

**康和綜合證券股份有限公司**  
**Concord Securities Co. Ltd**

**Handbook for 2015 Annual  
Shareholders' Meeting**  
(Translations)

Time and Date: 9:00 a.m., Friday, June 12, 2015

Location: B2, No.176, Sec. 1, Keelung Rd., Hsin-yi Dist., Taipei City  
(The assembly room of Concord Securities Co. Ltd)

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# **Concord Securities Co. Ltd**

## **2015 Annual Shareholders' Meeting Agenda**

Time : 9:00 a.m., Friday, June 12, 2015

Location: B2, No.176, Sec. 1, Keelung Rd., Hsin-yi Dist., Taipei City  
(The assembly room of Concord Securities Co. Ltd)

### **I. Opening announcement**

### **II. Chairperson Remarks**

### **III. The reporting subjects**

1. The 2014 Business Report
2. The Supervisors' Review Report on the 2014 Financial Statements
3. Implementation of Share Buyback Program
4. The amendments of "The Ethical Corporate Management Best Practice Principles" and "The Ethical Corporate Management Operational Procedures and Guidelines"
5. The Code of Ethics
6. Other reporting subjects

### **IV. The recognition of subjects**

1. 2014 Business Report and Financial Statements
2. 2014 Earning Distribution

### **V. Issues to be discussed**

1. The Amendment of "Articles of Incorporation"
2. The Amendment of "Rules of Procedure for Shareholders Meeting"
3. The Amendment of "Rules for Director and Supervisor Elections"
4. The Amendment of "The Operational procedures for Acquisition and Disposal of Assets"
5. The Amendment of "The Operational Procedures for Endorsements and Guarantees"

6. The 10th Election of Directors

7. Proposal of Release the Prohibition on Directors from Participation in  
Competitive Business

**VI. Extempore motions**

**VII. Adjournment**

# The reporting subjects

## 1. The 2014 Business Report

Explanation:

The 2014 Business Report is attached as Appendix 1(pp.16~18).

## 2. The Supervisors' Review Report on the 2014 Financial Statements

Explanation:

The Supervisors' Review Report and the Independent Auditors' Reports on the 2014 Financial Statements are attached as Appendix 2~3(pp.19~20).

## 3. Implementation of Share Buyback Program

The company completed its 22th share repurchase program in 2014:

- (1) Purpose of the buyback: Transferring to the Employees
- (2) Buyback period: August 13, 2014~October 9, 2014
- (3) Number of shares bought back : 20,000,000 shares
- (4) Number of shares bought back as a percentage of total outstanding shares:2.91%
- (5) Total value of shares bought back: NTD\$170,855,733.
- (6) The average buyback price per share: NTD\$8.54
- (7) Interval of buyback price: 6.00~12.00
- (8) Shares Transferred to the Employees: 0 share

According to the Article 2 and Article 10 of “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies”, the Company established “The Measure for Transferring the Buyback Shares to the Employees”, Appendix 5(pp.37~38).

## 4. The amendments of “The Ethical Corporate Management Best Practice Principles” and “The Ethical Corporate Management Operational Procedures and Guidelines”

Explanation:

1. To enhance corporate governance and comply with the Interpretive Letter No. Taiwan-Stock-Governance-1030022825 of the Taiwan Stock Exchange Corporation, 7 November 2014, our Company is required to amend “The Ethical Corporate Management Best Practice Principles” and “The Ethical Corporate Management Operational Procedures and Guidelines”.

2.The Table for the Amended Articles of “ The Ethical Corporate Management Best Practice Principles” and “The Ethical Corporate Management Operational Procedures and Guidelines” are attached as Appendix6(pp.39~52).

## **5. The Code of Ethics**

Explanation:

1. To enhance corporate governance and comply with the Public Announcement No. Securities-TPEX-Supervision-10400020851 of the Taipei Exchange, 4 February 2015, our Company established The Code of Ethics.

2.The Code of Ethics are attached as Appendix7(pp.53~55)

## **6. Other reporting subjects**

# **The recognition of subjects:**

## **Proposal 1: Proposed by the Board of Directors**

### **Proposal: Adoption of the 2014 Business Report and Financial Statements**

#### **Explanation:**

- (1) Concord Securities Co. Ltd 's Financial Statements, including the balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, were audited by independent auditors, Chen, Chun-Hung and Kuo, Cheng-Hung of Deloitte & Touche. Also Business Report and Financial Statements have been approved by the Board and examined by the supervisors .
- (2) The 2014 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached in the Meeting Handbook, pp. [16-36].

#### **Resolution:**



## **Proposal 2: Proposed by the Board of Directors**

### **Proposal: Adoption of the Proposal for Distribution of 2014 Profits**

#### **Explanation:**

- (1) 2014 net profit after tax is NT\$ 70,954,009. After setting aside the legal reserve of NT\$ 6,669,025 and the special retained earnings of NT\$13,338,050, the unappropriated retained earnings are NT\$ 48,687,450 and the proposed dividend to shareholders is none.
- (2) Please refer to the PROFIT DISTRIBUTION TABLE as follows:

### **Concord Securities Co., Ltd. Earnings Distribution Table 2014**

**Unit:NTD**

Items	Total
Unappropriated earnings, beginning	0
Adjusted amount of retained earnings due to stock investments measured by equity method	(278,954)
Retained earnings due to actuarial losses	(3,984,808)
Unappropriated earnings after adjustment	(4,263,762)
Net profit for the year ended December 31, 2014	70,954,009
10% legal reserve	(6,669,025)
20% special reserve	(13,338,050)
Reversal of special reserve	2,004,278
Distributable earnings	48,687,450
Distributable items: None.	0
Unappropriated earnings, ending	48,687,450

Chairman: Chou,Kang-Chi

President: Franny Yeh

Accountant: Kang, Ching-Tai

#### **Resolution:**

# **Issues to be discussed**

## **Proposal 1: Proposed by the Board of Directors**

### **Proposal : The Amendment of “Articles of Incorporation”**

#### **Explanation:**

1. Pursuant to Article 14-4 of the Securities and Exchange Act, our Company is required to establish an audit committee, and therefore our Company’s Articles of Incorporation must be amended.
3. Please refer to Appendix 8 (pp.56 – 60) for a reference table of the proposed amendments of the Articles of Incorporation .
4. Your decision is appreciated.

#### **Resolution:**

## **Proposal 2: Proposed by the Board of Directors**

### **Proposal : The Amendment of “Rules of Procedure for Shareholders Meeting”**

Explanation:

1. To enhance corporate governance and establish an audit committee, our Company’s Rules of Procedure for Shareholders Meeting must be amended.
2. Please refer to Appendix 9 (pp. 61-67) for a reference table of the proposed amendments of the Rules of Shareholders’ Meeting revisions.
3. Your decision is appreciated.

**Resolution:**

## **Proposal 3: Proposed by the Board of Directors**

### **Proposal : The Amendment of “Rules for Director and Supervisor Elections”**

Explanation:

1. Pursuant to SFC’s regulation, our Company is required to establish an audit committee, therefore the Rules for Director and Supervisor Elections are to be amended.
2. Please refer to Appendix 10 (pp.68-69) for a reference table of the proposed amendments of the Rules for Rules for Director and Supervisor Elections.
3. Your decision is appreciated.

**Resolution:**

**Proposal 4: Proposed by the Board of Directors**

**Proposal : The Amendment of “The Operational procedures for Acquisition and Disposal of Assets”**

Explanation:

1. In compliance with the regulations set forth by the Financial Supervisory Commission Interpretive Letter 10200531121.
2. Please refer to Appendix 11 (pp.70–81) for a reference table of the proposed amendments of “The Operational procedures for Acquisition and Disposal of Assets”.
3. Your decision is appreciated.

**Resolution:**

**Proposal 5: Proposed by the Board of Directors**

**Proposal : The Amendment of “The Operational Procedures for Endorsements and Guarantees”**

Explanation:

1. In compliance with the regulations set forth by the Financial Supervisory Commission Interpretive Letter 10200531121.
2. Please refer to Appendix 12 (pp.82–83) for a reference table of the proposed amendments of “The Operational Procedures for Endorsements and Guarantees”.
3. Your decision is appreciated.

## **Proposal 6: Proposed by the Board of Directors**

### **Proposal : The 10th Election of Directors (including Independent Directors)**

#### **Explanation:**

1. The term of the ninth board will expire on June 21, 2015. Accordingly, the Company shall re-elect the board members and establish an audit committee at the shareholders' meeting this year (2015).
2. According to Article 16 of the Company's Articles of Incorporation, we propose a 20-member board for the tenth board, including four independent board members. The duration of the term is from June 12, 2015 to June 11, 2018.
3. Please refer to the List of candidates for the Board of Directors as follow. The candidates' qualifications and number of shares owned are listed in the Appendix 13 (pp. 84 – 85).

#### **IV. Please cast your vote**

NO	Position	Name
1	Director	De Sheng Development Corp. Representative : Gordon Yeh
2	Director	De Sheng Development Corp. Representative : Cheng,Ta-Yu
3	Director	De Sheng Development Corp. Representative : Su,Hui-Fen
4	Director	De Sheng Development Corp. Representative : Chen, Chiung-chu
5	Director	De Sheng Development Corp. Representative : Chao, Kao-Shen
6	Director	De Sheng Development Corp. Representative : Cheng,Yin-Hua
7	Director	De Sheng Development Corp. Representative : Robin W.S. Liao
8	Director	Hong Chi Investment Corp. Representative : Chen,Hung-Chou
9	Director	Hong Chi Investment Corp. Representative : Cheng,Pei-Chih
10	Director	Youshare Trade & Development Corp.
11	Director	Concord Investment Corp. Representative : Hung, Chin-Yi
12	Director	Ma,Pei-Chun
13	Director	De Ye Investment Co., Ltd Representative : Lin,Chi-Sen
14	Director	Ko,Wen-Huei
15	Director	Jia Yi Corp. Representative : Tsai,Sung-Po
16	Director	Yuan Long Development Co.,Ltd Representative : Chiang,Chang-Wen
17	Independent Director	Pai,Chun-Nan
18	Independent Director	Jinnder Chang
19	Independent Director	Lo,Ching-An
20	Independent Director	Lee, Chin-shen

**Proposal 7: Proposed by the Board of Directors**  
**Proposal :Proposal of Release the Prohibition on Directors from**  
**Participation in Competitive Business**

Explanation:

1. Pursuant to Article 209 of the Company Act, a director acting on his/her own or on behalf of another person to engage in business overlapping with our Company's scope of business shall be required to explain such act to the shareholders' meeting and request for permission prior to such act.
2. As business need, the shareholders' approval to release the prohibition on directors, provided no damage is made to our Company's interest, is kindly requested.
3. Directors and the competitive business they participated in are as follow:

Director	Competitive Business	position
Gordon Yeh	Concord Futures Corp.	Director
Cheng,Ta-Yu	Concord Futures Corp.	Director
Su,Hui-Fen	Concord Futures Corp.	Supervisor
Liao,wen-shyong	Concord Futures Corp.	Director
	Value Partners Concord Asset Management Co., Ltd.	Director

4. Your decision is appreciated.

**Resolution:**

**Extempore motions**

**Adjournment**

# Appendices

# 1.The 2014 Business Report

This past year has a series of bearish events happening one after another including gas-pipeline explosions in Kaohsiung, sales of dirty recycled waste oil, the ruling KMT party's landslide defeat in local elections, TransAsia plane crash and tax reform packages passed by the Legislative Yuan. Those deed impact the economy and stock market in Taiwan. The good news come including new stimulus measures for Taiwan's stock exchange market development proposed by the Financial Supervisory Commission (FSC) chairman William Tseng, suspension in the controversial capital gains tax on active stock traders for three years and dovish monetary policy by FOMC chairman Janet L. Yellen, succeeding by Ben S. Bernanke. The Dow Jones industrial average index and S&P 500 Index hit a record high and stimulated the global stock markets including Taiwan stock market. Taiwan stock exchange weighted index ended at 9,307 points, rising up to 8.07%. The average daily market turnover increased 23.6% from 97.02 billion in 2013 to 119.91 billion in 2014.

In 2014, Concord Securities made NT\$ 2.3 billion in consolidated net revenue, NT\$ 107.83 million in consolidated pre-tax income, NT\$74.22 million in consolidated after-tax income, NT\$88.79 million in current comprehensive income and earnings per share NT\$0.1. Our shareholders' equity in 2014 was NT\$ 7.7 billion and net worth per share NT\$11.47. The current ratio was 115.18% and the liability ratio was 80.04%. The national long-term rating was A-(tw). Overall, Concord Securities has a robust financial structure.

Results of implementation of the business plan in the previous year

## **Brokerage business:**

- Brokerage business market share reached 1.334%, slightly slide from 1.421% in 2013.
- The average monthly margin loan balance was NT\$5.72 billion for a 2.18% market share.

## **Bond Business:**

- Our company devoted in government bond and corporate bond transaction in the market. We also participated in second bond market and played an important role in market maker.
- Our company obtained the award in government bond market maker granted by Taipei Exchange (GreTai stock exchange)

## **Underwriting Business:**

- Our signed mandates for IPOs cases grew fast. The total number of cases is already 50.
- F-Eurocharm (5288.TW) and Taiming Assurance Broker (5878.TW) were listed in 25 Sep. and 28 Oct. in 2014.
- The emerging stock market share 3.77% was ranked at 6th in 2014.
- Our underwriting department was certified TIPS (Taiwan Intellectual Property Management System), the first and the only one in Taiwan financial industry.

## **Warrant Business:**

- Issues of warrants reached 528 and NT\$3.5 billion, ranked at 15th in 2014.

## **OSU Business:**

- Our offshore securities unit (OSU) was established on 5 March. US\$300 Million ECB, issued by F-Zen Ding, was filed by our underwriting department and was listed on 6 June.

## **Concord Futures:**

- Concord futures acquired the membership and certification from several futures exchange including SGX、CME、CBOT、COMEX、Eurex、Euronext...and so on. The order placing and quality were raised more efficiently and effectively. The total transaction cost decreased via through DMA(Direct Market Access). The number of monthly offshore futures contracts in Dec. was at the historical high.
- Concord futures made their best achievement in P&L in 2014. NT\$ 89.72 million in pre-tax income, NT\$76.24 million in after-tax income, NT\$76.59 million in current comprehensive income and earnings per share NT\$1.01 were made.
- Concord Futures was the first company, granted by the Financial Supervisory Commission (FSC), investing in futures company, Guoyuan Futures, in mainland China.



### **Concord Managed Futures & Futures Trust:**

- Concord Managed Futures & Futures Trust launched the first CTA fund 「Concord Dream Fund」 on 6 Dec.2013 and has raised more than NT\$2 billion AUM.
- Concord Dream Fund was the first CTA fund to invest in Taiwan and allocate asset globally. 「Concord Dream Fund」 indeed created the synergy in Concord group and made a contribution in brokerage business.
- Concord Managed Futures & Futures Trust made NT\$ 5.21 million in pre-tax income, NT\$5.01 million in after-tax income, NT\$4 million in current comprehensive income.

### **Concord Capital Management:**

- Concord Capital Management made NT\$ 4.41 million in pre-tax loss and after-tax loss.
- Concord Capital Management will introduce new offshore funds to improve and extend AUM in 2015.

### **Concord Securities (HK):**

- Concord Securities (HK) made HK\$ 18.22 million in pre-tax loss and after-tax loss.
- Concord Securities (HK) will improve their performance by focusing on futures brokerage business, niche business model and cost saving.

### **Concord Insurance Agent:**

- Concord Insurance Agent made profits in their first startup year. They made NT\$ 3.06 million in pre-tax income and NT\$2.63 million in after-tax income. They are the new business driven force in Concord group. Concord group will develop the wealth management business, especially in insurance business. We hope to provide our clients the best service and the full product line in their asset allocation. Finally, we would like to deliver and create the value to our clients and our employees.

### **Concord Asset Management:**

- Concord Asset Management made NT\$ 12.21 million in pre-tax income and NT\$12.18 million in after-tax income.
- Our company was awarded 「A +」 in Information Disclosure and Transparency Ranking System (IDTRS), ranked by Securities & Futures Institute from 2009 to 2014, consecutive 6 years. We were ranked at the top 75 companies among 1,297 listed companies in 2013.
- Our company acquired the certification in ISO 2007 in consecutive 4 years.
- Our client service center in electronic trading acquired the certification in ISO 9001:2008.
- Risk management ranking for securities firms was upgraded by the fourth grade in 2012, the third grade in 2013 and than the second grade in 2014. By developing the most precise risk management mechanism, we will create our flexibility in our business and make a robust growth.

