>
<b>Comprehensive income attributable to:</b>					
8710	Owners of parent	\$ 824,751	7	342,190	4
8720	Non-controlling interests	<u>137,846</u>	<u>1</u>	<u>15,933</u>	<u>-</u>
		<u>\$ 962,597</u>	<u>8</u>	<u>358,123</u>	<u>4</u>
9750	<b>Basic earnings per share(In new Taiwan dollars) (note 6(t))</b>	<u>\$ 18.17</u>		<u>9.45</u>	
9850	<b>Diluted earnings per share(In new Taiwan dollars) (note 6(t))</b>	<u>\$ 17.67</u>		<u>9.24</u>	

See accompanying notes to consolidated financial statements.

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

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2017 and 2016**

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						other equity interest					Total equity
	Retained earnings						Exchange differences on translation of foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Others	Total other equity interest	Non-controlling interests	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings						
<b>Balance at January 1, 2016</b>	\$ 466,159	978,475	343,459	36,888	1,071,386	1,451,733	58,573	(14,583)	(20,845)	23,145	144,305	3,063,817
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	41,635	-	(41,635)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(284,015)	(284,015)	-	-	-	-	-	(284,015)
	<u>466,159</u>	<u>978,475</u>	<u>385,094</u>	<u>36,888</u>	<u>745,736</u>	<u>1,167,718</u>	<u>58,573</u>	<u>(14,583)</u>	<u>(20,845)</u>	<u>23,145</u>	<u>144,305</u>	<u>2,779,802</u>
Changes in ownership interest in subsidiaries	-	19,419	-	-	-	-	-	-	-	-	-	19,419
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	30,382	-	-	-	-	-	-	-	-	-	30,382
Share-based payment	6,210	43,380	-	-	-	-	-	-	(13,953)	(13,953)	-	35,637
	<u>472,369</u>	<u>1,071,656</u>	<u>385,094</u>	<u>36,888</u>	<u>745,736</u>	<u>1,167,718</u>	<u>58,573</u>	<u>(14,583)</u>	<u>(34,798)</u>	<u>9,192</u>	<u>144,305</u>	<u>2,865,240</u>
Profit for the year ended December 31, 2016	-	-	-	-	436,276	436,276	-	-	-	-	17,586	453,862
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(6,043)	(6,043)	(96,728)	8,685	-	(88,043)	(1,653)	(95,739)
Total comprehensive income	-	-	-	-	430,233	430,233	(96,728)	8,685	-	(88,043)	15,933	358,123
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	157,273	157,273
<b>Balance at December 31, 2016</b>	<b>\$ 472,369</b>	<b>1,071,656</b>	<b>385,094</b>	<b>36,888</b>	<b>1,175,969</b>	<b>1,597,951</b>	<b>(38,155)</b>	<b>(5,898)</b>	<b>(34,798)</b>	<b>(78,851)</b>	<b>317,511</b>	<b>3,380,636</b>
<b>Balance at January 1, 2017</b>	<b>\$ 472,369</b>	<b>1,071,656</b>	<b>385,094</b>	<b>36,888</b>	<b>1,175,969</b>	<b>1,597,951</b>	<b>(38,155)</b>	<b>(5,898)</b>	<b>(34,798)</b>	<b>(78,851)</b>	<b>317,511</b>	<b>3,380,636</b>
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	43,628	-	(43,628)	-	-	-	-	-	-	-
Special reserve	-	-	-	7,164	(7,164)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(377,895)	(377,895)	-	-	-	-	-	(377,895)
	<u>472,369</u>	<u>1,071,656</u>	<u>428,722</u>	<u>44,052</u>	<u>747,282</u>	<u>1,220,056</u>	<u>(38,155)</u>	<u>(5,898)</u>	<u>(34,798)</u>	<u>(78,851)</u>	<u>317,511</u>	<u>3,002,741</u>
Changes in ownership interest in subsidiaries	-	304,711	-	-	-	-	-	-	-	-	-	304,711
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	41,716	-	-	-	-	-	-	-	-	-	41,716
Share-based payment	(840)	(5,985)	-	-	-	-	-	-	24,710	24,710	-	17,885
	<u>471,529</u>	<u>1,412,098</u>	<u>428,722</u>	<u>44,052</u>	<u>747,282</u>	<u>1,220,056</u>	<u>(38,155)</u>	<u>(5,898)</u>	<u>(10,088)</u>	<u>(54,141)</u>	<u>317,511</u>	<u>3,367,053</u>
Profit for the year ended December 31, 2016	-	-	-	-	842,154	842,154	-	-	-	-	139,986	982,140
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(4,895)	(4,895)	(14,444)	1,936	-	(12,508)	(2,140)	(19,543)
Total comprehensive income	-	-	-	-	837,259	837,259	(14,444)	1,936	-	(12,508)	137,846	962,597
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	334,871	334,871
<b>Balance at December 31, 2017</b>	<b>\$ 471,529</b>	<b>1,412,098</b>	<b>428,722</b>	<b>44,052</b>	<b>1,584,541</b>	<b>2,057,315</b>	<b>(52,599)</b>	<b>(3,962)</b>	<b>(10,088)</b>	<b>(66,649)</b>	<b>790,228</b>	<b>4,664,521</b>

See accompanying notes to consolidated financial statements.



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**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 1,291,553	595,654
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense (including investment property)	22,435	21,595
Amortization expense	6,162	6,837
Provision for (reversal of) bad debt expense	(3,630)	109,767
Compensation cost arising from employee stock options	17,885	35,637
Loss (gain) on disposal of investments	(1,975)	15,269
Share of loss of associates accounted for using equity method	8	234
Others	(3,208)	3,695
<b>Total adjustments to reconcile profit</b>	<u>37,677</u>	<u>193,034</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	(60,082)	149,926
Increase in accounts receivable	(50,482)	(37,181)
Decrease (increase) in construction contracts receivable	(639,155)	515,864
Increase in inventories	(461,878)	(52,117)
Increase in other current assets	(52,118)	(232,406)
	<u>(1,263,715)</u>	<u>344,086</u>
Changes in operating liabilities:		
Decrease in notes payable	(15,560)	(33,192)
Increase (decrease) in accounts payable	543,356	(262,518)
Increase (decrease) in construction contracts payable	(263,741)	488,110
Increase in provisions	100,228	52,474
Increase in advance sales receipts	650,904	80,336
Increase in other current liabilities	136,465	3,403
	<u>1,151,652</u>	<u>328,613</u>
Total adjustments	<u>(74,386)</u>	<u>865,733</u>
Cash inflow generated from operations	1,217,167	1,461,387
Interest received	17,196	9,476
Interest paid	(6,854)	(3,453)
Income taxes paid	(157,110)	(165,644)
<b>Net cash flows from operating activities</b>	<u>1,070,399</u>	<u>1,301,766</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of available-for-sale financial assets	(234,000)	(156,174)
Proceeds from disposal of available-for-sale financial assets	238,023	172,405
Acquisition of property, plant and equipment	(49,704)	(28,468)
Proceeds from disposal of property, plant and equipment	390	3,362
Acquisition of investment property	-	(116,729)
Decrease (increase) in other non-current assets	(15,706)	13,621
<b>Net cash flows used in investing activities</b>	<u>(60,997)</u>	<u>(111,983)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	598,018	242,537
Decrease in short-term borrowings	(433,833)	(232,714)
Cash dividends paid	(377,895)	(284,015)
Change in non-controlling interests	607,318	242,074
<b>Net cash flows from (used in) financing activities</b>	<u>393,608</u>	<u>(32,118)</u>
Effect of exchange rate changes on cash and cash equivalents	(29,598)	(99,410)
Net increase in cash and cash equivalents	1,373,412	1,058,255
Cash and cash equivalents at beginning of period	2,553,478	1,495,223
Cash and cash equivalents at end of period	<u>\$ 3,926,890</u>	<u>2,553,478</u>

See accompanying notes to consolidated financial statements.

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

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

ACTER CO., LTD. (the "Company") was incorporated on February 19, 1979, under the approval of the Ministry of Economic Affairs, R.O.C. The Company's registered office address is located at 19F-1, No.201, Sec.2, Wenxin Road, Xitun District., Taichung City 40758, Taiwan (R.O.C.). The consolidated financial statements of the Company as of and for the year ended December 31, 2017 comprised the Company and its subsidiaries (together referred to as the "Group"). The Company is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. The principal operating activities of the rest of the Group entities are described in Notes 4 (3). Acter's common shares were publicly listed on the Taipei Exchange ("TPEX") on November 10, 2010.

**(2) Approval date and procedures of the consolidated financial statements:**

The consolidated financial statements for the years ended December 31, 2017 and 2016 was assented to the audit committee over half of all members and authorized for issuance by the Board of Directors on February 23, 2018.

**(3) New standards, amendments and interpretations adopted:**

- (a) Impact of adopting the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC").

The Group has prepared its consolidated financial statements in conformity with the new standards, interpretations and amendments of IFRSs which have been endorsed by the FSC and are effective for annual period beginning on or after January 1, 2017 as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 36 "Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 "Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(b) Impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. In addition, based on the announcement issued by the FSC on December 12, 2017, the Group can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation":

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 "Clarifications and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had equity investments classified as available-for-sale with a fair value of 202,510 thousand that are held for long-term strategic purposes. At initial application of IFRS 9, the Group had designated available for sale amounted 4,050 thousand which were stock investment as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group also had designated available for sale amounted 198,460 thousand which were open end funds as measured at FVPL. All fair value gains and losses would be recognized in profit or loss. The Group believes that the adoption would not have any material impact on its profit and loss.

(2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI (except for investments in equity instruments) and to contract assets.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that the adoption of the IFRS 9 would not have any material impact on its consolidated financial statement.

(3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

(4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and other equity as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

(1) Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

Based on its assessment, the Group does not expect the application of IFRS 15 to have a significant impact on its consolidated financial statements.