Our outlook in 2015, our company will create the vision to become an investment bank to develop and create client's value. Based on our four strategies, we will create niche businesses in provide institutional clients service, become a highly profitable investment bank, provide the best service in wealth management and develop the discipline and ambition in our sales culture. We will fulfill the client need and make 「value creation」 to be our core guidance. We provide a one-stop shopping to our clients from the company, shareholders to their employees in Concord's platform. We provide service including research, investment advisory, fund raising, M&A, corporate finance advisory, IR service, stock agent, customized financial products, wealth management service and so on.

Concord group will keep going to become a more internationalized financial group following our company guidance 「Integrity, Steadiness, Service and Going Concern」. Our mission is to provide our clients superior, professional, and differentiated services and make those to become our core strength. We will enforce our mechanism in internal control system and risk management system to strengthen our infrastructure and competitiveness competences. We will do our obligation in social responsibility to act for the benefit of society and create the intrinsic value to our shareholders. We believe we will become the best company among peers in the Great China, make our best to deliver value to our shareholders and earned the respect and support from all of you our shareholders.

Chairman of the Board	Chou,Kang-Chi
General Manager	Franny Yeh
Director of Accounting	Kang, Ching-Tai

## **2.The Supervisors’ Review Report on the 2014 Financial Statements**

### **Concord Securities Co. Ltd The Supervisors’ Review Report**

Hereby approve

The Board of Directors submits the 2014 Business Report, Earnings Distribution Table and the Financial Statements (Including Consolidated Financial Statements) which was audited by Deloitte & Touche and inspected by the Supervisors who affirmed that there is no violation against the law and has followed the regulation of Article 219 in Company Act.

Hereby submit it for inspection.

Sincerely,

2015 Annual Shareholders’ Meeting

The Supervisors : Cheng,Pei-Chih,

Chiang,Chang-Wen

(Representative of Ta Yuan Construction Corp.)

Ko,Wen-Huei

Liu,Chien-Chun

March 20, 2015

# 3. INDEPENDENT AUDITORS' REPORT

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders  
Concord Securities Co., Ltd.

We have audited the accompanying balance sheets of Concord Securities Co., Ltd. (the "Corporation") as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The Corporation's stock investments measured by equity method included amounts based on financial statements of investees audited by other auditors. Such investments amounted to \$921,083 thousand and \$836,395 thousand, or 2.66% and 2.91% of total assets as of December 31, 2014 and 2013, respectively, and the share of loss of subsidiaries and associates together amounted to \$92,706 thousand and \$59,051 thousand, or (102.51%) and (260.48%) of profit before tax for the years ended December 31, 2014 and 2013, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Concord Securities Co., Ltd. as of December 31, 2014 and 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms and related regulations in the Republic of China.

CPA Chen, Chun-Hung (signed)

CPA Kuo, Cheng-Hung (signed)

Deloitte & Touche

March 19, 2015

### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders  
Concord Securities Co., Ltd.

We have audited the accompanying consolidated balance sheets of Concord Securities Co., Ltd. (the "Corporation") and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The Corporation's subsidiaries and stock investments measured by equity method included amounts and related disclosures based on financial statements of subsidiaries and associates audited by other auditors. The subsidiaries' assets amounted to \$1,341,224 thousand and \$1,355,515 thousand, or 3.47% and 4.06% of total assets as of December 31, 2014 and 2013, respectively, and operating income amounted to \$79,046 thousand and \$151,660 thousand, or 3.40% and 7.28% of consolidated operating income for the years ended December 31, 2014 and 2013, respectively. The investments in associates measured by equity method amounted to \$479,122 thousand and \$499,958 thousand as of December 31, 2014 and 2013, or 1.24% and 1.50%, respectively, of total assets, and the share of profit (loss) of associates amounted to net loss of \$21,055 thousand and net profit \$325 thousand, or (19.94%) and 0.82% of consolidated profit before tax for the years ended December 31, 2014 and 2013, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Concord Securities Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013 and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms, and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Concord Securities Co., Ltd. as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report with modified wordings.

CPA Chen, Chun-Hung (signed)  
CPA Kuo, Cheng-Hung (signed)

Deloitte & Touche

March 19, 2015

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail*

## **4.2013 Financial Statements**

# CONCORD SECURITIES CO., LTD.

## BALANCE SHEETS DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 140,121	-	\$ 332,650	-
Financial assets at fair value through profit or loss - current	16,691,151	48	11,338,466	48
Available-for-sale financial assets - current	279,073	1	7,344	1
Bond investments under resale agreements	2,766,814	8	1,820,098	8
Margin loans receivable	5,772,375	17	5,188,110	17
Refinancing margin	10,109	-	6,109	-
Refinancing collateral receivable	9,400	-	6,189	-
Security borrowing collateral price	241,856	1	113,109	1
Security borrowing margin	219,835	1	103,894	1
Notes receivable	380	-	314	-
Accounts receivable	3,157,356	9	4,229,043	9
Prepayments	16,537	-	25,559	-
Other receivables	4,173	-	4,009	-
Other financial assets - current	181,400	-	186,500	-
Current tax assets	39,054	-	31,956	-
Restricted assets - current	635,200	2	751,100	2
Other current assets	4,879	-	97,467	-
Total current assets	30,169,713	87	24,241,917	87
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current	40,646	-	40,746	-
Available-for-sale financial assets - non-current	120,267	-	118,007	-
Investments accounted for using equity method	2,172,589	6	2,053,614	6
Property and equipment	935,942	3	971,528	3
Investment properties	482,071	2	482,144	2
Intangible assets	16,303	-	22,921	-
Deferred tax assets	67,574	-	55,864	-
Other non-current assets	679,339	2	706,118	2
Total non-current assets	4,514,731	13	4,450,942	13
TOTAL	\$ 34,684,444	100	\$ 28,692,859	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 497,000	1	\$ 80,000	1
Commercial paper payable	4,979,068	14	4,083,233	14
Financial liabilities at fair value through profit or loss - current	2,327,295	7	1,481,665	7
Liabilities for bonds with repurchase agreements	13,273,990	38	9,265,430	38
Securities financing refundable deposits	582,678	2	406,125	2
Deposits payable for securities financing	749,159	2	622,305	2
Accounts payable	4,145,395	12	4,413,943	12
Other payables	222,183	1	185,936	1
Provisions - current	18,774	-	17,291	-
Other current liabilities	28,987	-	119,464	-
Total current liabilities	26,824,529	77	20,675,392	77
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current	4,039	-	89,137	-
Provisions - non-current	14,677	-	15,077	-
Deferred tax liabilities	4,301	-	-	-
Other liability - refundable deposits	2,581	-	1,961	-
Accrued pension liabilities - non-current	170,423	1	162,046	1
Total non-current liabilities	196,021	1	268,221	1
Total liabilities	27,020,550	78	20,943,613	78
EQUITY				
Share capital	6,883,368	20	6,883,368	20
Capital surplus	17,761	-	17,761	-
Retained earnings				
Legal reserve	1,686	-	1,686	-
Special reserve	848,434	3	892,140	3
Unappropriated earnings (accumulated deficits)	66,690	-	(43,706)	-
Total retained earnings	916,810	3	850,120	3
Other equity	16,811	-	(2,003)	-
Treasury stock	(170,856)	(1)	-	(1)
Total equity	7,663,894	22	7,749,246	22
TOTAL	\$ 34,684,444	100	\$ 28,692,859	100



# CONCORD SECURITIES CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
NET OPERATING LOSS				
Revenues				
Securities brokerage commissions	\$ 676,729	43	\$ 581,453	41
Income from securities lending	1,596	-	7,809	1
Underwriting commissions	71,697	5	91,269	6
Gains on sale of securities, net	167,101	11	105,187	7
Revenue from providing agency service for stock affairs	11,949	1	8,710	1
Interest income	656,221	42	599,694	42
Dividend income	65,715	4	36,806	3
Valuation gains (losses) on operating securities at fair value through profit or loss, net	(107,620)	(7)	77,242	6
Gains (losses) on covering of borrowed securities and bonds with resale agreements, net	(14,431)	(1)	11,408	1
Valuation losses on borrowed securities and bonds with resale agreements, net	(8,755)	(1)	(4,269)	-
Gains on issuance of stock warrants, net	22,607	1	20,148	1
Commission revenue from futures	17,238	1	16,171	1
Gains on derivative instruments - futures, net	6,616	-	9,167	1
Losses on derivative instruments - OTC, net	(3,161)	-	(152,227)	(11)
Other operating income	8,428	1	5,911	-
Total revenues	<u>1,571,930</u>	<u>100</u>	<u>1,414,479</u>	<u>100</u>
Expenses				
Handling fee expenses	(48,424)	(3)	(45,620)	(3)
Finance costs	(129,295)	(8)	(112,335)	(8)
Securities commission expenses	(10,800)	(1)	(7,188)	(1)
Expenses of clearing and settlement	(181)	-	(5,495)	-
Other operating costs	(1,348)	-	(4,034)	-
Employee benefits expense	(881,174)	(56)	(777,489)	(55)
Depreciation and amortization	(67,870)	(5)	(81,509)	(6)
Other operating expenses	(438,973)	(28)	(421,441)	(30)
Total expenses	<u>(1,578,065)</u>	<u>(101)</u>	<u>(1,455,111)</u>	<u>(103)</u>
NET OPERATING LOSS	<u>(6,135)</u>	<u>(1)</u>	<u>(40,632)</u>	<u>(3)</u>

(Continued)

# CONCORD SECURITIES CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
SHARE OF LOSS OF SUBSIDIARIES AND ASSOCIATES	\$ (19,990)	(1)	\$ (20,197)	(2)
OTHER INCOME AND EXPENSES	<u>116,564</u>	<u>7</u>	<u>83,499</u>	<u>6</u>
PROFIT BEFORE TAX	90,439	5	22,670	1
INCOME TAX EXPENSE	<u>(19,485)</u>	<u>(1)</u>	<u>(3,421)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>70,954</u>	<u>4</u>	<u>19,249</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations	29,325	2	9,651	1
Unrealized losses on available-for-sale financial assets	(6,744)	(1)	(668)	-
Actuarial losses arising from defined benefit plans	(4,801)	-	(9,821)	(1)
Share of other comprehensive income and loss of subsidiaries and associates	390	-	(2,214)	-
Income tax expense relating to components of other comprehensive income and loss	<u>(3,620)</u>	<u>-</u>	<u>(929)</u>	<u>-</u>
Other comprehensive income (loss), net	<u>14,550</u>	<u>1</u>	<u>(3,981)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 85,504</u>	<u>5</u>	<u>\$ 15,268</u>	<u>1</u>
EARNINGS PER SHARE				
Basic	<u>\$ 0.10</u>		<u>\$ 0.03</u>	
Diluted	<u>\$ 0.10</u>		<u>\$ 0.03</u>	

(Concluded)

# CONCORD SECURITIES CO., LTD.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	Retained Earnings					Other Equity		Treasury Stock	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets		
BALANCE AT JANUARY 1, 2013	\$ 6,918,038	\$ 15,421	\$ 900	\$ 817,698	\$ 23,929	\$ (13,664)	\$ 3,555	\$ (32,330)	\$ 7,733,547
Special reserve under Rule No. 1010011388 issued by the FSC	-	-	-	66,933	(66,933)	-	-	-	-
Appropriation of 2012 earnings									
Legal reserve	-	-	786	-	(786)	-	-	-	-
Special reserve	-	-	-	7,078	(7,078)	-	-	-	-
Net profit for the year ended December 31, 2013	-	-	-	-	19,249	-	-	-	19,249
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	(12,087)	8,011	95	-	(3,981)
Retirement of treasury stock	(34,670)	2,340	-	-	-	-	-	32,330	-
Change from investments in associates accounted for using equity method	-	-	-	431	-	-	-	-	431
BALANCE AT DECEMBER 31, 2013	6,883,368	17,761	1,686	892,140	(43,706)	(5,653)	3,650	-	7,749,246
Appropriation of 2013 earnings									
Offset of accumulated deficits by special reserve	-	-	-	(27,927)	27,927	-	-	-	-
Reversal of special reserve	-	-	-	(15,779)	15,779	-	-	-	-
Net profit for the year ended December 31, 2014	-	-	-	-	70,954	-	-	-	70,954
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(4,264)	24,889	(6,075)	-	14,550
Purchase of treasury stock	-	-	-	-	-	-	-	(170,856)	(170,856)
BALANCE AT DECEMBER 31, 2014	<u>\$ 6,883,368</u>	<u>\$ 17,761</u>	<u>\$ 1,686</u>	<u>\$ 848,434</u>	<u>\$ 66,690</u>	<u>\$ 19,236</u>	<u>\$ (2,425)</u>	<u>\$ (170,856)</u>	<u>\$ 7,663,894</u>

# CONCORD SECURITIES CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 90,439	\$ 22,670
Adjustments for:		
Depreciation	51,824	64,338
Amortization	16,046	19,689
Bad debt income	(221)	(588)
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	121,824	(73,346)
Finance costs	129,295	112,335
Interest income	(668,846)	(614,300)
Dividend income	(68,755)	(39,447)
Share of loss of subsidiaries and associates	19,990	20,197
Loss on disposal of property and equipment	234	2,216
Loss on disposal of intangible assets	1,034	-
Gain on disposal of investment	(27,555)	(1,727)
Impairment loss recognized on financial assets	2,397	-
Reversal of impairment loss of non-financial assets	-	(7,502)
Other items	(14,478)	(859)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(5,465,142)	(888,948)
Bond investments under resale agreements	(946,716)	3,800,794
Margin loans receivable	(584,044)	(472,038)
Refinancing margin	(4,000)	5,366
Refinancing collateral receivable	(3,211)	5,096
Security borrowing collateral price	(128,747)	(65,655)
Security borrowing margin	(115,941)	(60,774)
Notes receivable	(66)	(40)
Accounts receivable	1,122,213	(979,233)
Prepayments	9,022	(281)
Other receivables	4,826	59,675
Other financial assets	5,100	(1,800)
Other current assets	208,488	(61,392)
Liabilities for bonds with repurchase agreements	4,008,560	(545,471)
Financial liabilities at fair value through profit or loss	751,459	(810,966)
Securities financing refundable deposits	176,553	(161,499)
Deposits payable for securities financing	126,854	(148,175)
Accounts payable	(268,148)	(1,415,345)
Other payables	36,254	17,675
Accrued pension liabilities	3,576	4,740
Provisions	1,483	(1,091)
Other financial liabilities	-	(48,400)
Other current liabilities	(90,477)	81,929
Cash used in operations	(1,498,876)	(2,182,157)
Interest received	618,170	589,204
Dividend received	65,975	36,806

(Continued)

# CONCORD SECURITIES CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
Interest paid	\$ (129,702)	\$ (112,404)
Income tax paid	<u>(37,612)</u>	<u>(65,214)</u>
Net cash used in operating activities	<u>(982,045)</u>	<u>(1,733,765)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	(367,995)	-
Disposal of available-for-sale financial assets	115,882	6,304
Purchase of financial assets measured at cost	(15,000)	(15,000)
Disposal of financial assets measured at cost	6,244	-
Acquisition of stock investments measured by equity method	(150,625)	(5,000)
Acquisition of property and equipment	(19,087)	(14,836)
Proceeds from disposal of property and equipment	379	-
Decrease in operating deposits	25,000	15,000
Increase in security settlement fund	(353)	(9,610)
Decrease in refundable deposits	1,674	1,664
Acquisition of intangible assets	(8,560)	(5,676)
Increase in other non-current assets	(1,522)	(19,777)
Dividend received	41,186	6,309
Other investing activities items	<u>14,300</u>	<u>-</u>
Net cash used in investing activities	<u>(358,477)</u>	<u>(40,622)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	417,000	(50,000)
Increase in commercial paper payable	898,000	1,795,000
Decrease in long-term borrowings (including current portion due within one year)	-	(119,957)
Increase in other liability - refundable deposits	620	-
Purchase of treasury stock	<u>(170,856)</u>	<u>-</u>
Net cash generated from financing activities	<u>1,144,764</u>	<u>1,625,043</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>3,229</u>	<u>-</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(192,529)</u>	<u>(149,344)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>332,650</u>	<u>481,994</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 140,121</u>	<u>\$ 332,650</u>

(Concluded)

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,118,947	3	\$ 1,518,992	5
Financial assets at fair value through profit or loss - current	16,813,652	43	11,412,674	34
Available-for-sale financial assets - current	279,073	1	7,344	-
Bond investments under resale agreements	2,766,814	7	1,820,098	6
Margin loans receivable	5,772,375	15	5,188,110	16
Refinancing margin	10,109	-	6,109	-
Refinancing collateral receivable	9,400	-	6,189	-
Customers' margin accounts	2,916,976	8	3,568,511	11
Futures trading margin receivables	525	-	825	-
Security borrowing collateral price	241,856	1	113,109	-
Security borrowing margin	219,835	1	103,894	-
Notes and accounts receivable	3,672,686	9	4,460,355	13
Prepayments	19,714	-	28,149	-
Other receivables	13,650	-	18,644	-
Other financial assets - current	829,295	2	898,977	3
Current tax assets	39,904	-	34,022	-
Restricted assets - current	635,200	2	751,100	2
Other current assets	<u>4,908</u>	<u>-</u>	<u>101,817</u>	<u>-</u>
Total current assets	<u>35,364,919</u>	<u>92</u>	<u>30,038,919</u>	<u>90</u>
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current	40,656	-	40,756	-
Available-for-sale financial assets - non-current	120,267	-	118,007	-
Investments accounted for using equity method	479,122	1	499,958	2
Property and equipment	1,193,453	3	1,239,685	4
Investment properties	240,465	1	239,049	1
Intangible assets	69,695	-	81,704	-
Deferred tax assets	69,171	-	58,371	-
Other non-current assets	<u>1,040,959</u>	<u>3</u>	<u>1,065,804</u>	<u>3</u>
Total non-current assets	<u>3,253,788</u>	<u>8</u>	<u>3,343,334</u>	<u>10</u>
TOTAL	<u>\$ 38,618,707</u>	<u>100</u>	<u>\$ 33,382,253</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 497,000	1	\$ 80,000	-
Commercial paper payable	4,979,068	13	4,083,233	12
Financial liabilities at fair value through profit or loss - current	2,328,410	6	1,481,665	5
Liabilities for bonds with repurchase agreements	13,273,990	34	9,265,430	28
Securities financing refundable deposits	582,678	1	406,125	1
Deposits payable for securities financing	749,159	2	622,305	2
Futures traders' equity	2,967,913	8	3,539,448	11
Accounts payable	4,959,794	13	5,416,773	16
Other payables	305,293	1	264,385	1
Current tax liabilities	3,004	-	7,590	-
Provisions - current	22,341	-	19,825	-
Other current liabilities	<u>34,253</u>	<u>-</u>	<u>124,535</u>	<u>-</u>
Total current liabilities	<u>30,702,903</u>	<u>79</u>	<u>25,311,314</u>	<u>76</u>
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current	4,039	-	89,137	-
Provisions - non-current	14,677	-	15,077	-
Deferred tax liabilities	4,599	-	12	-
Other liability - refundable deposits	1,260	-	640	-
Accrued pension liabilities - non-current	<u>184,819</u>	<u>1</u>	<u>175,887</u>	<u>1</u>
Total non-current liabilities	<u>209,394</u>	<u>1</u>	<u>280,753</u>	<u>1</u>
Total liabilities	<u>30,912,297</u>	<u>80</u>	<u>25,592,067</u>	<u>77</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Share capital	<u>6,883,368</u>	<u>18</u>	<u>6,883,368</u>	<u>21</u>
Capital surplus	<u>17,761</u>	<u>-</u>	<u>17,761</u>	<u>-</u>
Retained earnings				
Legal reserve	1,686	-	1,686	-
Special reserve	848,434	2	892,140	2
Unappropriated earnings (accumulated deficits)	<u>66,690</u>	<u>-</u>	<u>(43,706)</u>	<u>-</u>
Total retained earnings	<u>916,810</u>	<u>2</u>	<u>850,120</u>	<u>2</u>
Other equity	<u>16,811</u>	<u>-</u>	<u>(2,003)</u>	<u>-</u>
Treasury stock	<u>(170,856)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the Corporation	7,663,894	20	7,749,246	23
NON-CONTROLLING INTERESTS	<u>42,516</u>	<u>-</u>	<u>40,940</u>	<u>-</u>
Total equity	<u>7,706,410</u>	<u>20</u>	<u>7,790,186</u>	<u>23</u>
TOTAL	<u>\$ 38,618,707</u>	<u>100</u>	<u>\$ 33,382,253</u>	<u>100</u>

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
NET OPERATING LOSS				
REVENUES				
Securities brokerage commissions	\$ 1,328,763	57	\$ 1,193,174	57
Income from securities lending	1,596	-	7,809	-
Underwriting commissions	71,697	3	91,269	4
Gains on sale of securities, net	171,845	7	125,654	6
Revenue from providing agency service for stock affairs	11,913	-	8,674	-
Interest income	663,198	29	606,856	29
Dividend income	65,715	3	36,806	2
Valuation gains (losses) on operating securities at fair value through profit or loss, net	(109,028)	(5)	76,827	4
Gains (losses) on covering of borrowed securities and bonds with resale agreements, net	(14,431)	(1)	11,408	1
Valuation losses on borrowed securities and bonds with resale agreements, net	(8,755)	-	(4,269)	-
Gains on issuance of stock warrants, net	22,607	1	20,148	1
Gains on derivative instruments - futures, net	60,455	3	19,981	1
Losses on derivative instruments - OTC, net	(3,161)	-	(152,227)	(7)
Other operating income	61,158	3	41,409	2
Total revenues	<u>2,323,572</u>	<u>100</u>	<u>2,083,519</u>	<u>100</u>
EXPENSES				
Handling fee expenses	(169,824)	(7)	(140,550)	(7)
Finance costs	(130,024)	(6)	(118,182)	(5)
Futures commission expense	(76,877)	(3)	(62,192)	(3)
Securities commission expense	(10,148)	-	(16,640)	(1)
Expenses of clearing and settlement	(81,153)	(3)	(65,356)	(3)
Other operating costs	(18,992)	(1)	(14,971)	(1)
Employee benefits expense	(1,184,922)	(51)	(1,058,741)	(51)
Depreciation and amortization	(90,052)	(4)	(105,469)	(5)
Other operating expenses	(594,384)	(26)	(587,863)	(28)
Total expenses	<u>(2,356,376)</u>	<u>(101)</u>	<u>(2,169,964)</u>	<u>(104)</u>
NET OPERATING LOSS	<u>(32,804)</u>	<u>(1)</u>	<u>(86,445)</u>	<u>(4)</u>

(Continued)

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
SHARE OF PROFIT OR LOSS OF ASSOCIATES (Note 4)	\$ (21,505)	(1)	\$ 325	-
OTHER INCOME AND EXPENSES	<u>162,139</u>	<u>7</u>	<u>125,924</u>	<u>6</u>
PROFIT BEFORE TAX	107,830	5	39,804	2
INCOME TAX EXPENSE	<u>(33,607)</u>	<u>(2)</u>	<u>(17,968)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>74,223</u>	<u>3</u>	<u>21,836</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations	29,325	1	9,651	1
Unrealized losses on available-for-sale financial assets	(6,744)	-	(668)	-
Actuarial losses arising from defined benefit plans	(4,911)	-	(12,577)	(1)
Share of other comprehensive income of associates	669	-	763	-
Income tax expense related to components of other comprehensive income and loss	<u>(3,774)</u>	<u>-</u>	<u>(1,224)</u>	<u>-</u>
Other comprehensive income (loss), net	<u>14,565</u>	<u>1</u>	<u>(4,055)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 88,788</u>	<u>4</u>	<u>\$ 17,781</u>	<u>1</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 70,954</u>	<u>3</u>	<u>\$ 19,249</u>	<u>1</u>
Non-controlling interests	<u>\$ 3,269</u>	<u>-</u>	<u>\$ 2,587</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 85,504</u>	<u>4</u>	<u>\$ 15,268</u>	<u>1</u>
Non-controlling interests	<u>\$ 3,284</u>	<u>-</u>	<u>\$ 2,513</u>	<u>-</u>
EARNINGS PER SHARE				
Basic	<u>\$0.10</u>		<u>\$0.03</u>	
Diluted	<u>\$0.10</u>		<u>\$0.03</u>	

(Concluded)



# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation											
						Other Equity			Treasury Stock	Total	Non-controlling Interests	Total Equity
						Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets					
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)							
BALANCE AT JANUARY 1, 2013	\$ 6,918,038	\$ 15,421	\$ 900	\$ 817,698	\$ 23,929	\$ (13,664)	\$ 3,555	\$ (32,330)	\$ 7,733,547	\$ 38,593	\$ 7,772,140	
Special reserve under Rule No. 1010011388 issued by the FSC	-	-	-	66,933	(66,933)	-	-	-	-	-	-	
Appropriation of 2012 earnings												
Legal reserve	-	-	786	-	(786)	-	-	-	-	-	-	
Special reserve	-	-	-	7,078	(7,078)	-	-	-	-	-	-	
Net profit for the year ended December 31, 2013	-	-	-	-	19,249	-	-	-	19,249	2,587	21,836	
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	(12,087)	8,011	95	-	(3,981)	(74)	(4,055)	
Retirement of treasury stock	(34,670)	2,340	-	-	-	-	-	32,330	-	-	-	
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(166)	(166)	
Change from investments in associates accounted for using equity method	-	-	-	431	-	-	-	-	431	-	431	
BALANCE AT DECEMBER 31, 2013	6,883,368	17,761	1,686	892,140	(43,706)	(5,653)	3,650	-	7,749,246	40,940	7,790,186	
Appropriation of 2013 earnings												
Offset of accumulated deficits by special reserve	-	-	-	(27,927)	27,927	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	(15,779)	15,779	-	-	-	-	-	-	
Net profit for the year ended December 31, 2014	-	-	-	-	70,954	-	-	-	70,954	3,269	74,223	
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(4,264)	24,889	(6,075)	-	14,550	15	14,565	
Purchase of treasury stock	-	-	-	-	-	-	-	(170,856)	(170,856)	-	(170,856)	
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(1,708)	(1,708)	
BALANCE AT DECEMBER 31, 2014	\$ 6,883,368	\$ 17,761	\$ 1,686	\$ 848,434	\$ 66,690	\$ 19,236	\$ (2,425)	\$ (170,856)	\$ 7,663,894	\$ 42,516	\$ 7,706,410	

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 107,830	\$ 39,804
Adjustments for:		
Depreciation	64,177	77,219
Amortization	25,875	29,273
Bad debt expense (income)	1,621	(4)
Net loss on fair value changes on financial assets and liabilities at fair value through profit or loss	121,913	81,625
Finance costs	130,024	118,182
Interest income	(713,931)	(659,373)
Dividend income	(77,224)	(40,678)
Share of loss (profit) of associates	21,505	(325)
Loss (gain) on disposal of property and equipment	234	(2,213)
Loss on disposal of intangible assets	1,034	-
Gain on disposal of investment	(30,192)	(3,273)
Impairment loss recognized on financial assets	2,397	-
Impairment loss recognized on non-financial assets	4,304	-
Reversal of impairment loss on non-financial assets	-	(7,502)
Other items	(14,478)	(859)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(5,510,887)	(880,528)
Bond investments under resale agreements	(946,716)	3,800,794
Margin loans receivable	(584,044)	(472,038)
Refinancing margin	(4,000)	5,366
Refinancing collateral receivable	(3,211)	5,096
Customers' margin accounts	651,535	(1,083,523)
Futures trading margin receivables	300	380
Security borrowing collateral price	(128,747)	(65,655)
Security borrowing margin	(115,941)	(60,774)
Notes receivable	(66)	(40)
Accounts receivable	835,043	(891,401)
Prepayments	8,435	48
Other receivables	19,487	106,004
Other financial assets	69,682	13,515
Other current assets	212,809	(65,682)
Liabilities for bonds with repurchase agreements	4,008,560	(545,471)
Financial liabilities at fair value through profit or loss	752,574	(810,966)
Securities financing refundable deposits	176,553	(161,499)
Deposits payable for securities financing	126,854	(148,175)
Futures traders' equity	(571,535)	1,060,262
Accounts payable	(456,579)	(1,442,280)
Other payables	40,836	(12,569)
Accrued pension liabilities	4,021	6,836

(Continued)

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
Provisions	\$ 2,516	\$ (709)
Other financial liabilities	-	(48,400)
Other current liabilities	<u>(90,282)</u>	<u>83,235</u>
Cash used in operations	(1,857,714)	(1,976,298)
Interest received	655,625	632,108
Dividend received	73,947	36,806
Interest paid	(130,352)	(112,996)
Income tax paid	<u>(54,062)</u>	<u>(73,405)</u>
Net cash used in operating activities	<u>(1,312,556)</u>	<u>(1,493,785)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	(367,995)	-
Disposal of available-for-sale financial assets	115,882	6,304
Purchase of financial assets measured at cost	(15,000)	(15,000)
Disposal of financial assets measured at cost	6,244	-
Acquisition of property and equipment	(21,963)	(20,343)
Proceeds from disposal of property and equipment	399	4,429
Decrease in operating deposits	23,805	32,686
Increase in security settlement fund	(1,463)	(27,467)
Decrease (increase) in refundable deposits	1,214	(1,013)
Acquisition of intangible assets	(16,992)	(14,941)
Increase in other non-current assets	(692)	(21,570)
Dividend received	3,040	3,872
Other investing activities items	<u>14,300</u>	<u>-</u>
Net cash used in investing activities	<u>(259,221)</u>	<u>(53,043)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	417,000	(79,227)
Increase in commercial paper payable	898,000	1,795,000
Decrease in long-term borrowings (including current portion due within one year)	-	(119,957)
Increase (decrease) in other liability - refundable deposits	620	(10)
Purchase of treasury stock	(170,856)	-
Change in non-controlling interests	<u>(1,708)</u>	<u>(166)</u>
Net cash generated from financing activities	<u>1,143,056</u>	<u>1,595,640</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>28,676</u>	<u>9,171</u>

(Continued)

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

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	2014	2013
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (400,045)	\$ 57,983
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,518,992</u>	<u>1,461,009</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,118,947</u>	<u>\$ 1,518,992</u>

(Concluded)

## 5. The Measure for Transferring the Buyback Shares to the Employees

- Article 1 In order to reward and enhance employees' loyalty, the company established this measure according to Paragraph 1, Subparagraph 1, Article 28-2 of Securities Exchange Act and Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies.
- In addition to related regulations, all matters relating to this share transferring are according to this measure.
- Article 2 This share transferring to the employees is all common shares, and the rights and obligations are same as other outstanding common shares excepting for additional regulations from the law.
- Article 3 The buy-back shares will be transferred to the employees within three years since the date of action.
- Article 4 The Company shall buy back shares and transfer them to employees pursuant to conditions as below:
- (1) Where an employee has worked in the company for 1 year before subscription base day.
  - (2) Where an employee is rated as excellent in the annual evaluation.
  - (3) Where a new employee or on-the-job employee specially approved by the chairman.
- Any employee who complies with the aforesaid conditions shall have the right to subscribe shares in accordance with the number of shares that an employee can subscribe stated in article 5 of the method.
- On-the-job employees of the Company and its subsidiaries (where a company that the Company holds 50% or more shares of the company) shall have the right to subscribe shares.
- Article 5 The Company shall evaluate employees' job level, service period and special contributions to the Company, stipulate the weight of shares that employees can transfer, give consideration to the aggregate amount of buy-back shares held by the Company and shares subscribed a single employee on the subscription base day, stipulate number of shares that employees can subscribe, and submit them to the board of directors for approval.
- Article 6 The operational procedure of this transferring:
- (1) This buy-back action is according to the decision, announcement and report from Board of Directors and was executed within the operative period.
  - (2) The Chairman of Board is authorized by the Board of Directors and decides the qualified employees list, subscribed number of shares, payment period, the related rights, and transferring period according to this Measure.
  - (3) Calculating the actual subscribed shares and conducting the transferring registration.
- Article 7 The measure of setting up the transferring price is as follows:
- The transferring price is based on the average price of actual buy-back share price. However, the price will also be added the cost of capital. (According to the one-year time deposit rate at the buy-back year of Bank of Taiwan ) Before transferring, if there is any increase or decrease of the company's common shares, it will be adjusted by the increase/decrease rate.
- Article 8 After transferring and registering, the rights and obligations is same as the original shares excepting for additional regulations.
- Article 9 This measure and amendments are both agreed by the Board of Directors before implement, and shall be proposed to the shareholders' meeting.