(2) Sales of goods

For the sale of equipment, based on the acceptance terms in the contracts, the Group recognize revenue when the equipment are delivered to customers' site, installation is completed and accepted by customer and related risks and rewards of ownership have been transfer to customers. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. For some made-to-order paper product contracts, the customer controls all of the work in progress as the products are being manufactured. When this is the case, revenue will be recognized as the equipment are being manufactured. This will result in revenue, and some associated costs, for these contracts being recognized earlier than at present – i.e. before the equipment are delivered, installed and accepted completely by the customers.

(3) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Group plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application ( i.e. 1 January 2018) will not be restated.

The Group estimates the adoption of IFRS 15, resulting in the increase of 105,128 thousand, 283,457 thousand, 104,200 thousand, in contract assets, contract liabilities and

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

retained earnings, respectively; and a decrease of 1,395,932 thousand, 13,791 thousand, 1,692,252 thousand in inventories, deferred tax assets and advance sales receipts, respectively, on January 1, 2018. Due to the uncertainty of ROC income tax filing method, the related income tax effects of above cumulated effects would not be reasonably estimated; therefore the cumulated effect would not be considered.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group estimated the application of the amendments would not have a significant impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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Those which may be relevant to The Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

**(4) Summary of significant accounting policies:**

The accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on the historical cost basis:

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

2. Functional and presentation currency

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

(c) Basis of consolidation

1. Principle of preparation of the consolidated financial statements

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

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

2. List of subsidiaries in the consolidated financial statements

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>	
			<u>December 31, 2017</u>	<u>December 31, 2016</u>
(1)The Company	Nova Technology Corp. (Nova Tech) (Note 1)	Wholesale of electronic and chemical equipment	62.19	73.06
	HerSuo Engineering Co., Ltd. (HerSuo)	Construction and set-up of freezing equipment	100	100
	Enrich Tech Co., Ltd. (Enrich Tech)	Comprehensive construction company	60	60
	Sheng Huei International Co., Ltd. (Sheng Huei International)	Investment holding company	100	100
	Nova Technology Singapore Pte., Ltd.(NTS)	Investment holding company	100	100

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<b>Shareholding</b>	
			<b>December 31, 2017</b>	<b>December 31, 2016</b>
(2)Nova Tech	Winmax Technology Corp. (Winmax)	Design and manufacture of air containers and liquid containers	100	100
	Winmega Technology Corp. (Winmega)	Wholesale of electronic and chemical engineering equipments	100	100
	Suzhou Winmax Technology Corp. (Suzhou Winmax)	Design and manufacture of air containers and liquid containers	100	100
	Novatech Engineering & Construction Pte., Ltd.(NTEC)	Chemical supply system business	100	100
(3)Sheng Huei International	Sheng Huei (Suzhou) Engineering Co., Ltd. (Sheng Huei Suzhou)	Construction and set-up of electronic equipment and air conditioners	100	100
	Acter International Ltd.(Acter International)	Investment holding company and trading of clean rooms and air conditioners	100	100
	New Point Group Ltd.(New Point)	Investment holding company and trading of clean rooms and air conditioners	100	100
	Sheng Huei Engineering Technology Co., Ltd. (Sheng Huei Engineering)	Set-up of electronic protection systems and central air conditioners	100	100
(4)NTS	Nova Technology Malaysia Sdn. Bhd. (NTM)	Investment holding company	100	100
	PT. Novamex Indonesia. (NMI) (Note 2)	Huge machinery and other goods trading	100	100
	Acter Engineering Co., Ltd. (Acter Engineering) (Note 3)	Constructin and setup of electronic equipment and air conditioners	100	100
(5)Sheng Huei (Suzhou)	Shenzhen Ding –Mao Trade Co., Ltd. (Shenzhen Ding –Mao)	Electronic equipment and machinery trading	100	100
	SCEC (Suzhou) Corporation (SCEC Suzhou) (Note 4)	Construction and set-up of electronic equipment and air conditioners	-	57.81
	SCEC (Shanghai) Corporation (SCEC Shanghai) (Note 4)	Wholesale, import and export of equipment and commission agent	-	57.81
(6)Acter International	Sheng Huei (Shenzhen) Engineering Co., Ltd. (Sheng Huei Shenzhen)	Construction and set-up of electronic equipment and air conditioners	100	100

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>	
			<u>December 31, 2017</u>	<u>December 31, 2016</u>
(7)New Point	ZShangjiagang Free Trade Zone Fuyu Internation Trade Co., Ltd. (Fuyu)	Agent for electronic equipment importing and exporting	100	100

Note 1: The Company sold 2.3% of shares of Nova Tech in June, 2016, bought 9.7% of shares of Nova Tech from Solar Applied Materials Technology Corporation in July, 2016, sold 11.26% of shares of Nova Tech to the Company's shareholders in September, 2016 and sold 2.03% of shares of Nova Tech in December, 2016. Nova Tech has increased capital in November, 2016 and the Company did not participate in this investment, therefore, the shareholding ratio decreased by 8.46%, making the shareholding of Nova tech decrease from 87.41% to 73.06%. The Company sold 1.85% shares of Nova Tech in December, 2017 and the Company did not participate in Nova tech's insurance of common stock for cash in December 2017. Therefore, the shareholding of Nova tech decreased from 73.06% to 62.19%.

Note 2: The ownership consists of 99% from NTS and 1% from NTM.

Note 3: The ownership consists of 99% from NTS and 1% from SHI.

Note 4: SCEC Suzhou and SCEC Shang Hai had been liquidated in 2017.

(iii) Subsidiaries excluded from the consolidated financial statement: None.

(d) Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, the amortized cost in foreign currency translated at the exchange rate at the end of the period, adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following relating to the following, accounts which are recognized in other comprehensive income:

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

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- Qualifying cash flow relating to the following, hedges to the extent the hedge is effective.

2. Foreign operations

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

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

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

(e) Classification of current and non-current assets and liabilities

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

1. An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.
  - (1) It expects to be realized, or intended to be sold or consumed, in the normal operating cycle;
  - (2) It is held primarily for the purpose of trading;
  - (3) It is expected to be realized within twelve months after the reporting period; or
  - (4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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An entity shall classify a liability as current when:

- (1) It is expected to be settled in the normal operating cycle;
- (2) It is held primarily for the purpose of trading;
- (3) It is due to be settled within twelve months after the reporting period ; or
- (4) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprise cash balances, call deposits, and checking deposits. Cash equivalents are assets that are readily convertible into cash, and are subject to an insignificant risk of changes in their fair value. Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose, readily convertible to a known amount of cash and have an insignificant risk of change in value.

(g) Financial instruments

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

1. Financial assets

Financial assets are classified into the following categories: loans and receivables and available-for-sale financial assets.

( i ) Available-for-sale financial assets

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

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

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in comprehensive income items.

( ii ) Receivables

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

Interest income is recognized in profit or loss, and it is included in non-operating income and expense.

( iii ) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

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

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

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

The carrying amount of a financial asset is reduced for an impairment loss, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written

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off against the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

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

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

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

( iv ) Derecognition of financial assets

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

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

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

2. Financial liabilities and equity instruments

( i ) Classification of debt or equity

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

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

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

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

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

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

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

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

On conversion, financial liability is reclassified to equity, and no gain or loss is recognized.

( ii ) Other financial liabilities

Financial liabilities not classified as held for trading, or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in operating cost.

( iii ) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expenses.

( iv ) Offsetting of financial assets and liabilities

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

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(h) Inventories

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

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

(i) Construction Contracts

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

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

Contract costs that are not probable of being recovered are recognized as an expense immediately. Examples of circumstances in which the recoverability of contract costs incurred may not be probable and in which contract costs may need to be recognized as an expense immediately include:

- (1) that are not fully enforceable, meaning their validity is seriously in question;
- (2) the completion of which is subject to the outcome of pending litigation or legislation;
- (3) relating to properties that are likely to be condemned or expropriated;
- (4) when the customer is unable to meet its obligations; or
- (5) when the contractor is unable to complete the contract or otherwise meet its obligations under the contract.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence

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ceases. When changes in an associate's equity is caused by non-profit-or loss or other comprehensive income transactions, with no impact on the Group's shareholding ratio, the Group recognizes the changes in ownership interests of the associate attributable to the Group as capital surplus in proportion to its ownership associate.

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

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

(k) Investment property

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as on the difference between the net disposal proceeds, if any, and the carrying

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amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

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

(iii) Depreciation

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

Leased assets are depreciated by the straight-line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

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

- (1) Buildings: 5~50 years
- (2) Other facilities: 3~9 years
- (3) The significant portion of plant and building consists of its main building and miscellaneous parts, which are estimated over their useful life within 5~50 years.
- (4) The significant portion of other facilities consists of transportation vehicles and others, which are estimated over their useful life within 3~9 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectation differs from the previous estimate, the changes are accounted for as changes in accounting estimates.

(m) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee

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to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Other leases are operating leases and are not recognized in the Group's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

(n) Intangible assets

(i) Other Intangible Assets

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

(ii) Subsequent Expenditure

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

(iii) Amortization

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of intangible assets from the date of available-for-use. The estimated useful lives of computer software is three years.

The residual value, amortization period, and the amortization method for an intangible asset shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimate.

(o) Impairment of non financial assets

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

The recoverable amount for individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such is deemed as an

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impairment loss, which is recognized immediately in profit or loss.

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

(p) Provisions

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

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

(q) Revenue

(i) Construction contracts

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

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

(ii) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, and the associated costs and possible return of goods can be estimated reliably.

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(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined contribution plans

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

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

If the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income into retained earnings or other equity. Once the amounts are reclassified into other equity, they shall not be reclassified into profit or loss or recognized in retained earnings in a subsequent period. Remeasurements of the defined benefit plans are recognized in retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and the change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

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

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

(s) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(t) Income Taxes

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

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

Deferred tax is measured on the tax rate<sup>4</sup> for the period of expected asset realization or settlement of liabilities, with legal tax rate or substantial legislative tax rate on reporting date as a basis.

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

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

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

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

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

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

- (u) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding.

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee bonuses and employee stock bonuses or rewards that have not yet been authorized by the stockholders' meeting.

Incremental shares from issuance of shares from earning or capital surplus are calculated through retroactive adjustment.