Article10 The Measure for Transferring the Buyback Shares to the Employees was enacted on August 12th, 2014.

## 6. The Table for the Amended Articles of “The Ethical Corporate Management Best Practice Principles”

Revised Article	Current Version	Explanation
<p>Article 2</p> <p>When engaging in commercial activities, directors, supervisors, managers, employees <u>and mandataries</u> of the Company or persons having substantial control over the Company (Substantial Controllers) shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (Unethical Conduct) for purposes of acquiring or maintaining benefits.</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and the directors, supervisors, managers, employees or substantial controllers or other interested parties</p>	<p>Article 2</p> <p>When engaging in commercial activities, directors, supervisors, managers, employees of the Company or persons having substantial control over the Company (Substantial Controllers) shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (Unethical Conduct) for purposes of acquiring or maintaining benefits.</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and the directors, supervisors, managers, employees or substantial controllers or other interested parties</p>	<p>‘mandataries’ is added</p>
<p>Article 6 The Company shall, <u>in their own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs</u> to establish in its own ethical corporate management best practice principle comprehensive programs to avoid Unethical Conduct (Precautionary Scheme), including operational procedures, guidelines, and training.</p> <p>When establishing the Precautionary Scheme, the Company shall comply with relevant laws and regulations of the operation sites.</p> <p>In the course of developing the Prevention Program, the Company is advised to negotiate with staff, labor unions, <u>important trading</u></p>	<p>Article 6</p> <p>The Company shall, <u>in accordance with the operational philosophies and policies prescribed in the preceding article</u>, establish in its own ethical corporate management best practice principle comprehensive programs to avoid Unethical Conduct (Precautionary Scheme), including operational procedures, guidelines, and training.</p> <p>When establishing the Precautionary Scheme, the Company shall comply with relevant laws and regulations of the operation sites.</p> <p>In the course of developing the Prevention Program, the Company is advised to negotiate with staff, labor unions <u>or members of other representative institutions, and consult</u></p>	<p>Amended according to the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>

<u>counterparties, or other stakeholders.</u>	<u>or negotiate with relevant interested parties.</u>	
<p>Article 7</p> <p>When establishing the Precautionary Scheme, the Company shall analyze which business activities within its business scope that may be at a higher risk of being involved in an Unethical Conduct, and strengthen the preventive measures.</p> <p>The Precautionary Scheme established by the company shall at least include precautionary measures against the following:</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Illegal political donations.</li> <li>3. Improper charitable donations or sponsorship.</li> <li>4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> <li><u>5.Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</u></li> <li><u>6.Engaging in unfair competitive practices.</u></li> <li><u>7.Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</u></li> </ol>	<p>Article 7</p> <p>When establishing the Precautionary Scheme, the Company shall analyze which business activities within its business scope that may be at a higher risk of being involved in an Unethical Conduct, and strengthen the preventive measures.</p> <p>The Precautionary Scheme established by the company shall at least include precautionary measures against the following:</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Illegal political donations.</li> <li>3. Improper charitable donations or sponsorship.</li> <li>4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> </ol>	<p>Amended according to the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07</p>
<p>Article 8</p> <p>The Company and their respective business group shall clearly specify <u>in their rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</u></p>	<p>Article 8</p> <p>The Company and its respective Business Group shall clearly specify <u>ethical corporate management policies in their rules and external documents. The Board and the management level shall undertake to rigorously and thoroughly enforce such policies for internal management and external commercial activities.</u></p>	<p>Amended according to the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07</p>
Article 9	Article 9	Amended according



<p>The Companies shall engage in commercial activities in a fair and transparent manner <u>based on the principle of ethical management.</u></p> <p>Prior to any commercial transactions, the Companies shall take into consideration the legality of <u>their</u> agents, suppliers, clients, or other trading counterparties and <u>whether any of them are involved</u> in unethical conduct, and shall avoid any dealings with persons so involved.</p> <p>When entering into contracts with <u>their agents, suppliers, clients, or other trading counterparties</u>, the Companies shall include in such contracts <u>terms requiring compliance with</u> ethical corporate management policy and that in the event the trading counterparties are <u>involved in</u> unethical conduct, the Companies may <u>at any time terminate or rescind the contracts.</u></p>	<p>The Company shall engage in commercial activities in a fair and transparent manner.</p> <p>Prior to any commercial transactions, the Company shall take into consideration the legality of <u>its</u> agents, suppliers, clients or other trading counterparties, and <u>its</u> records of unethical conduct, if any. It is advisable not to have any dealings with persons who have any records of Unethical Conduct.</p> <p>When entering into contracts with <u>other parties</u>, the Company shall include in such contracts <u>provisions demanding</u> ethical corporate management policy compliance and that in the event the trading counterparties are <u>suspected of engaging in</u> Unethical Conduct, the company may <u>terminate or cancel the contracts at any time</u></p>	<p>the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>
<p>Article 10</p> <p>When conducting business, the Companies and their directors, supervisors, managers, employees, <u>mandataries</u>, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits <u>in whatever form</u> to or from clients, agents, contractors, suppliers, public servants, or other <u>stakeholders.</u></p>	<p>Article 10</p> <p>When conducting business, the Company and its directors, supervisors, managers, employees and Substantial Controllers, shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, <u>including rebates, commissions, grease payments, or offer or accept improper benefits in other ways</u> to or from clients, agents, contractors, suppliers, public servants, or other <u>interested parties, unless the laws of the territories where the companies operate permit so.</u></p>	<p>Amended according to the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>
<p>Article 11</p> <p>When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Companies and their directors, supervisors, managers, employees, <u>mandataries</u>, and substantial</p>	<p>Article 11</p> <p>When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, supervisors, managers, employees and Substantial Controllers, shall comply with the</p>	<p>Amended according to the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on</p>

controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages	Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.	2014.11.07
Article 12 When making or offering donations and sponsorship, the Companies and their directors, supervisors, managers, employees , <u>mandataries</u> , and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.	Article 12 When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees and Substantial Controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.	Amended according to the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07
Article 13 The Companies and their directors, supervisors, managers, employees, <u>mandataries</u> , and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.	Article 13 The Company and its directors, supervisors, managers, employees and Substantial Controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.	Amended according to the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07
<u>Article 14</u> <u>The Companies and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.</u>	none	Amended according to the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07
<u>Article 15</u>	none	Amended according

<p><u>The Companies shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.</u></p>		<p>the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>
<p><u>Article 16</u>  <u>The Companies shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.</u></p>		<p>Amended according the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>
<p><u>Article 17</u>  <u>The directors, supervisors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</u>  <u>To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:</u></p>	<p><u>Article 14</u>  <u>The Board of the Company shall exercise the due care of good administrators to urge the Company to prevent Unethical Conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</u>  <u>To achieve sound ethical corporate management, the Company is advised to form a dedicated unit to be in charge of establishing and enforcing the ethical corporate management policies and Prevention Program and reporting to the Board on a regular basis.</u></p>	<p>Amended according the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>

<p><u>1.Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</u></p> <p><u>2.Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.</u></p> <p><u>3.Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</u></p> <p><u>4.Promoting and coordinating awareness and educational activities with respect to ethics policy.</u></p> <p><u>5.Developing a whistle-blowing system and ensuring its operating effectiveness.</u></p> <p><u>6.Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</u></p>		
<p>Article <u>18</u></p> <p>The Companies and their directors, supervisors, managers, employees, <u>mandataries</u>, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.</p>	<p>Article <u>15</u></p> <p>The Company and the directors, supervisors, managers, employees and Substantial Controllers shall comply with laws and regulations and the Prevention Program when conducting business</p>	<p>Amended according to the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>

<p>Article <u>19</u></p> <p>The Companies shall <u>adopt</u> policies for preventing conflicts of interest <u>to identify, monitor, and manage risks possibly resulting from unethical conduct</u>, and shall also offer appropriate means for directors, supervisors, managers, <u>and other stakeholders attending or present at board meetings</u> to voluntarily explain whether their interests would potentially conflict with those of the company.</p> <p>When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of <u>the directors, supervisors, managers, and other stakeholders attending or present</u> at board meetings of the Company, the concerned person shall <u>state the important aspects of the relationship of interest at the given board meeting</u>. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>The Company's directors, supervisors, managers, <u>employees, mandataries, and substantial controllers</u> shall not take advantage of their positions <u>or influence</u> in the companies to obtain improper benefits</p>	<p>Article <u>16</u></p> <p>The Company shall <u>promulgate</u> policies for preventing conflicts of interests and offer appropriate means for directors, supervisors and managers to voluntarily explain whether their interests would potentially conflict with those of the Company.</p> <p>The Company's directors shall exercise a high degree of self-discipline, a director may present his opinion and answer relevant questions, but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company; neither shall a director vote on such proposal as a proxy of another director in such circumstances. The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>The Company's directors, supervisors and managers shall not take advantage of their positions in the companies to obtain improper benefits for themselves, their spouses, parents,</p>	<p>Amended according to the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07</p>
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for themselves, their spouses, parents, children or any other person.	children or any other person.	
<p>Article <u>20</u> The Companies shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p><u>The internal audit unit of a the Company shall periodically examine the company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</u></p>	<p>Article <u>17</u> The Company shall establish effective accounting systems and internal control systems for business activities which may at a higher risk of being involved in an Unethical Conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p>	Amended according the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07
<p>Article <u>21</u> The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, and Substantial Controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:</p> <ol style="list-style-type: none"> <li>1. Standards for determining whether improper benefits have been offered or accepted.</li> <li>2. Procedures for offering legitimate political donations.</li> <li>3. Procedures and the standard rates for offering charitable donations or sponsorship.</li> <li>4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.</li> </ol>	<p>Article <u>18</u> The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, and Substantial Controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:</p> <ol style="list-style-type: none"> <li>1. Standards for determining whether improper benefits have been offered or accepted.</li> <li>2. Procedures for offering legitimate political donations.</li> <li>3. Procedures and the standard rates for offering charitable donations or sponsorship.</li> <li>4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.</li> <li>5. Rules for keeping confidential trade</li> </ol>	Amended according the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07

<p>5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.</p> <p>6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of Unethical Conduct.</p> <p>7. Handling procedures for violations of the Principles.</p> <p>8. Disciplinary measures on offenders.</p>	<p>secrets and sensitive business information obtained in the ordinary course of business.</p> <p>6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of Unethical Conduct.</p> <p>7. Handling procedures for violations of the Principles.</p> <p>8. Disciplinary measures on offenders.</p>	
<p><u>Article 22</u>  <u>The chairperson, general manager, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.</u></p> <p>The company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, <u>mandataries</u>, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.</p> <p>TWSE/GTSM listed companies shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	<p><u>Article 19</u></p> <p>The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, and Substantial Controllers and invite the company's commercial transaction counterparties so they understand the company's resolve to implement ethical corporate management, the related policies, Precautionary Scheme and the consequences of committing Unethical Conduct.</p> <p>The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	<p>Amended according to the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07</p>
<p><u>Article 23</u>  <u>The company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</u>  <u>1. An independent mailbox or hotline, either internally established and publicly announced or provided by an</u></p>	<p><u>Article 20</u>  The Company shall have in place a formal channel for receiving reports on Unethical Conduct and keep the reporter's identity and content of the report confidential.</p>	<p>Amended according to the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07</p>

<p><u>independent external institution, to allow company insiders and outsiders to submit reports.</u></p> <p><u>2.Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors.</u></p> <p><u>Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</u></p> <p><u>3.Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</u></p> <p><u>4.Confidentiality of the identity of whistle-blowers and the content of reported cases.</u></p> <p><u>5.Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</u></p> <p><u>6.Whistle-blowing incentive measures.</u></p> <p><u>When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form</u></p>		
<p><u>Article 24</u></p> <p>The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.</p>	<p>The Company shall establish a well-defined disciplinary and complaint system to handle violation of the ethical corporate management rules, and immediately disclose on the company's internal website the offender's job title, name, date the violation was committed, violating act and how the matter was handled.</p>	<p>Amended according to the 'The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies' announced on 2014.11.07</p>
<p><u>Article 25</u></p>	<p><u>Article 21</u></p>	<p>Amended according</p>



<p>The company <u>shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. They shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on their company websites, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.</u></p>	<p>The Company shall disclose the status of the enforcement of their own ethical corporate management best practice principles on their company websites, annual reports and prospectuses.</p>	<p>the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>
<p>Article 26 The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, <u>based on which the adopted ethical corporate management policies and measures taken will be reviewed</u> and improved with a view to achieving better implementation of ethical management.</p>	<p>Article 22 The Company shall, at all times, monitor the development of relevant local and international regulations concerning ethical corporate management, and encourage directors, supervisors, managers and employees to <u>make suggestions so as to review and improve their ethical corporate management best practice principles and achieve better results from implementing the principles.</u></p>	<p>Amended according to the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>
<p>Article 27 The ethical corporate management best practice principles shall be implemented after the board of directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended. <u>The company has appointed independent directors. When the</u></p>	<p>Article 23 The ethical corporate management best practice principles shall be implemented after the Board grants the approval, and shall be reported at a shareholders' meeting. The same procedure shall be followed when the principles have been revised.</p>	<p>Amended according to the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>

ethical corporate management best practice principles are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

The Company has established an audit committee, the provisions regarding supervisors in these Principles shall apply mutatis mutandis to the audit committee.

# The Table for the Amended Articles of “The Ethical Corporate Management Operational Procedures and Guidelines”

Revised Article	Current Version	Explanation
<p>Article 1</p> <p>Based on the principles of fair, honesty, abidance, and transparency when engaging in commercial activities, the Company promulgates “The Ethical Corporate Management Operational Procedures and Guidelines” (Operational Procedures and Guidelines) in order to implement the ethical corporate policy and to prevent Unethical Conducts according to the regulations from the “Concord Securities Co. Ltd , The Ethical Corporate Management Best Practice Principles.”</p> <p>The Operational Procedure and Guidelines is applicable to the Company and its subsidiary business groups and organizations, any foundation to which the Company's direct or indirect contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons which are substantially controlled by such company ("Business Group")</p>	<p>Article 1</p> <p>Based on the principles of fair, honesty, abidance, and transparency when engaging in commercial activities, the Company promulgates “The Ethical Corporate Management Operational Procedures and Guidelines” (Operational Procedures and Guidelines) in order to implement the ethical corporate policy and to prevent Unethical Conducts according to the regulations from <u>Article 18 of the</u> “Concord Securities Co. Ltd , The Ethical Corporate Management Best Practice Principles.”</p> <p>The Operational Procedure and Guidelines is applicable to the Company and its subsidiary business groups and organizations, any foundation to which the Company's direct or indirect contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons which are substantially controlled by such company ("Business Group")</p>	<p>Amended according to the ‘The Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies’ announced on 2014.11.07</p>
<p>Article 5</p> <p>The Company authorized <u>the Regulation Compliance Office</u> (“Dedicated Unit”) to be in charge of handling the amendment, implementation, explanation, and consulting service of the Operational</p>	<p>Article 5</p> <p>The Company authorized <u>the General Manager to assign relevant units to form a dedicated unit</u> (“Dedicated Unit”) that is in charge of handling the amendment, implementation, explanation, and consulting service of</p>	<p>Dedicated Unit specified.</p>

Procedures and Guidelines, as well as the relevant operation and implementation supervision on the registration and file-establishment of the notice contents. The Dedicated Unit shall periodically report to the Board	the Operational Procedures and Guidelines, as well as the relevant operation and implementation supervision on the registration and file-establishment of the notice contents. The Dedicated Unit shall periodically report to the Board.	
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## 7. The Codes of Ethics

### Article 1 Purpose of and basis for adoption

The codes of ethical conduct are established for the purpose of encouraging directors, managerial officers and all of the employees (herein after referred to as Company employees) to act in line with ethical standards, and helping interested parties better understand the ethical standards of the Company.

### Article 2 Content of the code

#### 1. Prevention of conflicts of interest:

Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the company, as for example when Company employees are unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third degree of kinship. The company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which a Company employee works. The company shall establish a policy aimed at preventing conflicts of interest, and shall offer appropriate means for Company employees to voluntarily explain whether there is any potential conflict between them and the company.

#### 2. Minimizing incentives to pursue personal gain:

The company shall prevent its directors or managerial officers from engaging in any of the following activities: (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions. (2) Obtaining personal gain by using company property or information or taking advantage of their positions. (3) Competing with the company.

When the company has an opportunity for profit, it is the responsibility of the Company employees to maximize the reasonable and proper benefits that can be obtained by the company.

#### 3. Confidentiality:

The Company employees shall be bound by the obligation to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the company or the suppliers and customers.

#### 4. Fair trade:

The Company employees shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through

misrepresentation of important matters, or through other unfair trading practices.

5.Safeguarding and proper use of company assets:

The Company employees have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will all directly impact the company's profitability.

6.Legal compliance:

The Company employees shall strengthen its compliance with the Securities and Exchange Act and other applicable laws, regulations, and bylaws.

7.Encouraging reporting on illegal or unethical activities:

The company shall raise awareness of ethics internally and encourage employees to report to appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. To encourage employees to report illegal conduct, it is advisable that the company adopt relevant procedures or mechanisms for such reporting and make employees aware that the company will use its best efforts to ensure the safety of informants and protect them from reprisals.

8.Disciplinary measures:

When the Company employees violates the code of ethical conduct, the company shall handle the matter in accordance with the disciplinary measures prescribed in the code, and shall without delay disclose on the Market Observation Post System (MOPS) the name and title of the violator, the date of the violation, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. It is advisable that the company establish a relevant complaint system to provide the violator with remedies.

### Article 3 Procedures for exemption

The code of ethical conduct adopted by a company must require that any exemption for directors or managerial officers from compliance with the code be adopted by a resolution of the board of directors, and that information on the name and title of the person entitled to such exemption, the date on which the board of directors adopted the resolution for exemption, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

### Article 4 Method of disclosure

The Company shall disclose the code of ethical conduct it has adopted, and any amendments to it, in its annual reports and prospectuses and on the MOPS.

### Article 5 Enforcement

The Company's code of ethical conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors and submitted to a shareholders meeting.

## 8. The Table for the Amended Articles of “Articles of Incorporation”

Revised Article	Current Version	Explanation
Chapter Four Directors and <u>the board of directors</u>	Chapter Four Directors and <u>Supervisors</u>	
<p>Article 16</p> <p>The Company shall have 11 to 25 Directors. The number of independent directors shall be no less than three and shall represent no less than one fifth of the total number of directors. Directors shall be persons with legal capacity and shall be elected and appointed by the shareholders at a shareholders’ meeting. The total percentage of shareholdings by all Directors must comply with the relevant rules and regulations. The election of directors (including independent directors) shall make use of a candidate nomination system pursuant to the provisions of Article 192-1 of the Company Act. The receipt, announcement etc. of nominations for directorship candidates shall be handled in accordance with the relevant rules and regulations prescribed by the securities governing authorities.</p>	<p>Article 16</p> <p>The Company shall have 11 to 25 Directors <del>and 2 to 5 Supervisors</del>. The number of independent directors shall be no less than three and shall represent no less than one fifth of the total number of directors. Directors <del>and Supervisors</del> shall be persons with legal capacity and shall be elected and appointed by the shareholders at a shareholders’ meeting. The total percentage of shareholdings by all Directors <del>and Supervisors</del> must comply with the relevant rules and regulations. The election of directors <del>and supervisors</del> (including independent directors) shall make use of a candidate nomination system pursuant to the provisions of Article 192-1 of the Company Act. The receipt, announcement etc. of nominations for directorship candidates shall be handled in accordance with the relevant rules and regulations prescribed by the securities governing authorities.</p>	‘Supervisors’ was deleted.
<p>Article 17</p> <p>The tenure of offices for Directors shall be three years and the Directors shall be eligible for re-election and re-appointment.</p>	<p>Article 17</p> <p>The tenure of offices for Directors <del>and Supervisors</del> shall be three years and the Directors <del>and Supervisors</del> shall be eligible for re-election and re-appointment.</p>	‘Supervisors’ was deleted.
<p>Article 18</p> <p>Where vacancies of the Board of Directors exceed one-third of the total number of the Directors or all the independent directors are dismissed, the Board shall convene a special shareholders’ meeting within 60 days</p>	<p>Article 18</p> <p>Where vacancies of the Board of Directors exceed one-third of the total number of the Directors, <del>all the Supervisors are dismissed</del> or all the independent directors are dismissed, the Board shall convene a special</p>	‘Supervisors’ was deleted.



to elect new Directors to fill the vacancies until the incumbent term expires. With respect to a director appointed by a corporate shareholder or its representative, the corporate shareholder may re-appoint its representative at any time due to a change in official functions and duties of the original representative until the incumbent term expires.	shareholders' meeting within 60 days to elect new Directors <del>and Supervisors</del> to fill the vacancies until the incumbent term expires. With respect to a director <del>or a supervisor</del> appointed by a corporate shareholder or its representative, the corporate shareholder may re-appoint its representative at any time due to a change in official functions and duties of the original representative until the incumbent term expires.	
Article 19-2 Board meetings shall be convened in accordance with The Company Act. The notice of the Board meetings may be made and delivered by writing, email or facsimile to the Directors.	Article 19-2 Board meetings shall be convened in accordance with The Company Act. The notice of the Board meetings may be made and delivered by writing, email or facsimile to the Directors <del>and Supervisors</del> .	'Supervisors' was deleted.
Article 19-3 <u>The</u> Company shall establish an Audit Committee pursuant to the provisions of Article 14-4 of the Securities and Exchange Act. The Audit Committee and its members shall fulfill their supervisory duties pursuant to the relevant provisions of the Company Act, the Securities and Exchange Act, and other relevant laws and regulations. The number and tenure of office of audit committee members, powers of the audit committee, rules of procedure for meetings of the audit committee shall be defined in an audit committee charter in accordance with Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.	Article 19-3 <del>When the tenure of offices for Directors and Supervisors elected in 2012 expires, the</del> <u>the</u> Company shall establish an Audit Committee pursuant to the provisions of Article 14-4 of the Securities and Exchange Act, <del>and all articles about Supervisors in this Articles of Incorporation shall not apply.</del> The Audit Committee and its members shall fulfill their supervisory duties pursuant to the relevant provisions of the Company Act, the Securities and Exchange Act, and other relevant laws and regulations. The number and tenure of office of audit committee members, powers of the audit committee, rules of procedure for meetings of the audit committee shall be defined in an audit committee charter in accordance with Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.	'Supervisors' was deleted and the contents were revised.
Article 21 The Board is authorized to determine the remuneration of the Directors of the Company (including independent	Article 21 The Board is authorized to determine the remuneration of the Directors <del>and Supervisors</del> of the Company (including	'Supervisors' was deleted.

directors) according to individual degrees of participation and value of contribution in business operation of the Company, as well as levels of remuneration generally adopted in the industry.	independent directors) according to individual degrees of participation and value of contribution in business operation of the Company, as well as levels of remuneration generally adopted in the industry.	
Article 21-1 The Company may purchase liability insurance for Directors to cover legal obligations and liabilities arisen from performing their duties during their terms of occupancy.	Article 21-1 The Company may purchase liability insurance for Directors <del>and Supervisors</del> to cover legal obligations and liabilities arisen from performing their duties during their terms of occupancy.	‘Supervisors’ was deleted.
Article 23 <u>The fiscal year for The Company must start on January 1st of each year and end on December 31st of the same year.</u>	Article 23 The Company shall make the annual closing of books once a year with December 31 as the closing date.	The contents were revised.
Article 24 <u>After the close of each fiscal year, The Board shall prepare the following financial statements and documents:</u> I. Business report II. Financial statements III. Proposal of allocation of profit or covering of losses. <del>The Board shall review such financial statements and documents and submit them to the Supervisors for examination. The examination may also be conducted via auditor designated by the Supervisors with the relevant report. The financial statements and documents must then be presented at a shareholders' meeting for acceptance and then filed with the competent authority for the record</del>	Article 24 <u>The Company</u> shall prepare the following financial statements and documents: I. Business report II. Financial statements III. Proposal of allocation of profit or covering of losses. <del>The Board shall review such financial statements and documents and submit them to the Supervisors for examination. The examination may also be conducted via auditor designated by the Supervisors with the relevant report. The financial statements and documents must then be presented at a shareholders' meeting for acceptance and then filed with the competent authority for the record</del>	‘Supervisors’ was deleted.
Article 25 The profits of the Company in each fiscal year shall first be applied to payments of taxes, recovery of past losses, and company reserve in accordance with the relevant rules and regulations as follows: I. 10% of the profits as the legal reserve	Article 25 The profits of the Company in each fiscal year shall first be applied to payments of taxes, recovery of past losses, and company reserve in accordance with the relevant rules and regulations as follows: I. 10% of the profits as the legal reserve	‘Supervisors’ was deleted.

<p>II. 20% of the profits as the special surplus reserve (where this reserve equals to or exceeds the paid-in capital of the Company, the Company may discontinue appropriate of profit to this reserve).</p> <p>Any remaining profit shall be accumulated to the previous year's retained earnings and may collectively be used as distributable profits.</p> <p>After deduction by the Board for operation necessities, distributable profits shall be allocated in accordance with the following proposal and submitted for approval at a shareholders' meeting:</p> <p>I. Remuneration of Directors not exceeding 5% of the balance;</p> <p>II. Employee bonuses in the sum of 1 to 2% of the balance;</p> <p>Given the Company is in the securities industry, which is a volatile industry environment, and in its growth stage that still needs plenty of capital to assure competitiveness and development of business, the Company shall determine the optimal dividend policy by taking into account its current profitability and future working capital needs, and this includes appropriate use of cash dividend.</p> <p>When the Company prepares a proposal for allocation of distributable profit, the following principles shall be considered: for distributed dividend, no less than 50% of net profits after tax in the current year; and for stock dividend, no less than 80% of proposed distributed dividend in the current year.</p>	<p>II. 20% of the profits as the special surplus reserve (where this reserve equals to or exceeds the paid-in capital of the Company, the Company may discontinue appropriate of profit to this reserve).</p> <p>Any remaining profit shall be accumulated to the previous year's retained earnings and may collectively be used as distributable profits.</p> <p>After deduction by the Board for operation necessities, distributable profits shall be allocated in accordance with the following proposal and submitted for approval at a shareholders' meeting:</p> <p>I. Remuneration of Directors <del>and Supervisors</del>, not exceeding 5% of the balance;</p> <p>II. Employee bonuses in the sum of 1 to 2% of the balance;</p> <p>Given the Company is in the securities industry, which is a volatile industry environment, and in its growth stage that still needs plenty of capital to assure competitiveness and development of business, the Company shall determine the optimal dividend policy by taking into account its current profitability and future working capital needs, and this includes appropriate use of cash dividend.</p> <p>When the Company prepares a proposal for allocation of distributable profit, the following principles shall be considered: for distributed dividend, no less than 50% of net profits after tax in the current year; and for stock dividend, no less than 80% of proposed distributed dividend in the current year.</p>	
<p>Article 27</p> <p>These Articles of Incorporation were enacted on October 7th, 1990, and</p>	<p>Article 27</p> <p>These Articles of Incorporation were enacted on October 7th, 1990, and were</p>	<p>The 19th amendment was added.</p>

<p>were amended on June 20th, 1991, as the 1st amendment; on November 17th, 1992, as the 2nd amendment; on March 30th, 1995, as the 3rd amendment; on May 22, 1997, as the 4th amendment; on April 24th, 1998, as the 5th amendment; on May 15th, 1999, as the 6th amendment; on June 29th, 2000, as the 7th amendment; on December 12th, 2000, as the 8th amendment; on May 31st, 2002, as the 9th amendment; on May 30th, 2003, as the 10th amendment; on May 27th, 2004, as the 11th amendment; on June 17th, 2005, as the 12th amendment; on June 9th, 2006, as the 13th amendment; on June 15th, 2007, as the 14th amendment; on June 13th, 2008, as the 15th amendment; on June 15th, 2010, as the 16th amendment; on June 22th, 2012, as the 17th amendment; on June 20th, 2014, as the 18th amendment, <u>and on June 12th, 2015, as the 19th amendment.</u></p>	<p>amended on June 20th, 1991, as the 1st amendment; on November 17th, 1992, as the 2nd amendment; on March 30th, 1995, as the 3rd amendment; on May 22, 1997, as the 4th amendment; on April 24th, 1998, as the 5th amendment; on May 15th, 1999, as the 6th amendment; on June 29th, 2000, as the 7th amendment; on December 12th, 2000, as the 8th amendment; on May 31st, 2002, as the 9th amendment; on May 30th, 2003, as the 10th amendment; on May 27th, 2004, as the 11th amendment; on June 17th, 2005, as the 12th amendment; on June 9th, 2006, as the 13th amendment; on June 15th, 2007, as the 14th amendment; on June 13th, 2008, as the 15th amendment; on June 15th, 2010, as the 16th amendment and on June 22th, 2012, as the 17th amendment. and on June 20th, 2014, as the 18th amendment.</p>	
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## 9. The Table for the Amended Articles of “Rules of Procedure for Shareholders Meeting”

Revised Article	Current Version	Explanation
<p>Article3</p> <p>Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors. This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and <u>the professional shareholder services agent it entrusted</u> as well as being distributed on-site at the meeting place.</p>	<p>Article3</p> <p>Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors. This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors <del>or supervisors</del>, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and <u>its shareholder services agent</u> as well as being distributed on-site at the meeting place.</p>	<p>‘Supervisors’ was deleted and the contents were revised according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p>

<p>Election or dismissal of directors , amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act <u>or Article 56-1 and Article 60-2 Regulations Governing the Offering and Issuance of Securities by Securities Issuers</u> shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</p> <p>A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda.</p> <p>The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting</p>	<p>Election or dismissal of directors , amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act or Articles 26-1 and 43-6 of the Securities and Exchange Act shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</p> <p>A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take</p>	
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<p>and take part in discussion of the proposal.</p> <p>Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda</p>	<p>part in discussion of the proposal.</p> <p>Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda</p>	
<p>Article6</p> <p>This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.</p> <p>The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. <u>No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend.</u> Solicitors soliciting proxy forms shall also bring identification documents for verification. This Corporation shall furnish the attending shareholders with an attendance book to sign, or</p>	<p>Article6</p> <p>This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.</p> <p>The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification. This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.</p>	<p>The contents were revised according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p>

<p>attending shareholders may hand in a sign-in card in lieu of signing in.</p> <p>This Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials.</p> <p>Where there is an election of directors <del>or supervisors</del>, pre-printed ballots shall also be furnished.</p> <p>When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.</p>	<p>This Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors <del>or supervisors</del>, pre-printed ballots shall also be furnished.</p> <p>When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.</p>	
<p>Article13</p> <p>A shareholder shall be entitled to one vote for each share held, except where other legal requirements apply.</p> <p>When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence.</p> <p>When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. It is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding</p>	<p>Article13</p> <p>A shareholder shall be entitled to one vote for each share held, except where other legal requirements apply.</p> <p>When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. It is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written</p>	<p>The contents were revised according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p>



<p>paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail. Except as otherwise provided in the Company Act and in this Corporation's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of</p>	<p>declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail. Except as otherwise provided in the Company Act and in this Corporation's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for <u>and</u> against and the number of abstentions, shall be</p>	
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<p>the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for <u>and</u> against and the number of abstentions, shall be entered into the MOPS.</p> <p>If no attending shareholder voices an objection following an inquiry by the chair, the proposal will be deemed approved. If there is an objection or abstention, which involves in those exercised by correspondence or electronic means, the proposal shall be brought to a vote.</p> <p>When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote.</p> <p>When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p> <p>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.</p> <p>Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.</p>	<p>entered into the MOPS.</p> <p>If no attending shareholder voices an objection following an inquiry by the chair, the proposal will be deemed approved. If there is an objection or abstention, which involves in those exercised by correspondence or electronic means, the proposal shall be brought to a vote.</p> <p>When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p> <p>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.</p> <p>Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.</p>	
<p>Article14</p> <p>The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced</p>	<p>Article14</p> <p>The election of directors <del>or supervisors</del> at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site</p>	<p>‘Supervisors’ was deleted.</p>