- (v) Operating segments

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

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

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

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The Management continues to monitor the accounting assumptions and estimates. The Management recognized any changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Revenue recognition

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts. Refer to note 6 (d) for further description of the for revenue recognition.

(b) Impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is considered each clients' credit record, financial position and aging of account receivables and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to note 6 (3) for further description of the impairment of trade receivable.

(c) Recognition and measurement of provisions

Provision for warranty is estimated when construction revenue is recognized. The estimate has been made based on the provision conditions of contracts and the historical records of warranty. There could be a significant adjust on provision for warranty for any change in the basis of the estimate. Refer to note 6 (k) for further description of the recognition and measurement of provisions.

If the Group judges the contract cost that are not probable of being recovered, it will be recognized as expense immediately. If the construction lawsuit which is still in trial, the possibility of recovering the cost depends on the outcome of the pending litigation. The construction loss and construction loss provision are estimated based on the pending litigation which are likely to have unfavorable outcome and the loss amount can be reasonably estimated. Due to the outcome of the lawsuit is still highly uncertain, there might be a significant difference between the court decision or actual compensation and the estimation. Please refer to Note 9. Commitments and contingencies (VI).

When measuring the assets and liabilities, the Group uses observable inputs in the market at its best. The hierarchy of fair value is classified based on the input used by the valuation techniques as follows:

- Level 1: Public quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Petty cash and cash on hand	\$ 1,118	1,396
Checking and demand deposits	2,249,161	1,626,616
Time deposits	1,139,760	496,046
Cash equivalent - repurchased commercial paper	536,851	429,420
	<b>\$ 3,926,890</b>	<b>2,553,478</b>

The above-mentioned repurchased commercial paper rate as of December 31, 2017 and 2016 was 0.38%~0.43% and 0.32%~0.55%, respectively, and it matures from January 4 to January 29, 2018 and from January 4 to February 3, 2017, respectively.

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

(b) Investment in financial assets

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Current:		
Available-for-sale financial assets		
Beneficiary securities - open-end funds	\$ 198,460	202,046
Non-current:		
Available-for-sale financial assets		
Holy Stone Healthcare Co., Ltd.	4,050	3,960
Financial assets carried at cost		
Taichung International Entertainment Co., Ltd.		
(under other noncurrent assets)	45	45
Total	<b>\$ 202,555</b>	<b>206,051</b>

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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- (i) In February, 2016, The Group has disposed all shares of Xantia Corporation Co., Ltd. at \$1,714 and derecognized \$14,363 unrealized losses on available-for-sale financial assets which were originally recognized in other comprehensive income. Losses on disposal of investment is \$17,932 and the related consideration has been collected before March 31, 2016. Please refer to note 6 (q) for the gain (losses) on disposal of investments.
- (ii) The aforesaid financial assets were not pledged.
- (iii) The aforementioned investments held by the Group are measured at cost less impairment losses on the reporting date. The fair values of these investments cannot be measured reliably because the range of reasonable fair value estimates is wide and the probabilities for each estimate cannot be reasonably determined.
- (iv) The risk of credit, currency and interest related to the financial instruments was disclosed in note 6 (u).

If the stock price changes at the reporting date, the changes in other comprehensive income of the Group are as follows: (The analysis was made on the same basis for both periods, assuming that all other variables remain constant):

	2017		2016	
	Other Comprehensive income (net of tax)	Net Income (net of tax)	Other Comprehensive income (net of tax)	Net Income (net of tax)
<b>Stock Price</b>				
Increase by 3%	\$ <u>6,075</u>	<u>-</u>	\$ <u>6,180</u>	<u>-</u>
Decrease by 3%	\$ <u>6,075</u>	<u>-</u>	\$ <u>6,180</u>	<u>-</u>

- (c) The net of notes and accounts receivable and other receivables

	December 31, 2017	December 31, 2016
From operating activities:		
Notes receivable	\$ 156,038	95,956
Accounts receivable	2,625,114	2,605,527
Less: Allowance for impairment	(215,449)	(254,547)
	2,565,703	2,446,936
Other receivables	124,321	51,355
Less: Allowance for impairment	(13,759)	(21,273)
Total	\$ <u>2,676,265</u>	<u>2,477,018</u>

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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The aging analysis of notes receivable, accounts receivable and other receivables which were past due but not impaired were as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Past due 1-120 days	\$ 98,505	245,178
Past due 121-180 days	2,838	39,881
Past due 181-360 days	11,516	120,012
Past due 361-540 days	<u>3,634</u>	<u>4,385</u>
	<u>\$ 116,493</u>	<u>409,456</u>

- (i) Accounts receivable includes retained construction receivable, which amounted to \$33,296, and \$87,706 as of December 31, 2017 and 2016, respectively.
- (ii) The Group does not obtain collateral for the above collectibles, and the notes and accounts receivable are not pledged.
- (iii) Impairment loss is the difference between the carrying amount and the amount expected to be collected. The movement in the allowance for impairment with respect to notes and accounts receivable and other receivables for the year ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 275,820	183,920
Impairment loss recognized	(3,630)	109,767
Amounts written off	(38,224)	-
Effect of exchange rate changes	<u>(4,758)</u>	<u>(17,867)</u>
Balance, December 31	<u>\$ 229,208</u>	<u>275,820</u>

- (d) Construction contracts
- (i) Construction revenue and loss

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

	<u>2017</u>	<u>2016</u>
Construction revenue recognized in the periods	<u>\$ 9,206,324</u>	<u>6,786,540</u>

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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(ii) Construction-in-progress

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Accumulated construction costs incurred (including contract costs that relate to future activity )	\$ 10,323,332	9,026,757
Add: Accumulated construction profit and losses	<u>857,760</u>	<u>327,635</u>
	11,181,092	9,354,392
Less: Progress billings	(10,402,258)	(9,478,454)
Net receivables (payables) of construction contracts	<u>\$ 778,834</u>	<u>(124,062)</u>
Construction contracts receivable presented as an asset	\$ 1,543,171	904,016
Construction contracts payable presented as a liability	<u>(764,337)</u>	<u>(1,028,078)</u>
	<u>\$ 778,834</u>	<u>(124,062)</u>
Advance received before construction begins	<u>\$ 9,215</u>	<u>6,057</u>

(e) Inventories

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Finished goods and merchandise	\$ 22,327	398,579
Work in process and semi-finished goods	1,475,964	726,967
Raw materials	<u>169,354</u>	<u>80,221</u>
	1,667,645	1,205,767
Less: provision for inventory devaluation	<u>(14,086)</u>	<u>(11,770)</u>
	<u>\$ 1,653,559</u>	<u>1,193,997</u>

For the years ended December 31, 2017 and 2016, the Group wrote down an operating cost of \$2,316 and \$8,761, respectively, from the write-down of inventory cost to net realizable value.

The inventories are not pledged for the year ended December 31, 2017 and 2016.

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(f) Investment in equity-accounted investees

(i) Associates

The relevant information of the Group's equity-accounted investees is as follows:

<u>Associates</u>	<u>Relationship with the Company</u>	<u>Main Business Location /Registered country</u>	<u>Percentage of ownership and voting share</u>	
			<u>December 31, 2017</u>	<u>December 31, 2016</u>
Global	Service for project management	Hong Kong	40%	40%
OneSource Life Sciences	and consulting of techniques and design for pharmacy and medication, which is the Group's investment			
Company Ltd.				

The Group's equity-accounted investment in all individually immaterial associates and the Group's share of the operating results are summarized below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
The carrying amount of the Group's interests in all individually immaterial associates	<u>\$ 1,990</u>	<u>2,192</u>
	<u>2017</u>	<u>2016</u>
Profit attributable to the Group:		
Loss from continuing operation	<u>\$ (8)</u>	<u>(234)</u>
Comprehensive income	<u>\$ (8)</u>	<u>(234)</u>

(ii) Associates invested by the Company do not have quoted price. The investment accounted for using equity method was not pledged.

(g) Changes in a parent's ownership interest in a subsidiary

(i) Disposal of part of equity ownership of subsidiaries without losing control

The company sold 1.85% of shares of Nova Tech in December, 2017.

The Company sold 2.3% of shares of Nova Tech in June, 2016 and sold 2.03% of shares of Nova Tech in December, 2016.

The company sold 11.26% of shares of Nova Tech to the company's shareholders in September, 2016 and bought 9.7% of shares of Nova Tech in July, 2016.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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The effects of the changes in shareholdings were as follows:

	<b>2017</b>	<b>2016</b>
Book value of the shares disposed	\$ (32,264)	(141,861)
Carrying amount of non-controlling interest on acquisition	-	78,593
Consideration transferred from the non-controlling interest	73,980	181,052
Consideration paid to non-controlling interests	-	(87,402)
<b>Capital surplus differences between consideration and carrying amounts subsidiaries acquired</b>	<b>\$ 41,716</b>	<b>30,382</b>

- (ii) The company not participated in subsidiaries' common stock issuance by proportion but without losing the control of the subsidiaries.

The Group's subsidiary, Nova Tech, had issued common stock for cash in December, 2017 and November, 2016. The company did not participate in this investment by proportion, therefore, the shareholding decreased by 9.02% and 8.46%. Carrying amount of the investment had been increased 304,711 and 19,419, respectively, which had been adjusted to capital surplus changes in ownership interest in subsidiaries.

- (h) Significant subsidiaries of non-controlling interest

Non-controlling interests of subsidiaries of the Group that are significant to the Group are as follows:

<b>Subsidiaries</b>	<b>Main Business Location/Registered Country</b>	<b>Percentage of non-controlling ownership</b>	
		<b>December 31, 2017</b>	<b>December 31, 2016</b>
Nova Tech	R.O.C.	37.81%	26.94%
Enrich Tech	R.O.C.	40%	40%
SCEC Shanghai	China	(Note 1)	42.19%
SCEC Suzhou	China	(Note 1)	42.19%

Note 1: SCEC Shanghai and SCEC Suzhou had been liquidated in 2017.