<p>on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.</p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>	<p>immediately, including the names of those elected as directors <del>and supervisors</del> and the numbers of votes with which they were elected.</p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>	
<p>Article16</p> <p>On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting. If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under <u>Taipei Exchange (or GreTai Securities Market)</u> regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.</p>	<p>Article16</p> <p>On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting. If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under <u>Taiwan Stock Exchange Corporation (or GreTai Securities Market)</u> regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.</p>	<p>The contents were revised .</p>
<p>Article20</p> <p><u>These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.</u></p> <p>These Rules of Procedure for Shareholders Meeting were enacted on June 13th, 2008, and were amended on June 15th, 2011, as the 1st amendment; on June 22th, 2012, as the 2nd amendment; on June 14th, 2013, as the 3rd amendment; on June 20, 2014, as the 4th amendment; on June 12, 2015, as the 5th amendment.</p>	<p>Article20</p> <p>These Rules of Procedure for Shareholders Meeting were enacted on June 13th, 2008, and were amended on June 15th, 2011, as the 1st amendment; on June 22th, 2012, as the 2nd amendment; on June 14th, 2013, as the 3rd amendment; on June 20, 2014, as the 4rd amendment. <u>These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.</u></p>	<p>The contents were revised and the 5th amendment was added.</p>

## 10. The Table for the Amended Articles of “Rules for Director and Supervisor Elections”

Revised Article	Current Version	Explanation
<u>Procedures for Director Elections</u>	Rules for Director and Supervisor Elections	Amend the name of the articles.
<p>Article 1</p> <p><u>According to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies , the Company established a fair, just, and open procedure for the election of directors.</u></p> <p>Unless otherwise stipulated by the Company Act and our Company’s Articles of Incorporation, the election of our Company’s directors shall be governed by the <u>Procedures</u> hereto.</p>	<p>Article 1</p> <p>Unless otherwise stipulated by the Company Act and our Company’s Articles of Incorporation, the election of our Company’s directors <del>and supervisors</del> shall be governed by the Rules hereto.</p>	<p>‘Supervisors’ was deleted and the contents were revised according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>Article 2</p> <p>The election of our Company’s directors shall comply with the due process prescribed in Article 192-1 of the Company Act regarding to the candidate nomination procedure.</p> <p>The election of our Company’s directors shall adopt uni-nominal cumulative voting scheme. Voter identification appearing on ballot may be substituted by attendance pass number. Unless otherwise stipulated by the laws, each share shall have the votes equal to the number of the directors to be elected in the election of our Company’s directors, and the said votes may be voted all on one candidate or separately on several candidates.</p>	<p>Article 2</p> <p>The election of our Company’s directors <del>and supervisors</del> shall comply with the due process prescribed in Article 192-1 of the Company Act regarding to the candidate nomination procedure.</p> <p>The election of our Company’s directors <del>and supervisors</del> shall adopt uni-nominal cumulative voting scheme. Voter identification appearing on ballot may be substituted by attendance pass number. Unless otherwise stipulated by the laws, each share shall have the votes equal to the number of the directors <del>and supervisors</del> to be elected in the election of our Company’s directors <del>and supervisors</del>, and the said votes may be voted all on one candidate or separately on several candidates.</p>	<p>‘Supervisors’ was deleted.</p>
<p>Article 4</p> <p>The quotas of our Company’s director shall be determined in accordance with our Company’s Articles of Incorporation, and the suffrage of independent director and</p>	<p>Article 4</p> <p>The quotas of our Company’s director <del>and supervisors</del> shall be determined in accordance with our Company’s Articles of Incorporation, and the suffrage of independent director and</p>	<p>‘Supervisors’ was deleted.</p>

<p>non-independent director shall be calculated separately. The winners of the election shall be determined according to and in the order of the number of suffrage received by the candidates. A tie among two or more candidates with the same number of suffrage shall be resolved by a draw, and an absent candidate not available for the said draw in person shall be substituted by the chairperson for the said draw.</p>	<p>non-independent director shall be calculated separately. The winners of the election shall be determined according to and in the order of the number of suffrage received by the candidates. A tie among two or more candidates with the same number of suffrage shall be resolved by a draw, and an absent candidate not available for the said draw in person shall be substituted by the chairperson for the said draw.</p> <p><del>A corporate shareholder or a person who wins the election as a director and a supervisor concurrently must decide to serve as either a director or a supervisor, and the vacancy emerges shall be assumed by the candidate winning the second highest votes from the same election.</del></p>	
<p>Article 9</p> <p>Our Company shall issue elected certificate to the winning directors .</p>	<p>Article 9</p> <p>Our Company shall issue elected certificate to the winning directors <del>and supervisors.</del></p>	<p>‘Supervisors’ was deleted.</p>
<p>Article 11</p> <p>This <u>Procedures</u> shall be implemented after being approved by the board of directors. Amendment shall also require approval from the board of directors.</p>	<p>Article 11</p> <p>This <u>Rules</u> shall be implemented after being approved by the board of directors. Amendment shall also require approval from the board of directors.</p>	<p>The contents were revised.</p>
<p>Article 12</p> <p>This <u>Procedures</u> are promulgated on June 15, 2007. First revision on June 22, 2012. Second revision on June 20, 2014, <u>third revision on June 12, 2015.</u></p>	<p>Article 12</p> <p>This <u>Rules</u> are promulgated on June 15, 2007. First revision on June 22, 2012. Second revision on June 20, 2014.</p>	<p>The contents were revised and the 3rd amendment was added..</p>

# 11. The Table for the Amended Articles of “The Operational Procedures for Acquisition and Disposal of Assets”

	Revised Article	Current Version	explanation
10	<p>Procedure for transaction with stakeholder</p> <p>1. Our Company’s acquisition or disposal of asset from or with stakeholders shall comply with, in addition to Article 7 pertaining to the procedure for real estate property acquisition, the following rules for the decision-making procedure and reasonability of the transaction’s terms and conditions. If the amount exceeds 10% of our Company’s total asset, then an appraisal report issued by a professional appraiser or opinion stated by an accountant is required. In addition, when identifying the counterparty’s identity as a stakeholder shall take into account not only the legal formality, but also de facto relation.</p> <p>2. Assessment and operational procedure Our Company’s acquisition or disposal of real estate property from or with a stakeholder, or acquisition or disposal of other non-real estate property, with transaction amount equals to or more than 20% of our Company’s paid-up capital, 10% of total asset, or TWD 300 million, except for government bonds, re-purchase or re-sale of bonds, subscription or redemption of domestic monetary funds, shall also require presenting the following information to the board of directors and <u>audit committee</u> for approval before the respective transaction agreement may be executed and payment be made:</p> <p>(1) The purpose, necessity, and expected</p>	<p>Procedure for transaction with stakeholder</p> <p>1. Our Company’s acquisition or disposal of asset from or with stakeholders shall comply with, in addition to Article 7 pertaining to the procedure for real estate property acquisition, the following rules for the decision-making procedure and reasonability of the transaction’s terms and conditions. If the amount exceeds 10% of our Company’s total asset, then an appraisal report issued by a professional appraiser or opinion stated by an accountant is required. In addition, when identifying the counterparty’s identity as a stakeholder shall take into account not only the legal formality, but also de facto relation.</p> <p>2. Assessment and operational procedure Our Company’s acquisition or disposal of real estate property from or with a stakeholder, or acquisition or disposal of other non-real estate property, with transaction amount equals to or more than 20% of our Company’s paid-up capital, 10% of total asset, or TWD 300 million, except for government bonds, re-purchase or re-sale of bonds, subscription or redemption of domestic monetary funds, shall also require presenting the following information to the board of directors and supervisors for approval before the respective transaction agreement may be executed and payment be made:</p> <p>(1) The purpose, necessity, and expected benefit of the asset acquisition or disposal.</p> <p>(2) The reason for choosing a stakeholder as</p>	<p>According to revisions of article 14-4 of Securities and Exchanges Act, it states that an audit committee should be established in lieu of a supervisor</p>

	<p>benefit of the asset acquisition or disposal.</p> <p>(2) The reason for choosing a stakeholder as transaction counterparty.</p> <p>(3) The information regarding to assessing the reasonability of the intended transaction's terms and conditions in accordance with Paragraph 3, Subparagraph (1) and (4) of this Article.</p> <p>(4) The date and price of the property originally acquired by the stakeholder, and the counterparty's relation with our Company and the stakeholder.</p> <p>(5) Monthly cash flow forecasts for the 12 months from the month when the agreement is expected to be executed. The necessity of the transaction and the reasonability of the capital maneuver shall be assessed as well.</p> <p>(6) Appraisal report issued by a professional appraiser or opinion presented by accountant shall be obtained in accordance with Paragraph 1 of this Article.</p> <p>(7) Restrictions or other important considerations applicable to the transaction in concern.</p> <p>The president is authorized by the board of directors to make decision with discretion for acquisition or disposal of business machine and equipment of a certain value between our Company and subsidiary, provided the transaction is reported afterwards to the board for approval.</p> <p>If independent directors are already in place, their opinions as the previous Paragraph may concern shall be thoroughly considered. Any objection or reserve opinion raised by an</p>	<p>transaction counterparty.</p> <p>(3) The information regarding to assessing the reasonability of the intended transaction's terms and conditions in accordance with Paragraph 3, Subparagraph (1) and (4) of this Article.</p> <p>(4) The date and price of the property originally acquired by the stakeholder, and the counterparty's relation with our Company and the stakeholder.</p> <p>(5) Monthly cash flow forecasts for the 12 months from the month when the agreement is expected to be executed. The necessity of the transaction and the reasonability of the capital maneuver shall be assessed as well.</p> <p>(6) Appraisal report issued by a professional appraiser or opinion presented by accountant shall be obtained in accordance with Paragraph 1 of this Article.</p> <p>(7) Restrictions or other important considerations applicable to the transaction in concern.</p> <p>The president is authorized by the board of directors to make decision with discretion for acquisition or disposal of business machine and equipment of a certain value between our Company and subsidiary, provided the transaction is reported afterwards to the board for approval.</p> <p>If independent directors are already in place, their opinions as the previous Paragraph may concern shall be thoroughly considered. Any objection or reserve opinion raised by an independent director shall be recorded in the meeting record of the board meeting.</p> <p>3. Assessment of the reasonability of the transaction</p> <p>(1) Our Company's acquisition or disposal of real estate from or with stakeholder shall</p>	
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	<p>independent director shall be recorded in the meeting record of the board meeting.</p> <p>3. Assessment of the reasonability of the transaction</p> <p>(1) Our Company's acquisition or disposal of real estate from or with stakeholder shall require assessment on the reasonability of transaction cost pursuant to the following methods:</p> <p>i Adding necessary capital interest and costs to be carried by the buyer as the laws may require to the stakeholder's transaction price. The term of necessary capital interest cost shall be the weighted average interest of the fiscal year for the loan borrowed by the Company for the purchase of asset, and may not exceed the maximum loan interest rate for non-financial business announced by the Ministry of Finance.</p> <p>ii If the stakeholder has ever pledged the target with a financial institute, then assess the total value of the target appraised by the same financial institute for the mortgage. The total accumulated loan granted by the same financial institute on the same target shall be 70% or more of the assessed value of the target and the loan has been made for longer than one year. However, if the financial institute is a stakeholder to either party of the transaction, then this rule does not apply.</p> <p>(2) For joint acquisition of a same land and house, the separate assessments</p>	<p>require assessment on the reasonability of transaction cost pursuant to the following methods:</p> <p>i 、 Adding necessary capital interest and costs to be carried by the buyer as the laws may require to the stakeholder's transaction price. The term of necessary capital interest cost shall be the weighted average interest of the fiscal year for the loan borrowed by the Company for the purchase of asset, and may not exceed the maximum loan interest rate for non-financial business announced by the Ministry of Finance.</p> <p>ii 、 If the stakeholder has ever pledged the target with a financial institute, then assess the total value of the target appraised by the same financial institute for the mortgage. The total accumulated loan granted by the same financial institute on the same target shall be 70% or more of the assessed value of the target and the loan has been made for longer than one year. However, if the financial institute is a stakeholder to either party of the transaction, then this rule does not apply.</p> <p>(2) For joint acquisition of a same land and house, the separate assessments for the transaction cost of the land and the house shall be made pursuant to any of the above methods.</p> <p>(3) Our Company's acquisition of real estate property from a stakeholder shall require assessment on the real estate property cost pursuant to Subparagraphs (1) and (2), Paragraph 3 of this Article, and a secondary review and opinion from accountant are</p>	
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	<p>for the transaction cost of the land and the house shall be made pursuant to any of the above methods.</p> <p>(3) Our Company's acquisition of real estate property from a stakeholder shall require assessment on the real estate property cost pursuant to Subparagraphs (1) and (2), Paragraph 3 of this Article, and a secondary review and opinion from accountant are required.</p> <p>(4) If the assessment on the real estate property that our Company is to acquire from a stakeholder pursuant to Subparagraphs (1) and (2), Paragraph 3 of this Article suggests the cost is lower than the transaction cost, then follow Subparagraph (5), Paragraph 3 of this Article. However, this rule does not apply to the following situations, provided objective evidence, real estate professional appraiser's and accountant's opinions on reasonability are obtained:</p> <p>i The stakeholder builds building on the raw land acquired or leased shall prove any of the following qualification:</p> <p>(i) The raw land is appraised pursuant to the methods provided in the previous Article, while the cost of the house shall be the stakeholder's construction cost plus reasonable construction profit, and the sum of the two exceeds the actual transaction price. The term reasonable construction profit shall be the average gross profit from</p>	<p>required.</p> <p>(4) If the assessment on the real estate property that our Company is to acquire from a stakeholder pursuant to Subparagraphs (1) and (2), Paragraph 3 of this Article suggests the cost is lower than the transaction cost, then follow Subparagraph (5), Paragraph 3 of this Article. However, this rule does not apply to the following situations, provided objective evidence, real estate professional appraiser's and accountant's opinions on reasonability are obtained:</p> <p>i 、 The stakeholder builds building on the raw land acquired or leased shall prove any of the following qualification:</p> <p>(i) The raw land is appraised pursuant to the methods provided in the previous Article, while the cost of the house shall be the stakeholder's construction cost plus reasonable construction profit, and the sum of the two exceeds the actual transaction price. The term reasonable construction profit shall be the average gross profit from operation of the construction department of the stakeholder over the past 3 years, or the construction industry gross profit ratio announced by the Ministry of Finance, whichever is lower.</p> <p>(ii) The assessment on the transaction of other property having comparable acreage on other floor or in adjacent area to the property in concern traded by other non-stakeholders, with terms and conditions complying with common</p>	
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	<p>operation of the construction department of the stakeholder over the past 3 years, or the construction industry gross profit ratio announced by the Ministry of Finance, whichever is lower.</p> <p>(ii) The assessment on the transaction of other property having comparable acreage on other floor or in adjacent area to the property in concern traded by other non-stakeholders, with terms and conditions complying with common practice in real estate transactions, suggests similar terms and conditions.</p> <p>(iii) The assessment on other property on other floor leased to a non-stakeholder in the past one year, with terms and conditions complying with common practice in real estate transactions and referencing to price difference due to floor number, suggests similar terms and conditions.</p> <p>ii Our Company presents evidence that proves the transaction terms and conditions for the acquisition of property from a stakeholder are comparable to other transactions property of comparable acreage in adjacent area made between other non-stakeholders. The term transactions in adjacent area shall mean, principally, a property locating on the same or neighboring block with a distance to the target property in</p>	<p>practice in real estate transactions, suggests similar terms and conditions.</p> <p>(iii) The assessment on other property on other floor leased to a non-stakeholder in the past one year, with terms and conditions complying with common practice in real estate transactions and referencing to price difference due to floor number, suggests similar terms and conditions.</p> <p>ii 、 Our Company presents evidence that proves the transaction terms and conditions for the acquisition of property from a stakeholder are comparable to other transactions property of comparable acreage in adjacent area made between other non-stakeholders. The term transactions in adjacent area shall mean, principally, a property locating on the same or neighboring block with a distance to the target property in concern does not exceed 500 meters and the announced present values are comparable. The term comparable acreage shall mean the transactions of property, having acreage no less than 50% of the target property's acreage, made between other non-stakeholders. The term one year shall be the past year before the actual occurrence date of the property acquisition.</p> <p>(5) Our Company's acquisition of real estate property from a stakeholder shall require completing the following tasks if the assessment made in</p>	
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	<p>concern does not exceed 500 meters and the announced present values are comparable. The term comparable acreage shall mean the transactions of property, having acreage no less than 50% of the target property's acreage, made between other non-stakeholders. The term one year shall be the past year before the actual occurrence date of the property acquisition.</p> <p>(5) Our Company's acquisition of real estate property from a stakeholder shall require completing the following tasks if the assessment made in accordance with Subparagraphs (1) and (2), Paragraph 3 of this Article suggests a price lower than transaction price:</p> <p>i Regarding to the recognition of special reserve, pursuant to Paragraph 1, Article 40 of the Securities Exchange Act, our Company may not distribute or transfer as common stock for distribution the difference of the real estate transaction's transaction price and assessed cost. A listed company investing in our Company and adopting equity method for assessment shall recognize the special reserve at the share holding ratio in accordance with Paragraph 1, Article 41 of the Securities Exchange Act.</p> <p>ii The <u>audit committee</u> shall observe Article 218 of the</p>	<p>accordance with Subparagraphs (1) and (2), Paragraph 3 of this Article suggests a price lower than transaction price:</p> <p>i Regarding to the recognition of special reserve, pursuant to Paragraph 1, Article 40 of the Securities Exchange Act, our Company may not distribute or transfer as common stock for distribution the difference of the real estate transaction's transaction price and assessed cost. A listed company investing in our Company and adopting equity method for assessment shall recognize the special reserve at the share holding ratio in accordance with Paragraph 1, Article 41 of the Securities Exchange Act.</p> <p>ii The supervisors shall observe Article 218 of the Company Act.</p> <p>iii The handling of Points 1 and 2, Subparagraph (5), Paragraph 3 of this Article shall be reported to the shareholders' meeting and disclose the details of the transaction in the annual report and the prospectus.</p> <p>In addition, our Company and the listed company investing in our Company adopting equity method for investment assessment and having recognized the special reserve abovementioned may not use the said special reserve until the asset purchased at a high price has been recognized as loss or disposal due to price fall or</p>	
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	<p>Company Act.</p> <p>iii The handling of Points 1 and 2, Subparagraph (5), Paragraph 3 of this Article shall be reported to the shareholders' meeting and disclose the details of the transaction in the annual report and the prospectus.</p> <p>In addition, our Company and the listed company investing in our Company adopting equity method for investment assessment and having recognized the special reserve abovementioned may not use the said special reserve until the asset purchased at a high price has been recognized as loss or disposal due to price fall or adequately compensated or redeemed, or other evidence proving no unreasonability exists, and approved by the FSC..</p> <p>(6) Our Company acquiring real estate property from a stakeholder having any of the following situations shall comply with Paragraphs 1 and 2 of this Article regarding to the assessment and operation procedures, and Subparagraphs (1), (2), and (3), Paragraph 3 of this Article concerning the assessment on transaction reasonability do not apply:</p> <p>i The stakeholder acquires the real estate property through heritage or gift.</p>	<p>adequately compensated or redeemed, or other evidence proving no unreasonability exists, and approved by the FSC..</p> <p>(6) Our Company acquiring real estate property from a stakeholder having any of the following situations shall comply with Paragraphs 1 and 2 of this Article regarding to the assessment and operation procedures, and Subparagraphs (1), (2), and (3), Paragraph 3 of this Article concerning the assessment on transaction reasonability do not apply:</p> <p>i 、 The stakeholder acquires the real estate property through heritage or gift.</p> <p>ii 、 The stakeholder's acquisition date of the real estate property has been more than 5 years from the current transaction's agreement execution date.</p> <p>iii 、 The real estate property is acquired by executing a joint property development agreement with a stakeholder or a construction project commissioned to the stakeholder on own land or leased land.</p> <p>(7) Subparagraph (5), Paragraph 3 of this Article shall be also observed if other evidence is in place proving that the transaction in which our Company acquires real estate property from a stakeholder does not conform to common practice.</p>	
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	<p>ii The stakeholder's acquisition date of the real estate property has been more than 5 years from the current transaction's agreement execution date.</p> <p>iii The real estate property is acquired by executing a joint property development agreement with a stakeholder or a construction project commissioned to the stakeholder on own land or leased land.</p> <p>(7) Subparagraph (5), Paragraph 3 of this Article shall be also observed if other evidence is in place proving that the transaction in which our Company acquires real estate property from a stakeholder does not conform to common practice.</p>		
11	<p>Procedure for Acquisition or Disposal of Membership Certificate or Intangible Asset</p> <p>1. Assessment and operational procedure Our Company's acquisition or disposal of membership certificate or intangible asset shall comply with our Company's internal control system for fixed asset cyclical procedure.</p> <p>2. Transaction terms and conditions and authorization granting procedure The procedure provided by our Company or other procedures require by the laws for asset acquisition and disposal shall require approval by the board. An objection raised</p>	<p>Procedure for Acquisition or Disposal of Membership Certificate or Intangible Asset</p> <p>1. Assessment and operational procedure Our Company's acquisition or disposal of membership certificate or intangible asset shall comply with our Company's internal control system for fixed asset cyclical procedure.</p> <p>2. Transaction terms and conditions and authorization granting procedure The procedure provided by our Company or other procedures require by the laws for asset acquisition and disposal shall require approval by the board. An objection raised by a</p>	<p>According to revisions of article 14-4 of Securities and Exchanges Act, it states that an audit committee should be established in lieu of a supervisor</p>