The following information of the aforementioned subsidiaries has been prepared in accordance with IFRS endorsed by the FSC. Included in these information are adjustment made about the fair value and relevant difference in accounting principles between the Company and its subsidiary as at acquisition date. Intra-group transactions were not eliminated in this information.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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(i) Information regarding of Nova Tech:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Current assets	\$ 2,149,828	1,494,559
Non-current assets	1,021,468	740,861
Current liabilities	(1,043,772)	(1,089,135)
Non-current Liabilities	(129,888)	(80,667)
Net assets	<u><u>\$ 1,997,636</u></u>	<u><u>1,065,618</u></u>
Non-controlling interest	<u><u>\$ 755,402</u></u>	<u><u>287,079</u></u>
	<b>2017</b>	<b>2016</b>
Operating revenue	<u><u>\$ 1,446,807</u></u>	<u><u>1,284,689</u></u>
Net income for the period	\$ 447,475	264,391
Other comprehensive income	(7,940)	(47,674)
Comprehensive income	<u><u>\$ 439,535</u></u>	<u><u>216,717</u></u>
Net income attributable to non-controlling interest	<u><u>\$ 120,550</u></u>	<u><u>28,077</u></u>
Comprehensive income attributable to non-controlling interest	<u><u>\$ 118,410</u></u>	<u><u>22,947</u></u>
Cash flows from operating activities	\$ 188,502	258,468
Cash flows from investing activities	13,333	29,721
Cash flows from financing activities	480,498	40,240
Net increase in cash and cash equivalents	<u><u>\$ 682,333</u></u>	<u><u>328,429</u></u>

(ii) Information regarding of Enrich Tech:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Current assets	\$ 193,670	116,881
Non-current assets	2,630	755
Current liabilities	(109,236)	(79,505)
Net assets	<u><u>\$ 87,064</u></u>	<u><u>38,131</u></u>
Non-controlling interest	<u><u>\$ 34,826</u></u>	<u><u>15,252</u></u>

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	<u>2017</u>	<u>2016</u>
Operating revenue	\$ <u>540,406</u>	<u>54,291</u>
Net income (loss) for the period	\$ 48,933	(15,972)
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Comprehensive income	\$ <u>48,933</u>	<u>(15,972)</u>
Net income attributable to non-controlling interest	\$ <u>19,574</u>	<u>(6,389)</u>
Comprehensive income attributable to non-controlling interest	\$ <u>19,574</u>	<u>(6,389)</u>
Cash flows from operating activities	\$ 5,188	4,700
Cash flows from investing activities	(3,231)	(66)
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase in Cash and cash equivalents	\$ <u>1,957</u>	<u>4,634</u>

(iii) Information regarding of SCEC Shanghai (Note 1):

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets	\$ -	24,869
Non-current assets	-	-
Current liabilities	<u>-</u>	<u>(1,051)</u>
Net assets	\$ <u>-</u>	<u>23,818</u>
Non-controlling interest	\$ <u>-</u>	<u>10,049</u>
	<u>2017</u>	<u>2016</u>
Operating revenue	\$ <u>-</u>	<u>6,138</u>
Net income for the period	\$ 99	(3,733)
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	\$ <u>99</u>	<u>(3,733)</u>
Net income attributable to non-controlling interest	\$ <u>42</u>	<u>(1,575)</u>
Comprehensive income attributable to non-controlling interest	\$ <u>42</u>	<u>(1,575)</u>

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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	<u>2017</u>	<u>2016</u>
Cash flows from operating activities	\$ -	1,502
Cash flows from investing activities	-	115
Cash flows from financing activities	-	67
Effect of exchange rate changes	-	(395)
Net increase (decrease) in cash and cash equivalents	<u>\$ -</u>	<u>1,289</u>

(iv) Information regarding of SCEC Suzhou (Note 1):

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets	\$ -	12,666
Non-current assets	-	-
Current liabilities	-	(504)
Net assets	<u>\$ -</u>	<u>12,162</u>
Non-controlling interest	<u>\$ -</u>	<u>5,131</u>

	<u>2017</u>	<u>2016</u>
Operating revenue	<u>\$ -</u>	<u>5,101</u>
Net income for the period	(426)	(5,990)
Other comprehensive income (loss)	-	-
Comprehensive income	<u>\$ (426)</u>	<u>(5,990)</u>
Net income attributable to non-controlling interest	<u>\$ (180)</u>	<u>(2,527)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ (180)</u>	<u>(2,527)</u>

Cash flows from operating activities	\$ -	3,961
Cash flows from investing activities	-	6
Cash flows from financing activities	-	-
Effect of exchange rate changes	-	(1,034)
Net increase (decrease) in cash and cash equivalents	<u>\$ -</u>	<u>2,933</u>

Note 1: SCEC Shanghai and SCEC Suzhou had been liquidated in 2017.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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(i) Property, plant and equipment

	<u>Land</u>	<u>Building and construction</u>	<u>Other facilities</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<b>Cost:</b>					
Balance on January 1, 2017	\$ 183,187	176,974	108,204	4,393	472,758
Additions	-	-	22,820	26,884	49,704
Disposals	-	-	(7,081)	-	(7,081)
Reclassification	-	31,145	-	(31,145)	-
Effect of movements in exchange rates	-	(496)	(951)	(132)	(1,579)
Balance on December 31, 2017	<u>\$ 183,187</u>	<u>207,623</u>	<u>122,992</u>	<u>-</u>	<u>513,802</u>
Balance on January 1, 2016	\$ 183,187	184,555	110,331	1,420	479,493
Additions	-	-	25,795	3,098	28,893
Disposals	-	-	(21,362)	-	(21,362)
Effect of movements in exchange rates	-	(7,581)	(6,560)	(125)	(14,266)
Balance on December 31, 2016	<u>\$ 183,187</u>	<u>176,974</u>	<u>108,204</u>	<u>4,393</u>	<u>472,758</u>
<b>Depreciation:</b>					
Balance on January 1, 2017	\$ -	34,194	64,034	-	98,228
Depreciation	-	6,354	13,594	-	19,948
Disposals	-	-	(5,611)	-	(5,611)
Reclassifications	-	-	-	-	-
Effect of movements in exchange rates	-	(180)	(554)	-	(734)
Balance on December 31, 2017	<u>\$ -</u>	<u>40,368</u>	<u>71,463</u>	<u>-</u>	<u>111,831</u>
Balance on January 1, 2016	\$ -	29,077	70,062	-	99,139
Depreciation	-	6,705	14,380	-	21,085
Disposals	-	-	(15,392)	-	(15,392)
Reclassifications	-	-	(173)	-	(173)
Effect of movements in exchange rates	-	(1,588)	(4,843)	-	(6,431)
Balance on December 31, 2016	<u>\$ -</u>	<u>34,194</u>	<u>64,034</u>	<u>-</u>	<u>98,228</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2017	<u>\$ 183,187</u>	<u>167,255</u>	<u>51,529</u>	<u>-</u>	<u>401,971</u>
Balance on January 1, 2016	<u>\$ 183,187</u>	<u>155,478</u>	<u>40,269</u>	<u>1,420</u>	<u>380,354</u>
Balance on December 31, 2016	<u>\$ 183,187</u>	<u>142,780</u>	<u>44,170</u>	<u>4,393</u>	<u>374,530</u>

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

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(j) Investment Property

	<u>Land and improvement</u>	<u>Building and construction</u>	<u>Facilities</u>	<u>Total</u>
<b>Cost:</b>				
Balance on December 31, 2017 (Balance on January 1, 2017)	\$ <u>139,922</u>	<u>111,777</u>	<u>86</u>	<u>251,785</u>
Balance on January 1, 2016	\$ 20,937	12,561	86	33,584
Additions	<u>118,985</u>	<u>99,216</u>	<u>-</u>	<u>99,216</u>
Balance on December 31, 2016	\$ <u>139,922</u>	<u>111,777</u>	<u>86</u>	<u>251,785</u>
<b>Depreciation:</b>				
Balance on January 1, 2017	\$ -	3,486	71	3,557
Depreciation	<u>-</u>	<u>2,487</u>	<u>-</u>	<u>2,487</u>
Balance on December 31, 2017	\$ <u>-</u>	<u>5,973</u>	<u>71</u>	<u>6,044</u>
Balance on 1 January 2016	\$ -	2,976	71	3,047
Depreciation	<u>-</u>	<u>510</u>	<u>-</u>	<u>510</u>
Balance on December 31, 2016	\$ <u>-</u>	<u>3,486</u>	<u>71</u>	<u>3,557</u>
<b>Carrying amounts:</b>				
Balance on December 31, 2017	\$ <u>139,922</u>	<u>105,804</u>	<u>15</u>	<u>245,741</u>
Balance on January, 2016	\$ <u>20,937</u>	<u>9,585</u>	<u>15</u>	<u>30,537</u>
Balance on December 31, 2016	\$ <u>139,922</u>	<u>108,291</u>	<u>15</u>	<u>248,228</u>
<b>Fair value:</b>				
Balance on December 31, 2017				\$ <u>278,263</u>
Balance on December 31, 2016				\$ <u>264,458</u>

The board of directors of Acter resolved in July 12, 2016 to acquire the building on Beitou District, Taipei and West District, Taichung, for non-operating purpose and recognized as investment property.

The board of directors of Acter resolved in November 2006 to purchase the building on Chiang Kai-shek Road, Taichung, for self-use or lease purposes, and the lease began in 2007. As of December 31, 2017, the future receivable for the Group was as follows:

<u>Term</u>	<u>Amount</u>
2018.1.1~2019.5.19	\$ <u>900</u>

- (i) The original recognition of investment property is measured at cost, and the subsequent measurement is also accounted for under cost model.
- (ii) The depreciation is calculated by its depreciable amount after the original recognition of investment property, and market value is used as the fair value to asset its impairment.
- (iii) The investment property is not pledged.

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(k) Provisions

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

	<u>2017</u>	<u>2016</u>
Balance on January 1	\$ 235,573	192,982
Provisions made during the period	303,095	129,355
Provisions used during the period	(202,867)	(76,881)
Effect of movements in exchange rates	<u>(206)</u>	<u>(9,883)</u>
Balance on December 31	<u>\$ 335,595</u>	<u>235,573</u>

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

(l) Short-term loans

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unsecured bank loans	\$ 344,806	193,680
Secured bank loans	-	-
	<u>\$ 344,806</u>	<u>193,680</u>
Unused facilities	<u>\$ 5,037,194</u>	<u>2,238,288</u>
Interest Rate	<u>2.5%~4.785%</u>	<u>1.8%~2.5%</u>

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

(m) Advance sales receipts

<u>Projects</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
W3-XXC071X	\$ 349,982	-
W3-XXCX6XX	339,719	-
N3XX16C20X	240,560	-
W3-XXC001X	-	174,261
WS-XXC001X	93,977	-
W3-XXC002X	-	111,581
N3XXC123	-	62,000
W3-XXCXX0X	94,889	-
W3-XXC06XX	86,387	-
W3-XXC08X	-	77,447
W3-XXC053X	-	75,946
W3-XXC121X	-	64,827
W3-XXC092X	-	54,626
Other (Net less than 5%)	500,736	434,658
	<u>\$ 1,706,250</u>	<u>1,055,346</u>

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(n) Employee benefits

(i) Defined benefit plans

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

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Present value of defined benefit obligation	\$ 66,578	59,466
Fair value of plan assets	<u>(21,120)</u>	<u>(19,066)</u>
Defined benefit obligations	<u>\$ 45,458</u>	<u>40,400</u>

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

(1) Composition of plan assets

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

The Group's labor pension reserve account balance in the Bank of Taiwan amounted to \$21,120 as of December 31, 2017. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Movement in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group were as follows:

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 59,466	51,909
Service cost and interest for the period	826	973
Remeasurement of the net defined benefit liability (asset)		
— Actuarial loss arising from changes in financial assumptions	1,675	-
— Actuarial loss arising from changes in financial assumptions	(2,653)	4,820
— Actuarial loss arising from changes in experience adjustments	<u>7,264</u>	<u>1,764</u>
Balance, December 31	<u>\$ 66,578</u>	<u>59,466</u>

(Continued)

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(3) Movement in fair value of defined benefit plan assets

The movement in fair value of defined benefit plan assets for the Group were as follows:

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 19,066	17,004
Contributions made	1,872	1,902
Interest revenue	278	337
Actuarial gain (loss)	<u>(96)</u>	<u>(177)</u>
Balance, December 31	<u>\$ 21,120</u>	<u>19,066</u>

(4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2017</u>	<u>2016</u>
Net interest cost of net defined benefit liability	<u>\$ 548</u>	<u>636</u>
Operating cost	\$ 130	154
Operating expense	<u>418</u>	<u>508</u>
	<u>\$ 548</u>	<u>662</u>

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

The actuarial gains and losses are recognized in other comprehensive income for the Group were as follows:

	<u>2017</u>	<u>2016</u>
The Company	\$ (4,895)	(5,326)
Non-controlling interests	<u>(1,487)</u>	<u>(717)</u>
Recognition for the period	<u>\$ (6,382)</u>	<u>(6,043)</u>

(6) Actuarial assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligation by the Group at the reporting date are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Discount rate	1.667 %	1.417 %
Future salary rate increases	3.00 %	3.00 %

The Group is expected to make a contribution payment of \$1,878 to the defined benefit plans for the one year period after the reporting date.

The weighted – average duration of the defined benefit plans is 18.91 years.

(Continued)

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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(7) Sensitivity analysis

	<b>The impact on defined benefit obligation</b>	
	<b>Increase 0.25%</b>	<b>Decrease 0.25%</b>
Discount rate	\$ (2,623)	2,746
Future salary increase (decrease)	2,667	(2,564)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

(ii) Defined contribution plans

The Company, HerSuo, Nova Tech and Enrich Tech contribute an amount at the rates of 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group's offshore subsidiaries contribute pension to local social insurance agency in accordance with the provisions of local act. The Group's contributions to the Bureau of the Labor Insurance or other local social insurance agency for the employees' pension benefits require no further additional payment of legal or constructive obligations.

For the years ended December 31, 2017 and 2016, the Group set aside \$22,058 and \$22,621, respectively, of the pension costs under the defined contribution method.

(o) Capital and other equity

(i) Issuance of common stock

The Company's shareholders' meeting on June 18, 2014 approved the issuance of restricted stock to employees, with a total shares amounting to 1,200,000, and issued by batch. The first batch amounting to 480,000 shares has been issued and its total value amounted to \$4,800 in December 2014, with a par value \$10, apporobated by the Financial Supervisory Commission, effective on January 12, 2015. The record date of issuance of restricted stock to employees resolved by the board of directors was January 26, 2015. The Company filed an issuance of restricted stock to employees on May 28, 2015 for 720,000 shares, with a total shares amounting to \$7,200 and a par value \$10. The effective date of this issuance is June 12, 2015. The record date of issuance of restricted stock to employees resolved by the board of directors was January 11, 2016.

On May 31, 2016, November 8, 2016 and May 11, 2017 The Company's board of directors approved to write off restricted stock to employees 28,000 shares 71,000 shares and 84,000 shares, respectively. The record date of capital reduction were June 8, 2016, November 15, 2016 and June 1, 2017, respectively. The company had finished the capital reduction registration.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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As of December 31, 2017 and 2016, the authorized common stock was \$720,000, while the issued common stock amounted to \$471,529 and \$472,369, respectively, with a par value of \$10 per share.

(ii) Capital surplus

The components of the capital surplus were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
From issuance of common stock	\$ 919,074	903,124
Difference between consideration and carrying amount of subsidiaries acquired or disposed	72,098	30,382
Changes in ownership interest in subsidiaries	371,206	66,495
From insurance of restricted stocks for employees	49,720	71,655
	<b>\$ 1,412,098</b>	<b>1,071,656</b>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

According to Acter's articles of incorporation, 10% of the annual earnings, after offsetting any accumulated deficit and payment of income taxes due, if any, shall be set aside as a legal reserve. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside and the remaining balance is partially reserved depending on the business environment, growth status, and long-term finance planning. After deducting the aforementioned partially reserve, the remaining balance, plus, any unappropriated earnings in previous years shall be used for distribution of stockholders' bonuses by the board of directors, depending on the capital status and economic development in the current year. Cash bonuses should not be less than 10% of the total stockholders' bonuses, and they will be recommended by the board of directors and resolved in the stockholders' meeting.

(1) Legal reserve

In accordance with the Company Act, 10 percent of net income should be set aside after offsetting accumulated deficits, if any, as legal reserve, until it is equal to issued common stock. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the legal reserve either by new shares or by cash of up to 25 percent of the paid-in capital.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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(2) Special reserve

In Accordance with Ruling No.1010012865 issued by the FSC on April 6, 2012, the difference between the total net reduction of other shareholders' equity and the carrying amount of special earnings reserve as stated above shall be reclassified as a special earnings reserve during earnings distribution. Other prior accumulated debit balance of stockholders equity was recognized as additional special reserve from prior undistributed earnings, and distributions were prohibited. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

According to the Letter No.1010051600 issued by the FSC on November 21, 2012, the "Unearned employee benefit" arising from issuing restricted stock to employees is unrealized gains and losses, therefore, it's no need to set aside special reserve.

As of December 31, 2017 and 2016, the Company's balance of special reserve were \$44,052 AND \$36,888.

(3) Earnings distribution

On May 26, 2017, and May 31, 2016, the meeting of stockholders of Acter approved the distribution plan of retained earnings proposed by the Board of Directors. The information about dividends per share for 2016 and 2015 is as follows:

	2017	2016
Dividends per share (In New Taiwan Dollars):		
Cash	\$ <b>8.00</b>	<b>6.00</b>

The above earnings distribution, which was charged to expense, had no difference from the resolution of Acter's board of directors and its accounting records.

(4) Other equity interest (net of tax)

	Foreign currency translation differences for foreign operations	Investment in available-for-sale financial assets	Other Equity-Unearned employee benefit	Total
Balance, January 1, 2017	\$ (38,155)	(5,898)	(34,798)	(78,851)
Foreign currency translation differences (net of tax):				
The Group	(14,444)	-	-	(14,444)
Unrealized gains(losses) on available-for-sale financial assets:				
The Group	-	1,936	-	1,936
Unearned employee benefit				
The Group	-	-	24,710	24,710
Balance, December 31, 2017	\$ <b>(52,599)</b>	<b>(3,962)</b>	<b>(10,088)</b>	<b>(66,649)</b>

(Continued)

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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	Foreign currency translation differences for foreign operations	Investment in available-for- sale financial assets	Other Equity- Unearned employee benefit	Total
Balance, January 1, 2016	\$ 58,573	(14,583)	(20,845)	23,145
Foreign currency translation differences (net of tax):				
The Group	(96,728)	-	-	(96,728)
Unrealized gains(losses) on available-for- sale financial assets:				
The Group	-	8,685	-	8,685
Unearned employee benefit				
The Group	-	-	(13,953)	(13,953)
Balance, December 31, 2016	<u>\$ (38,155)</u>	<u>(5,898)</u>	<u>(34,798)</u>	<u>(78,851)</u>

(p) Share-based payment

The Company's shareholders' meeting on June 18, 2014 approved the issuance of restricted stock to employees, with a total shares amounting to 1,200,000, and issued by batch. The first batch amounting to 480,000 shares has been issued and its total value amounted to \$4,800 in December 2014, with a par value \$10, approved by the Financial Supervisory Commission, effective on January 12, 2015. The record date of issuance of restricted stock to employees resolved by the Board of Directors was January 26, 2015. The Company filed an issuance of restricted stock to employees on May 28, 2015 for 720,000 shares, with a total shares amounting to \$7,200 and a par value \$10. The effective date of this issuance is June 12, 2015. The record date of issuance of restricted stock to employees resolved by the Board of Directors was January 11, 2016.

Employees with restricted stock awards are entitled to purchase the Company's shares at the price of NT\$0 per share with the condition that these employees continue to work for the Company for the following three years and goals of financial performance in the next three years has been reached. 20%, 30% and 50% of the restricted shares of stock is vested in year 1, 2 and 3, respectively, when the above conditions are met. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the right as the holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price, and cancel the shares thereafter.