	<p>by a director, whether documented or in the form of written affidavit, shall be presented to the <u>audit committee</u>. In addition, if our Company already has independent directors in place, their opinions and reasoning shall be thoroughly considered and documented in the meeting record, whether for or against, regarding to asset acquisition or disposal.</p> <p>3. Execution unit</p> <p>Our Company acquiring or disposing membership certificate or intangible asset shall obtain approval according to the authorization level abovementioned and the user unit and finance or administration department shall be responsible for execution.</p> <p>4. Appraisal and opinion report by expert on membership certificate or intangible asset</p> <p>Our Company acquiring or disposing membership certificate or intangible asset with transaction amount of 20% of our Company's paid-up capital or TWD 300 million or more, unless the said transaction is made with the government, shall have the accountant to present opinion on the reasonability of the transaction price prior to the actual occurrence date. The said accountant shall comply with Audit Principle Gazette No. 20 issued by the ARDF.</p>	<p>director, whether documented or in the form of written affidavit, shall be presented to the <u>supervisors</u>. In addition, if our Company already has independent directors in place, their opinions and reasoning shall be thoroughly considered and documented in the meeting record, whether for or against, regarding to asset acquisition or disposal.</p> <p>3. Execution unit</p> <p>Our Company acquiring or disposing membership certificate or intangible asset shall obtain approval according to the authorization level abovementioned and the user unit and finance or administration department shall be responsible for execution.</p> <p>4. Appraisal and opinion report by expert on membership certificate or intangible asset</p> <p>Our Company acquiring or disposing membership certificate or intangible asset with transaction amount of 20% of our Company's paid-up capital or TWD 300 million or more, unless the said transaction is made with the government, shall have the accountant to present opinion on the reasonability of the transaction price prior to the actual occurrence date. The said accountant shall comply with Audit Principle Gazette No. 20 issued by the ARDF.</p>	
13	<p>Procedure for acquiring or disposing derivatives</p> <p>1. Prior to engagement in derivatives, the transaction department of our Company shall first present the guidelines for the respective transactions to the General Manager for approval.</p> <p>(8) Transaction principles and guidance:</p> <p>They shall include the types,</p>	<p>Procedure for acquiring or disposing derivatives</p> <p>1. Prior to engagement in derivatives, the transaction department of our Company shall first present the guidelines for the respective transactions to the General Manager for approval.</p> <p>(8) Transaction principles and guidance:</p> <p>They shall include the types, operation or risk aversion strategy, responsibility,</p>	<p>According to revisions of article 14-4 of Securities and Exchanges Act, it states that an audit</p>

	<p>operation or risk aversion strategy, responsibility, key points for performance appraisal, total amount of derivative agreements, and upper limit of loss for general and individual agreements for derivative transactions.</p> <p>(9) Risk management measure.</p> <p>(10) Internal audit system.</p> <p>1.Scheduled assessment method and policy for abnormality.</p> <p>2. Our Company engaging derivative transactions shall adopt the following risk management measures:</p> <p>(1) Scope of risk management shall include credit, market price, currency, cash flow, operational risk, and legal risk.</p> <p>(2) Derivative transaction agent may not concurrently assume the job of confirmation and settlement personnel.</p> <p>(3) The personnel responsible for risk assessment, supervision, and control shall be deployed in department other than the department responsible for the personnel mentioned in the previous Subparagraph and shall report to the board of directors or high-ranking management not responsible for transaction or position policy.</p> <p>(4) The positions of derivatives on hand shall be reviewed at least once per week. Risk-preventive transactions shall be reviewed twice per month if so required for business. The review report shall be presented to the high-ranking management authorized by the board of directors.</p> <p>(5) Other major risk management</p>	<p>key points for performance appraisal, total amount of derivative agreements, and upper limit of loss for general and individual agreements for derivative transactions.</p> <p>(9) Risk management measure.</p> <p>(10) Internal audit system.</p> <p>1.Scheduled assessment method and policy for abnormality.</p> <p>2. Our Company engaging derivative transactions shall adopt the following risk management measures:</p> <p>(1) Scope of risk management shall include credit, market price, currency, cash flow, operational risk, and legal risk.</p> <p>(2) Derivative transaction agent may not concurrently assume the job of confirmation and settlement personnel.</p> <p>(3) The personnel responsible for risk assessment, supervision, and control shall be deployed in department other than the department responsible for the personnel mentioned in the previous Subparagraph and shall report to the board of directors or high-ranking management not responsible for transaction or position policy.</p> <p>(4) The positions of derivatives on hand shall be reviewed at least once per week. Risk-preventive transactions shall be reviewed twice per month if so required for business. The review report shall be presented to the high-ranking management authorized by the board of directors.</p> <p>(5) Other major risk management measures.</p> <p>3. The board of directors shall thoroughly perform their duties of supervision and control according to the following principles regarding to our Company's engagement in derivative transactions:</p> <p>(1) Assign high-ranking management to</p>	<p>committee should be established in lieu of a supervisor</p>
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	<p>measures.</p> <p>3. The board of directors shall thoroughly perform their duties of supervision and control according to the following principles regarding to our Company's engagement in derivative transactions:</p> <p>(1) Assign high-ranking management to keep close watch on the supervision and control of the risk of derivative transactions.</p> <p>(2) Periodically review derivative transactions and determine their conformity to existing operation strategy and risk tolerance stipulated by our Company.</p> <p>The high-ranking management authorized by the board shall manage derivative transactions according to the following principles:</p> <p>(1) Periodically review the adequacy of currently adopted risk management measure and strictly observe these guidelines and the procedures stipulated by our Company for derivative transactions.</p> <p>(2) Supervise transaction and gain/loss status and adopt necessary countermeasure upon finding of abnormality and report to the board of directors. A listed company engaging in derivatives transactions and authorizing is personnel to practice the said transaction in accordance with the derivatives transaction procedure itself has provided shall report in the nearest meeting of the board.</p> <p>4. Our Company shall have in place a review journal for derivatives transactions and keep loggings of the types, amounts, board of directors' approval dates, and other</p>	<p>keep close watch on the supervision and control of the risk of derivative transactions.</p> <p>(2) Periodically review derivative transactions and determine their conformity to existing operation strategy and risk tolerance stipulated by our Company.</p> <p>The high-ranking management authorized by the board shall manage derivative transactions according to the following principles:</p> <p>(1) Periodically review the adequacy of currently adopted risk management measure and strictly observe these guidelines and the procedures stipulated by our Company for derivative transactions.</p> <p>(2) Supervise transaction and gain/loss status and adopt necessary countermeasure upon finding of abnormality and report to the board of directors. A listed company engaging in derivatives transactions and authorizing is personnel to practice the said transaction in accordance with the derivatives transaction procedure itself has provided shall report in the nearest meeting of the board.</p> <p>4. Our Company shall have in place a review journal for derivatives transactions and keep loggings of the types, amounts, board of directors' approval dates, and other issues to be prudent with for future reference.</p> <p>The Company's internal auditors should be regularly informed of derivative transactions, and have to provide a monthly audit report of trading department transactions as well as the process of derivative transactions.</p> <p>If any major irregularities are discovered, the auditors must notify the supervisors in writing.</p>	
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	<p>issues to be prudent with for future reference.</p> <p>The Company's internal auditors should be regularly informed of derivative transactions, and have to provide a monthly audit report of trading department transactions as well as the process of derivative transactions.</p> <p>If any major irregularities are discovered, the auditors must notify the <u>audit committee</u> in writing.</p>		
18	<p>Implementation and amendment</p> <p>Our Company's Procedures for Asset Acquisition or Disposal is to be approved by the board of directors with carbon copies delivered to the <u>audit committee</u>, and will be proposed to the shareholders' meeting for approval. Amendment shall follow the same procedure. Our Company shall deliver any objection raised by any director, documented, or made in written statement to the <u>audit committee</u>. If Independent directors are already in place, their opinions, for or against, shall be given thorough considerations in the board's review of the Procedures for Asset Acquisition and Disposal and recorded in the board meeting's record.</p>	<p>Implementation and amendment</p> <p>Our Company's Procedures for Asset Acquisition or Disposal is to be approved by the board of directors with carbon copies delivered to the supervisors, and will be proposed to the shareholders' meeting for approval. Amendment shall follow the same procedure. Our Company shall deliver any objection raised by any director, documented, or made in written statement to the supervisors. If Independent directors are already in place, their opinions, for or against, shall be given thorough considerations in the board's review of the Procedures for Asset Acquisition and Disposal and recorded in the board meeting's record.</p>	<p>According to revisions of article 14-4 of Securities and Exchanges Act, it states that an audit committee should be established in lieu of a supervisor</p>
20	<p>These Procedures shall be implemented after the approval from the board of directors and the shareholders' meeting. Amendment shall follow the same procedure. These Procedures are promulgated on March 11, 2003. The first amendment is made on June 15, 2007. The second amendment is made on June 15, 2010. The third amendment is made on June 21, 2012. The fourth amendment is made on June 20, 2014. <u>The fifth amendment is made on June 12, 2015.</u></p>	<p>These Procedures shall be implemented after the approval from the board of directors and the shareholders' meeting. Amendment shall follow the same procedure. These Procedures are promulgated on March 11, 2003. The first amendment is made on June 15, 2007. The second amendment is made on June 15, 2010. The third amendment is made on June 21, 2012. The fourth amendment is made on June 20, 2014.</p>	<p>Must list the date and time of any amendments made</p>

## 12. The Table for the Amended Articles of “Operational Procedures for Endorsement and Guarantee”

Revised Article	Current Version	explanation
<p>Article 7</p> <p>Internal control procedures:</p> <p>1) When the Company makes endorsement and guarantee activities, the financial department shall prepare a memorandum book for recording in detail the following information: the entity for which the endorsement and guarantee are made, the amount, date decided by the board of directors or the chairman, and the date when the endorsement and guarantee are made.</p> <p>2) The Company’s internal auditors shall audit the Procedures for Endorsement and Guarantee and the implementation thereof at least every quarter and prepare written records accordingly. They shall promptly notify the <b><u>Audit Committee</u></b> immediately in writing of any major violation found.</p>	<p>Article 7</p> <p>Internal control procedures:</p> <p>1) When the Company makes endorsement and guarantee activities, the financial department shall prepare a memorandum book for recording in detail the following information: the entity for which the endorsement and guarantee are made, the amount, date decided by the board of directors or the chairman, and the date when the endorsement and guarantee are made.</p> <p>2) The Company’s internal auditors shall audit the Procedures for Endorsement and Guarantee and the implementation thereof at least every quarter and prepare written records accordingly. They shall promptly notify the <u>supervisors</u> immediately in writing of any major violation found.</p>	<p>According to revisions of article 14-4 of Securities and Exchanges Act, it states that an audit committee should be established in lieu of a supervisor</p>
<p>Article 10</p> <p>Where the entity for which the endorsement and guarantee are made no longer meets the requirements, or the amount of the endorsement and guarantee exceeds the limit as a result of change of circumstances, the Company shall stipulate the improvement plans and submit them to the <b><u>Audit Committee</u></b>.</p>	<p>Article 10</p> <p>Where the entity for which the endorsement and guarantee are made no longer meets the requirements, or the amount of the endorsement and guarantee exceeds the limit as a result of change of circumstances, the Company shall stipulate the improvement plans and submit them to the <u>supervisors</u>.</p>	<p>According to revisions of article 14-4 of Securities and Exchanges Act, it states that an audit committee should be established in lieu of a supervisor</p>