The relevant information of restricted stock to employee is as follows:

Unit: In thousand shares	<u>2017</u>	<u>2016</u>
Balance, beginning of the period	1,011	480
Granted	-	720
Vested	(224)	(90)
Forfeited	(84)	(99)
Balance, end of the period	<u>703</u>	<u>1,011</u>

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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The company has two share-based payment trade as of December 31, 2017 :

	<u>Equity-settled</u> <u>Restricted stock to employee</u>	<u>Equity-settled</u> <u>Restricted stock to employee</u>
Grant date	2016.1.11	2015.1.26
Grant (Unit : In thousand shares)	720	480
Contractual life	105.1.11~108.1.11	104.1.26~107.1.26
Object of grant	The Company's employees who have formal employment relationship with the Company and serve as supervisors above manager level related to business operation	The Company's employees who have formal employment relationship with the Company and serve as supervisors above manager level related to business operation
Vesting conditions	Note 1	Note 1

Note 1: A restricted stock is vested when the Company's financial performance given and employees' service years are met.

- (i) The Company's financial performance is measured by sum of operating revenue and profit before tax, less share of gain of subsidiaries accounted for using equity method (gain on long-term investment) when it reaches the goal set by the Company in the next three years since issuance.
- (ii) Employees who are granted with restricted stock and serve in the Company before the vested period matures, and who do not violate against the labor contract or working rules, will be granted with restricted stock based on the following schedule and granted portion:

<u>Year/Goal</u>	<u>Granted Service Years</u>	<u>Granted Percentage when Goals Reached</u>
First year	1 year	20%
Second year	2 years	30%
Third year	3 years	50%

1. The company used the Black-Scholes options pricing model to value the fair value of the share-based payment at grant date, and the main inputs to the pricing model were as follows:

	<u>2017</u> <u>Restricted stock to employee</u>	<u>2016</u> <u>Restricted stock to employee</u>
Fair value at grant date	61.5 & 74.1	61.5 & 74.1
Stock price at grant date	82.5 & 80	82.5 & 80
Exercise price	-	-
Expected price volatility (%)	29.02% & 0.46%	29.02% & 0.46%
Life of option (year)	3	3
Expected price volatility (%)	9.76% & 2.52%	9.76% & 2.52%
Risk-free rate (%)	1.21% & 1.13%	1.21% & 1.13%

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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Expected price volatility is based on the weighted average of historical volatility, and it is adjusted when there is additional market information about the volatility. Life of option is determined by the Company's regulation regarding the issuance of restricted stock. Expected divided yield rate is determined based on the annual cash dividend yield rate measured by weighted stock index. Risk-free rate is determined based on rate of time deposits. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

2. Relevant information on restricted stock to employee:

Information on restricted stock to employee was as follows:

(Expressed in thousand unit)	<b>2017</b>		<b>2016</b>	
	Weighted-Average Exercise Price	Number of Exercisable Shares	Weighted-Average Exercise Price	Number of Exercisable Shares
Balance, beginning of the period	-	1,011	-	480
Granted	-	-	-	720
Forfeited	-	(224)	-	(90)
Exercised	-	(84)	-	(99)
Balance, end of the period		<b>703</b>		<b>1,011</b>
		<b>December 31, 2017</b>	<b>December 31, 2016</b>	
Weighted-average remaining contractual life		0.07~1.03	1.07~2.03	

3. Expenses and liabilities resulting from share-based payments

The Company incurred expenses from shares-based payments transactions as follows:

	<b>2017</b>	<b>2016</b>
Expenses resulting from issuance of restricted stock to employees	<b>\$ 17,885</b>	<b>35,637</b>

(q) Non-operating income and expenses

Other revenue

	<b>2017</b>	<b>2016</b>
Interest income	\$ 19,338	9,074
Rental income	3,505	1,306
Others	(11,767)	12,179
	<b>\$ 11,076</b>	<b>22,559</b>

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Other income and losses

	<u>2017</u>	<u>2016</u>
Exchange gain (loss) on foreign currency	\$ (88,726)	1,883
Gain (Loss) on disposal of investment	1,975	(15,269)
Others	<u>(27)</u>	<u>(11,285)</u>
	<u>\$ (86,778)</u>	<u>(24,671)</u>

(r) Remuneration to employees and directors

According to the Company's articles of incorporation, remuneration to employees and directors should be appropriated amount not lower to 3% and not higher to 5% of profit before tax without remuneration to employees and directors for the current year, respectively, after any accumulated deficit is offset against the current period profit, if any.

For the year ended December 31, 2017 and 2016, the Company estimated its employee remuneration amounted to \$61,369 and \$20,608, and directors' and supervisors' remuneration amounting to \$30,685 and \$10,304, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were recognized under operating costs or operating expenses during 2017 and 2016. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2017 and 2016.

(s) Taxes

(i) Income tax expense

The amount of income tax expense (benefit) for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current income tax expense (benefit):		
Current period	\$ 174,552	143,413
10% surtax on undistributed earnings	5,638	14,445
Prior years income tax adjustment	<u>15,245</u>	<u>(3,586)</u>
	<u>195,435</u>	<u>154,272</u>
Deferred tax expense:		
Origination and reversal of temporary differences	145,675	(24,613)
Changes in deductible temporary difference without recognition	(2,396)	(258)
Recognition of previously unrecognized loss carry forward	<u>(29,301)</u>	<u>12,391</u>
	<u>113,978</u>	<u>(12,480)</u>
Income tax expense (benefit)	<u>\$ 309,413</u>	<u>141,792</u>

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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The amount of tax income expense (benefit) recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	\$ <u>(3,452)</u>	<u>(19,812)</u>

Reconciliation of income tax expense (benefit) and income before tax were as follows:

	<u>2017</u>	<u>2016</u>
Profit before tax	\$ <u>1,291,553</u>	<u>595,654</u>
Tax rate according to the Group's location	\$ 219,564	101,261
Effect of difference in tax rate of foreign jurisdiction	148,548	62,552
Effect on income tax due to adjust tax law	(75,099)	(46,211)
Prior years income tax adjustment	15,245	(3,586)
Others	27,214	1,198
Unrecognized loss carry forward	(29,301)	12,391
Changes in unrecognized temporary difference	(2,396)	(258)
10% surtax on undistributed earnings	<u>5,638</u>	<u>14,445</u>
Total	\$ <u><u>309,413</u></u>	<u><u>141,792</u></u>

(ii) Deferred tax asset and liability

(1) Unrecognized deferred tax asset

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Deductible temporary difference	\$ 2,194	4,590
Loss carry forward	<u>21,003</u>	<u>50,304</u>
	\$ <u><u>23,197</u></u>	<u><u>54,894</u></u>

The tax losses, which are the prior accounting losses examined and approved by the tax authorities, are deductible from profit before tax for the current year and then the rest of the profit is imposed on, according to local tax law of the Company and of the subsidiaries. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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As of December 31, 2017, the subsidiaries' estimated unused carry-forwards were as follows:

Company Name	Year of Occurrence	Unused amount	Expiry Year	Note
NTS	2016	3,974	-	Filing amount
NTM	2012	1,463	-	Filing amount
NTM	2013	882	-	Filing amount
NTM	2014	3,795	-	Filing amount
NTM	2015	4,281	-	Filing amount
NTM	2016	2,586	-	Filing amount
NTM	2017	94	-	Estimated filing amount
NTEC	2016	518	-	Filing amount
Sheng Huei Shenzhen	2013	769	2018	Filing amount
Sheng Huei Shenzhen	2015	28,314	2020	Filing amount
Sheng Huei Shenzhen	2016	17,469	2021	Filing amount
Sheng Huei Shenzhen	2017	19,595	2022	Estimated filing amount
		<u>\$ 83,740</u>		

(2) Recognized deferred tax asset and liabilities

Deferred tax asset:

	January 1, 2016	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2016	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2017
Warranty cost	\$ 39,801	6,034	-	45,835	(3,135)	-	42,700
Loss on investment in foreign equity-accounted investee	8,134	1,603	-	9,737	(9,737)	-	-
Estimated construction loss	8,940	(307)	-	8,633	(8,035)	-	598
Loss carry forward	19,534	3,285	-	22,819	(22,819)	-	-
Allowance for decline in realizable value of inventory	217	1,643	-	1,860	246	-	2,106
Allowance for decline in realizable value of inventory	32,777	25,182	-	57,959	(7,297)	-	50,662
Excessive provision of bad debt	41,251	(6,069)	-	35,182	(11,706)	-	23,476
Exchange of Unrealized Profits and Losses	578	(316)	-	262	6,228	-	6,490
Others	4,749	(2,150)	-	2,599	12,339	1,541	16,479
	<u>\$ 155,981</u>	<u>28,905</u>	<u>-</u>	<u>184,886</u>	<u>(43,916)</u>	<u>1,541</u>	<u>142,511</u>

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Deferred tax liability:

	<u>January 1, 2016</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2016</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2017</u>
Gain on investment in foreign equity-accounted investee	\$ 153,126	17,132	-	170,258	69,825	-	240,083
Foreign currency translation differences for foreign operations	17,288	-	(15,412)	1,876	-	(1,876)	-
Others	<u>1,715</u>	<u>(707)</u>	<u>-</u>	<u>1,008</u>	<u>237</u>	<u>-</u>	<u>1,245</u>
	<u>\$ 172,129</u>	<u>16,425</u>	<u>(15,412)</u>	<u>173,142</u>	<u>70,062</u>	<u>(1,876)</u>	<u>241,328</u>

(iii) Income tax examination and approval

The income tax returns of the Company, Hersuo, Nova Tech and Enrich Tech, have been examined by the tax authorities through year 2015.

(iv) Integrated income tax information

The Company's integrated income tax information was as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unappropriated earnings in 1998 and after	<u>\$ 1,584,541</u>	<u>1,175,969</u>
Balance of the Imputation Credit Account	<u>\$ 179,618</u>	<u>196,363</u>
	<u>2017(Estimated)</u>	<u>2016(Actual)</u>
Creditable ratio for distributed to domestic shareholders of earnings	<u>11.34%</u>	<u>20.84%</u>

The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the R.O.C. on October 17, 2013. According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

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(t) Earnings per share ("EPS")

	2017	2016
Profit attributable to common shareholders	\$ <u>842,154</u>	<u>436,276</u>
Weighted average number of common shares (In thousand shares)	<u>46,357</u>	<u>46,187</u>
<b>Basic Earnings per share (In New Taiwan Dollars)</b>	<b>\$ <u>18.17</u></b>	<b><u>9.45</u></b>
Profit attributable to common shareholders	\$ <u>842,154</u>	<u>436,276</u>
Weighted average number of common shares (In thousand shares)	46,357	46,187
Add: effect on dilutive potential common stock		
Employee bonuses (In thousand shares)	326	296
Restricted stock to employees (In thousand shares)	<u>967</u>	<u>757</u>
Diluted weighted average number of common shares (In thousand shares)	<u>47,650</u>	<u>47,240</u>
<b>Diluted Earnings per share (In New Taiwan Dollars)</b>	<b>\$ <u>17.67</u></b>	<b><u>9.24</u></b>

(u) Financial Instruments

(i) Credit risk

(1) Exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

(2) Concentration of credit risk

As of December 31, 2017 and 2016, concentration of credit risk came from the Group's top customer is not more than both 12% of the Group's receivables, respectively, while that came from the Group's other top four customers is not more than 27% and 20% of the Group's receivables, respectively.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payment and excluding the impact of netting agreements:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>12 years</u>	<u>25years</u>	<u>More than 5 years</u>
<b>December 31, 2017</b>						
Non-derivative financial liabilities						
Secured bank loans and other accrued expenses	\$ 344,806	346,115	346,115	-	-	-
Notes payable	220,246	220,246	220,246	-	-	-
Accounts payable (including related parties)	<u>2,711,187</u>	<u>2,711,187</u>	<u>2,375,042</u>	<u>206,039</u>	<u>130,101</u>	<u>5</u>
	<u><b>\$ 3,276,239</b></u>	<u><b>3,277,548</b></u>	<u><b>2,941,403</b></u>	<u><b>206,039</b></u>	<u><b>130,101</b></u>	<u><b>5</b></u>
<b>December 31, 2016</b>						
Non-derivative financial liabilities						
Secured bank loans	\$ 193,680	195,487	195,487	-	-	-
Notes payable	235,806	235,806	235,806	-	-	-
Accounts payable (including related parties) and other accrued expenses	<u>2,128,928</u>	<u>2,128,928</u>	<u>1,829,776</u>	<u>160,533</u>	<u>138,614</u>	<u>5</u>
	<u><b>\$ 2,558,414</b></u>	<u><b>2,560,221</b></u>	<u><b>2,261,069</b></u>	<u><b>160,533</b></u>	<u><b>138,614</b></u>	<u><b>5</b></u>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

(1) Exposure to currency risk

The Group's significant exposures to foreign currency risk were as follows:

	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
Financial assets						
Monetary items						
USD	\$ 65,405	29.848	1,952,208	46,898	32.279	1,513,806
CNY	333,972	4.5835	1,530,760	224,458	4.6448	1,042,560
SGD	2,054	22.3238	45,843	1,667	22.3098	37,183
JPY	1,894	0.2649	502	27,029	0.2757	7,452
Financial liabilities						
Monetary items						
USD	13,547	29.848	404,342	10,097	32.279	325,912
CNY	295,117	4.5835	1,352,669	176,379	4.6448	819,246
SGD	252	22.3238	5,636	72	22.3098	1,614
JPY	48,275	0.2649	12,788	66,232	0.2757	18,260

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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(2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of the TWD against the USD, CNY, SGD and JPY as of December 31, 2017 and 2016 would have increased or decreased the before-tax net income by \$17,539 and \$14,360, respectively. The analysis is performed on the same basis for both periods.

(3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the year ended December 31, 2017 and 2016, the foreign exchange gain or loss, including both realized and unrealized, amounted to \$(88,726) and \$1,883, respectively.

(4) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in this note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reported the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate increases/decreases by 1%, the Group's net income will decrease/increase by \$3,448 and \$1,937 for the year ended December 31, 2017 and 2016, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in variable rate.

(5) Fair value of financial instruments

(a) The kinds of financial instruments and fair value

In 2016, the Group didn't engage in trading of derivative financial product. The Group had signed a FX Swap contract with Citibank. The notional principal is USD 2 million and maturity date is 11 August, 2017. The FX Swap had been settled before 31 December, 2017.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

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<b>December 31, 2017</b>					
	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Available-for-sale financial assets					
current	198,460	198,460	-	-	198,460
Available-for-sale financial assets					
noncurrent	4,050	4,050	-	-	4,050
Financial asset at cost (recognized as other non-current assets)	45	-	-	-	-
<b>Loans and receivables</b>					
Cash and cash equivalents	3,926,890	-	-	-	-
Notes receivable	156,038	-	-	-	-
Accounts receivable	2,409,665	-	-	-	-
Other receivables	110,562	-	-	-	-
other current financial assets	222,630	-	-	-	-
<b>Total</b>	<b>\$ 7,028,340</b>	<b>202,510</b>	<b>-</b>	<b>-</b>	<b>202,510</b>
<b>Financial liabilities at amortized cost through</b>					
Short-term loans	\$ 344,806	-	-	-	-
Notes payable	220,246	-	-	-	-
Accounts payable	2,627,433	-	-	-	-
Accounts payable-related parties	381	-	-	-	-
Other accrued expenses	83,373	-	-	-	-
<b>Total</b>	<b>\$ 3,276,239</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>December 31, 2016</b>					
	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Available-for-sale financial assets					
current	202,046	202,046	-	-	202,046
Available-for-sale financial assets					
noncurrent	3,960	3,960	-	-	3,960
Financial asset at cost (recognized as other non-current assets)	45	-	-	-	-
<b>Loans and receivables</b>					
Cash and cash equivalents	2,553,478	-	-	-	-
Notes receivable	95,956	-	-	-	-
Accounts receivable	2,350,980	-	-	-	-
Other receivables	30,082	-	-	-	-
Other accrued expenses	167,513	-	-	-	-
<b>Total</b>	<b>\$ 5,404,060</b>	<b>206,006</b>	<b>-</b>	<b>-</b>	<b>206,006</b>
<b>Financial liabilities at amortized cost through</b>					
Short-term loans	\$ 193,680	-	-	-	-
Notes payable	235,806	-	-	-	-
Accounts payable	2,084,077	-	-	-	-
Accounts payable-related parties	118	-	-	-	-
Other accrued expenses	44,733	-	-	-	-
<b>Total</b>	<b>\$ 2,558,414</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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(b) Fair value valuation technique of financial instruments measured at fair value

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or regulators and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

The Group's financial instruments are broken down by the category and attributes of their fair value as follows if such financial instruments are traded in active markets: beneficiary securities— open-end fund and emerging stock, whose fair value was determined based on market quoted prices.

There were no transfers from one level to another for the year ended December 31, 2017 and 2016.

(v) Financial risk management

(i) Overview

The Group is exposed to the following risks due to its use in financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

This note discloses the exposure risk information, and the Group's objectives, policies and procedures of measuring and managing risks. For more quantitative disclosure information, please refer to notes of the financial statements.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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(ii) Risk management framework

The Group's finance department provides business services for the overall internal department. It coordinates the domestic and international financial market operations, and supervises and manages financial risks related to the Group's operation based on internal risk report about exposure to risk with the analysis of the extent and width of risk. Operation of derivative financial instruments is subject to the policy approved by the Board of Directors, which is documented based on exchange rate risk, interest risk, credit risk, operation of derivative and non-derivative financial instruments and investment in the remaining current capital. The internal auditors of the Group continue with the review of the compliance with the policy and the extent of the exposure to risk. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group. The internal auditors assist the Group's audit committee in oversight, maintain control on risk management and procedures of both regular and exceptional reviews, and report the review results to the audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Group's accounts receivable, investments in securities and financial guarantees.

(1) Accounts receivable

The Group goes through the process of credit assessment on the trading parties pertaining to company size, industry perspective and general impression from the same industry before transaction begins. The engineering department also conducts an on-site interview, and the finance department will check to financial institutions for any abnormal dishonored check. The engineering department also establishes credit lines for each client, and updates the credit lines on a timely basis to reduce the transaction risk. The Group follows every uncollected receivable monthly. The administrative and the engineering department are responsible for gaining understandings about the overdue receivables and their anticipated date of collection, gaining understandings about clients' financial position, negotiations with the clients or demanding pledges or installment payment.

(2) Investment

The credit risk exposure in the bank deposits, fixed income investments and open-end fund investments are measured and monitored by the Group's finance department. Since, the Group deals with banks and other external parties with good credit standing, the Group believes that there is no significant impact on credit risk.

(3) Guarantee

The Group's policy stated that financial guarantee may be rendered to subsidiaries and trading parties running construction business.

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(1) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the US Dollars (USD) and Chinese Yuan (CNY) as well.

(2) Interest rate risk

The Group borrows funds on fixed and variable interest rates, which has risk exposure to changes in fair value and cash flow. Therefore, the Group manages the interest risk by maintaining the fixed and variable interest rates with a proper portfolio. The Group will assess the hedging activities for consistent interest rates within its risk preferences and use the most cost-effective hedging strategy on a regular basis.

(w) Capital management

The Group meets its objectives for managing capital to safeguard the capacity to continue to operate and provide a return on shareholder; also, to benefit other related parties, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

The Group and other entities in the similar industry use the debt-to-equity ratio to manage capital. This ratio uses the total net debt to be divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings and other equity plus net debt.

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The Company's debt to capital ratios at the balance sheet date were as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Total liabilities	\$ 6,889,250	5,503,427
Less: cash and cash equivalents	(3,926,890)	(2,553,478)
Net debt	\$ 2,962,360	2,949,949
Total equity	3,874,293	3,063,125
Total capital	<u>\$ 6,836,653</u>	<u>6,013,074</u>
Debt to capital ratio	<u>43.33%</u>	<u>49.06%</u>

Management believes that there were no changes in the Group's approach to capital management for the year ended December 31, 2017.

**(7) Related-party transactions:**

- (a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Johnwell Ent Co.,Ltd	The key management personnel of the parent company's directors

- (b) Other related party transactions

Construction cost, and related assets and liabilities:

The amounts of significant purchase transactions and outstanding payables for goods and equipments between the Group and related parties were as follows:

	<u>Purchases</u>		<u>Payables to Related Parties</u>	
	<u>2017</u>	<u>2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Entity under the key management's control	\$ <u>1,475</u>	<u>1,406</u>	<u>381</u>	<u>118</u>

The purchase price and terms of the payments present no significant difference from those with third-party vendors.

- (c) Key management personnel compensation

	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 64,788	44,147
Post-employment benefits	309	233
Share based payments	8,228	14,679
	<u>\$ 73,325</u>	<u>59,059</u>

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For details of the related share based payments, please refer to Note p.

**(8) Pledged assets:**

The Group's pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other financial assets – current:			
Time deposit	Construction contract fulfillment and warranty guarantee	<u>\$ 62,530</u>	<u>71,133</u>

**(9) Significant commitments and contingencies:**

Significant commitments and contingencies for the Group as of December 31, 2017, and 2016 were as follows:

- (a) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to \$1,229,305 and \$556,231, respectively.
- (b) Bank pledges for engaging in construction contracts amounted to \$681,859 and \$923,107, respectively.
- (c) Contract fulfillment guarantee and warranty guarantee (excluding related parties) for the competitive corporations amounted to \$445,866 and \$564,828, respectively.
- (d) For already-signed but not-yet-finished significant construction contracts, please refer to note 6 (d).
- (e) The Company has signed a construction contract with Walsin Technology Corporation (Walsin) in December, 2010. Walsin claimed that the Company did not perform the construction according to the contract, and therefore claimed a compensation amounting to \$42,189 at the Taipei District Court. The civil judgment of the first instance during December, 2015 has been pronounced by the Taipei District Court, requiring the Company pay \$14,666 to Walsin, which has been fully recognized as loss by the Company on 2015. The Company has appealed to Taiwan High Court and sent identification data to Architecture Construction. As of December 31, 2017, the compensation remained \$8,376 payable, and has been recognized as other current liabilities and accrued expenses.
- (f) The Company's subsidiary, Nova Tech, contracted to constructions of gas factory expansion and new factory with Jing He Science Co., Ltd. (Jing He). For installation of process equipment and pipeline, Nova Tech was responsible for installing the process pipelines and purchasing process equipment according with the design layout or purchase order provided by Jing He. Hereafter, Jing He had changed the design layout which resulted in extra work. Nova Tech requested Jing He for additional contract payment. Jing He argued that the contract is a lump-sum contract. Therefore, Jing He refused any additional payment and terminated the contract unilaterally right before the construction completed. Nova Tech has sued Jing He for related contract payment. Nova Tech has appointed an attorney as an agent. The case has been in trial and the district court has appointed Taiwan Association of Construction and Development and Taiwan Professional Electrical Engineers Association to valuing the completed part of new factory building. Nova Tech and Jing He has provided supplement opinions for the

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**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
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preliminary valuation and the supplement identification report has finished. Besides, the district court has appointed Taiwan Construction Research Institute to valuing the gas factory expansion construction and Taiwan Construction Research Institute maintained original identification result. Up to the issuance date of this financial statements, Nova Tech was not able to predict the judgment of the court and amount of compensation. However, Nova Tech has appropriately recognized allowance for impairment of incurred construction cost in accordance with related accounting standards. Nova Tech estimated the maximum loss for this lawsuit. The maximum impact to financial statements is a loss of 70 million. Jing He paid 10,500 for partial of construction payment and interest to Nova Tech on February 5, 2017.

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:**

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by \$9,418 and \$42,367, respectively.

**(12) Other:**

- (a) The employee benefits, depreciation and amortization expenses categorized by function were as follows:

By item	2017			2016		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employee benefit						
Salary	592,493	376,610	969,103	519,596	303,081	822,677
Labor, health and social insurance	57,423	27,457	84,880	54,708	29,196	83,904
Pension	16,705	5,901	22,606	16,699	6,584	23,283
Other	18,511	18,127	36,638	16,747	17,612	34,359
Depreciation	2,863	17,085	19,948	2,145	18,940	21,085
Amortization	585	5,577	6,162	119	6,718	6,837

Note: Depreciation for investment property for the year ended December 31, 2017 and 2016 was \$2,487 and \$510, respectively, and was recorded in non-operating expense.

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**(13) Segment information:**

(a) General information

There are three reportable segments of the Group: Taiwan, Mainland China, and other Asian countries. The Taiwan segment provides engineering, maintenance, sales and other services in Taiwan area. The Mainland China segment provides engineering services and sales in Mainland China. The other Asian segment provides engineering services in Vietnam, Singapore, Malaysia and other Asian countries.

The reportable segments are strategic business units and render products and services in different areas. Since each strategic business unit is located in a different environment, they require different administration strategies and are managed separately. Most of the business units were founded by the Company, and the management teams have been cultivated by the Company as well.

(b) Information on reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Group uses the segmented net income from the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The Group has allocated income tax expense (benefit) or extraordinary gain or losses to reportable segments. In addition, profit or loss from all reportable segments includes significant non-cash items excluding depreciation and amortization. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in Note 4 “significant accounting policies”. The Group’s income from operating segment is measured by net income, and is referred to as the basis of performance evaluation.

The Group’s operating segment information and reconciliation are as follows:

<u>2017</u>	<u>Taiwan</u>	<u>Mainland China</u>	<u>Other Asian</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$6,547,775	4,224,415	665,492	-	11,437,682
Intersegment revenues	79,448	251,032	-	(330,480)	-
Interest revenue	8,047	12,231	3,490	(4,430)	19,338
<b>Total revenue</b>	<b>\$6,635,270</b>	<b>4,487,678</b>	<b>668,982</b>	<b>(334,910)</b>	<b>11,457,020</b>
Interest expense	(1,187)	(10,938)	(1,801)	4,457	(9,469)
Depreciation and amortization	(13,395)	(13,211)	(1,991)	-	(28,597)
Share of gain (loss) of associates accounted for using equity method	852,491	5,508	150,266	(1,008,273)	(8)
<b>Reportable segment profit or loss</b>	<b>572,690</b>	<b>345,034</b>	<b>65,572</b>	<b>(1,156)</b>	<b>982,140</b>
Asset:					
Investment accounted for using equity method	3,420,666	8,270	1,197,369	(4,625,509)	796
Capital expenditures of noncurrent assets	17,415	15,416	887	-	33,718
<b>Reportable segment asset</b>	<b>9,438,989</b>	<b>5,350,917</b>	<b>1,715,752</b>	<b>(4,951,887)</b>	<b>11,553,771</b>
<b>Reportable segment liability</b>	<b>3,182,608</b>	<b>3,786,798</b>	<b>246,242</b>	<b>(326,398)</b>	<b>6,889,250</b>

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<u>2016</u>	<u>Taiwan</u>	<u>Mainland China</u>	<u>Other Asian</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$5,312,695	2,674,686	417,040	-	8,404,421
Intersegment revenues	51,357	15,462	-	(66,819)	-
Interest revenue	4,077	5,662	2,500	(3,165)	9,074
Total revenue	<u>\$5,368,129</u>	<u>2,695,810</u>	<u>419,540</u>	<u>(69,984)</u>	<u>8,413,495</u>
Interest expense	(414)	(4,492)	(1,557)	3,210	(3,253)
Depreciation and amortization	(10,903)	(14,965)	(2,564)	-	(28,432)
Share of gain (loss) of associates accounted for using equity method	492,928	(8,052)	(78,431)	(406,679)	(234)
<b>Reportable segment profit or loss</b>	<b>277,478</b>	<b>130,061</b>	<b>47,470</b>	<b>(1,147)</b>	<b>453,862</b>
Asset:					
Investment accounted for using equity method	2,497,596	23,481	1,062,907	(3,583,107)	877
Capital expenditures of noncurrent assets	9,967	16,127	4,182	-	30,276
<b>Reportable segment asset</b>	<b>7,611,960</b>	<b>3,980,670</b>	<b>1,437,351</b>	<b>(4,145,918)</b>	<b>8,884,063</b>
<b>Reportable segment liability</b>	<b>3,163,015</b>	<b>2,705,156</b>	<b>154,684</b>	<b>(519,428)</b>	<b>5,503,427</b>

(c) Information about the products and services

Revenue from external customers was as follows:

	<u>2017</u>	<u>2016</u>
Clean room construction	\$ 5,894,065	3,717,823
High-tech equipment materials sales and service business	2,702,823	1,808,632
Gas and chemical supply system engineering	1,058,762	1,299,243
Others	<u>1,782,032</u>	<u>1,578,723</u>
	<u>\$ 11,437,682</u>	<u>8,404,421</u>

(d) Geographical information

In presenting information on the basis of geography, segment revenue should be based on the geographical location of customers, and segment assets should be based on the geographical location of the assets.

<u>Area</u>	<u>2017</u>	<u>2016</u>
Revenue from external customers:		
Taiwan	\$ 6,547,775	5,312,695
Mainland China	4,224,415	2,674,686
Other countries	<u>665,492</u>	<u>417,040</u>
	<u>\$ 11,437,682</u>	<u>8,404,421</u>

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<u>Area</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Non-current assets:		
Taiwan	\$ 543,062	540,197
Mainland China	158,977	132,909
Other countries	<u>3,639</u>	<u>4,627</u>
	<u>\$ <b>705,678</b></u>	<u><b>677,733</b></u>

Non-current assets include property, plant and equipment, investment property, intangible assets, long-term prepaid rents and other assets.

(e) Information on significant customers

As of December 31, 2017 and 2016, none of the sales to the Group's external single customer exceeds 10% of the total revenue.

Acter Co., Ltd.

Chairman: Chin-Li Liang

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