<p>Matters not mentioned in the procedures shall be settled in accordance with relevant laws, and shall be settled in accordance with the changed laws if the laws are changed.</p> <p>The procedures are subject to the approval of the board of directors and submitted to the <b><u>Audit Committee</u></b> and the shareholders' meeting for approval. Where any director expresses dissent and it contains the minutes or a written statement, the Company shall submit the director's opinion to the <b><u>Audit Committee</u></b> and the shareholders' meeting for discussion. Any amendment is subject to the same procedure.</p>	<p>Matters not mentioned in the procedures shall be settled in accordance with relevant laws, and shall be settled in accordance with the changed laws if the laws are changed.</p> <p>The procedures are subject to the approval of the board of directors and submitted to the supervisors and the shareholders' meeting for approval. Where any director expresses dissent and it contains the minutes or a written statement, the Company shall submit the director's opinion to the supervisors and the shareholders' meeting for discussion. Any amendment is subject to the same procedure.</p>	<p>According to revisions of article 14-4 of Securities and Exchanges Act, it states that an audit committee should be established in lieu of a supervisor</p>
<p>The procedures were stipulated on 27 May, 2004, revised on 9 June, 2006 for the first time, revised on 15 June 2011 for the second time, revised on 14 June, 2013 for the third time, and <b><u>will be revised on 12 June, 2015 for the fourth time.</u></b></p>	<p>The procedures were stipulated on 27 May, 2004, revised on 9 June, 2006 for the first time, revised on 15 June 2011 for the second time, revised on 14 June, 2013 for the third time.</p>	<p>Must list the date and time of any amendments made</p>

## 13.The candidates' qualifications and number of shares owned

NO.	Name	Education	experience	Number of shares owned
1	De Sheng Development Corp. Representative : Gordon Yeh	EMBA in Finance, National Taiwan University	Past: Director of Fubon Financial Holdings Chairman, General Manager of Fubon Securities Chairman, Director of Fubon Futures Director of TWSE Director, Supervisor of Taiper Exchange Director, Supervisor of Taiwan Futures Exchange Current: Chairman of Concord Futures Corp. Director of CASETEK HOLDINGS LIMITED Director of Concord Securities Co., Ltd.	11,650,774
2	De Sheng Development Corp. Representative : Cheng,Ta-Yu	MA in Management Information System, Fairleigh Dickinson University	Past: Director of Ttaizong Co.,Ltd Current: Vice Chairman of Concord Securities Co., Ltd. Vice Chairman of Concord Futures Corp. Director of Concord Asset Mgt Co. Ltd Director of Taiwan Concord Capital Securities(HK) Ltd Convener of the R&D Committee of Taiwan Securities Association Convener of the Trust Committee of CNFA	
3	De Sheng Development Corp. Representative : Su,Hui-Fen	MA in Finance, The City University of New York	Director of Concord Securities Co., Ltd. Supervisor of Concord Futures Corp. Director of Taiwan Concord Capital Securities(HK) Ltd Director of Taiwan Asset Mgt (HK) Co. Ltd	
4	De Sheng Development Corp. Representative : Chen, Chiung-chu	BA in International Business, Providence University	Past: Supervisor of Concord Securities Co., Ltd.	
5	De Sheng Development Corp. Representative : Chao, Kao-Shen	BA in Science, National Taipei University of Technology	Director of Concord Securities Co., Ltd. Director of Concord Capital Mgt Corp.	
6	De Sheng Development Corp. Representative : Cheng, Yin-Hua	BA in Business Administration, Ming Chuan	Director of Concord Securities Co., Ltd.	
7	De Sheng Development Corp. Representative : Robin W.S. Liao	BA in Business Administration, Feng Chia University	Director of Concord Securities Co., Ltd. Director of Concord Cayman Ltd. Director of Value Partners Concord Asset Mgt Director of Concord Futures Corp.	
8	Hong Chi Investment Corp. Representative : Chen,Hung-Chou	PHD in Business Administration, Xiamen University	Director of Concord Securities Co., Ltd Director of Daojiang High School of Commerce Vice Principal of Toko University	6,316,822
9	Hong Chi Investment Corp. Representative : Cheng,Pei-Chih	MA in Accounting, The University of New York	Chairman of Hong Chi Investment Corp. Supervisor of Concord Securities Co.,Ltd	
10	Youshare Trade & Development Corp.		Director of Concord Securities Co., Ltd	605,208
11	Concord Investment Corp. Representative : Hung, Chin-Yi	BA in Accounting, Soochow University	Director of Concord Securities Co., Ltd Chairman of Empire Construction Co., Ltd	8,456,046

12	Ma,Pei-Chun	BA in Economics, CARNEGIE MELLON UNIVERSITY	Director of Concord Securities Co., Ltd Director of Federal Corporation Director of Ta Yuan Construction Corp. Director of Yuan Long Development Co.,Ltd Director of Ta Tien Investment Co.,Ltd Director of Foundation of Chinese Culture	622,531
13	De Ye Investment Co., Ltd Representative : Lin,Chi-Sen	BA in Education, National Taipei University of Education	Director of Concord Securities Co., Ltd Chairman of Ho Yi Investment Co., Ltd Chairman of De Ye Investment Co., Ltd	150,000
14	Ko,Wen-Huei	BA in Finance, California State University, San Diego	Supervisor of Concord Securities Co., Ltd	0
15	Jia Yi Corp. Representative : Tsai,Sung-Po	Tatung Institute of Technology	Director of Concord Securities Co., Ltd Chairman of Min Yi Investment Co., Ltd Chairman of Min Chao Investment Co., Ltd Chairman of Shan Chen Investment Co., Ltd Chairman of Tsu Chen Investment Co., Ltd	889,204
16	Yuan Long Development Co.,Ltd Representative : Chiang,Chang-Wen	BA in Theatre Art, Chinese Culture University	Supervisor of Concord Securities Co., Ltd	800,000
17	Pai,Chun-Nan	PHD in Economics, Chinese Culture University	Chairman of First Leasing Co., Ltd Chairman of Po Mon Investment Co., Ltd Independent Director of Megaforce Co., Ltd Vice Chairman of CPDC Director of BES Engineering Corp. Director of Core Pacific City Co., Ltd Director of Weilih Food Industrial Co., Ltd	-
18	Jinnder Chang	PHD in Business Administration, United States International University	Supervisor of Hi-Clearance Inc. Supervisor of Ju-kao Engineer Co., Ltd Independent Director of PharmaEssentia Corporation President of CROWN&CO., CPAs	-
19	Lo,Ching-An	MA in Law, National Chung Hsing University	Senior Consultant of Taishin International Bank	-
20	Lee, Chin-shen	PHD in Management Science, National Chiao Tung University	Professor of Dept. of Fiance of MCU Adminstrator of Financial Research Center of MCU	-

# 14. Articles of Incorporation

## Chapter One General Provisions

- Article 1 The Company shall be incorporated as a company limited by shares under *The Company Act* and its name shall be “Concord Securities Co., Ltd.”(hereinafter referred to as the “Company”).
- Article 2 The scope of business of the Company shall be as follows:
- I. H301011 Securities merchant .
  - II. H408011 Futures introducing broker.
  - III. H401011 Futures commission merchants (business is limited by the approval of the competent authorities ) .
- Article 2-1 The Company shall engage in the following business activities::
- I. To accept orders to trade securities on the centralized securities exchange market.
  - II. To trade securities on its own account on the centralized securities exchange market.
  - III. To underwrite securities.
  - IV. To accept orders to trade securities at its own business location.
  - V. To trade securities on its own account at its own business location.
  - VI. To act as an agent in stock and equity-related affairs.
  - VII. To take charge of securities margin-purchase and short-sale business.
  - VIII. To engage in securities-related futures brokerage and services.
  - IX. To accept orders to trade foreign securities.
  - X. To engage in securities-related futures proprietary trading.
  - XI. To engage in other business which is approved by the competent authority.
- Article 3 The head office of the Company is established in Taipei and may, subject to business requirement with the resolution of the Board of Directors and the approval of competent authority, set up branch office(s) in/outside Taiwan.
- Article 4 (Deleted)

## Chapter Two Shares

- Article 5 The total authorized capital of the Company shall be NT\$15 billion, divided into 1500 million shares with a par value of NT\$10 each, to be issued by installments, of which 200 million shares shall be reserved for convertible bonds, company warrants and/or exercising options.
- Article 5-1 The Company may, with the resolution of the most recent shareholders’ meeting which is attended by shareholders holding at least 50% of the issued capital stock and resolved by more than two-thirds of the voting rights by shareholders attending the meeting, transfer the treasury shares to its employees at a price lower than the average repurchased price.
- Article 5-2 The Company may, with the resolution of a shareholders’ meeting which is attended by

shareholders holding at least 50% of the issued capital stock and resolved by more than two-thirds of the voting rights by shareholders attending the meeting, issue employee stock options to its employees at a price below the market price and by installments within one year of the said shareholders' meeting.

- Article 6 Share certificates of the Company shall only be issued if they bear the names of the shareholders, be signed by or affixed with the personal seals of three or more Directors of the Company, and be duly signed and authenticated by the regulatory authority or a share registry endorsed by the regulatory authority. The Company may deliver shares by wiring into account books pursuant to relevant regulations rather than printing physical shares. When issuing other forms of securities, the same rule also applies.
- Article 7 The Company's stock affairs shall be governed by *Regulations Governing the Administration of Shareholder Services of Public Companies*.
- Article 8 (Deleted)
- Article 9 (Deleted)
- Article 10 (Deleted)
- Article 11 Registration of share transfers shall be suspended in the following circumstances: for a 60-day period prior to an annual meeting of the shareholders; for a 30-day period prior to a special meeting of the shareholders; and for a 5-day period prior to the record date for distribution of dividend, bonuses or other benefits.
- Chapter Three Shareholders' Meetings**
- Article 12 Shareholders' meetings of the Company are of two types, namely: (1) annual meetings and (2) special meetings. Annual meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened at such time as necessary in accordance with the relevant laws, rules and regulations.
- Article 13 If a shareholder is unable to attend a meeting, he or she may appoint a proxy to attend and vote on behalf of the shareholder at the shareholders' meeting by completing and submitting to the Company, a form prescribed by the Company stating the scope of authorization. All proxy appointments must comply with Article 177 of The Company Act and Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.
- Article 14 Except where other legal requirements apply, shareholders of the Company shall be entitled to one vote for each share held at the shareholders' meeting.
- Article 15 Unless otherwise required by *The Company Act*, all resolutions of a shareholders' meeting of the Company shall be passed at a meeting attended by shareholders holding at least 50% of the issued capital stock and resolved by more than 50% of the shareholders attending the meeting.
- Chapter Four Directors and Supervisors**
- Article 16 The Company shall have 11 to 25 Directors and 2 to 5 Supervisors. The number of independent directors shall be no less than three and shall represent no less than one

fifth of the total number of directors. Directors and Supervisors shall be persons with legal capacity and shall be elected and appointed by the shareholders at a shareholders' meeting. The total percentage of shareholdings by all Directors and Supervisors must comply with the relevant rules and regulations.

The election of directors and supervisors (including independent directors) shall make use of a candidate nomination system pursuant to the provisions of Article 192-1 of the Company Act. The receipt, announcement etc. of nominations for directorship candidates shall be handled in accordance with the relevant rules and regulations prescribed by the securities governing authorities.

Article 17 The tenure of offices for Directors and Supervisors shall be three years and the Directors and Supervisors shall be eligible for re-election and re-appointment.

Article 18 Where vacancies of the Board of Directors exceed one-third of the total number of the Directors, all the Supervisors are dismissed or all the independent directors are dismissed, the Board shall convene a special shareholders' meeting within 60 days to elect new Directors and Supervisors to fill the vacancies until the incumbent term expires. With respect to a director or a supervisor appointed by a corporate shareholder or its representative, the corporate shareholder may re-appoint its representative at anytime due to a change in official functions and duties of the original representative until the incumbent term expires.

Article 19 The Board shall be formed by the directors. A Chairman and a Vice Chairman shall be elected from the Directors by a majority vote of the Directors at a Board meeting attended by at least two thirds of all the Directors. The Chairman shall have the right to execute the resolutions of the Board of Directors and the shareholders' meeting. The Chairman of the Board shall chair all shareholders' and directors' meetings internally and represent the Company externally.

Article 19-1 The resolutions of the Board, unless otherwise required by *The Company Act*, shall be resolved by a simple majority of the Directors at a Board meeting attended by at least 50% of all the Directors. If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. If the Board meeting is held in the form of a video conference, participation via video conference is deemed as participation in person.

Article 19-2 Board meetings shall be convened in accordance with *The Company Act*. The notice of the Board meetings may be made and delivered by writing, email or facsimile to the Directors and Supervisors.

Article 19-3 When the tenure of offices for Directors and Supervisors elected in 2012 expires, the Company shall establish an Audit Committee pursuant to the provisions of Article 14-4 of the Securities and Exchange Act, and all articles about Supervisors in this Articles of Incorporation shall not apply. The Audit Committee and its members shall fulfill their supervisory duties pursuant to the relevant provisions of the Company Act, the Securities and Exchange Act, and other relevant laws and regulations.



The number and tenure of office of audit committee members, powers of the audit committee, rules of procedure for meetings of the audit committee shall be defined in an audit committee charter in accordance with Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.

Article 20 When the Chairman of the Board is on leave or unable to perform his duties, the designation proxy shall be made in accordance with Article 208 of *The Company Act*. When a director is unable to attend the Board Meeting, the designation proxy shall be made in accordance with Article 205 of *The Company Act*.

Article 21 The Board is authorized to determine the remuneration of the Directors and Supervisors of the Company (including independent directors) according to individual degrees of participation and value of contribution in business operation of the Company, as well as levels of remuneration generally adopted in the industry.

Article 21-1 The Company may purchase liability insurance for Directors and Supervisors to cover legal obligations and liabilities arisen from performing their duties during their terms of occupancy.

#### **Chapter Five Managerial Officers**

Article 22 The Company shall have one President, several Vice Presidents, Assistant Vice Presidents and Managers pursuant to Article 29 of *The Company Act*.

#### **Chapter Six Accounting**

Article 23 The Company shall make the annual closing of books once a year with December 31 as the closing date.

Article 24 The Company shall prepare the following financial statements and documents:

- I. Business report
- II. Financial statements
- III. Proposal of allocation of profit or covering of losses.

The Board shall review such financial statements and documents and submit them to the Supervisors for examination. The examination may also be conducted via auditor designated by the Supervisors with the relevant report. The financial statements and documents must then be presented at a shareholders' meeting for acceptance and then filed with the competent authority for the record

Article 25 The profits of the Company in each fiscal year shall first be applied to payments of taxes, recovery of past losses, and company reserve in accordance with the relevant rules and regulations as follows:

- I. 10% of the profits as the legal reserve
- II. 20% of the profits as the special surplus reserve (where this reserve equals to or exceeds the paid-in capital of the Company, the Company may discontinue appropriate of profit to this reserve).

Any remaining profit shall be accumulated to the previous year's retained earnings and may collectively be used as distributable profits.

After deduction by the Board for operation necessities, distributable profits shall be allocated in accordance with the following proposal and submitted for approval at a shareholders' meeting:

- I. Remuneration of Directors and Supervisors, not exceeding 5% of the balance;
- II. Employee bonuses in the sum of 1 to 2% of the balance;

Given the Company is in the securities industry, which is a volatile industry environment, and in its growth stage that still needs plenty of capital to assure competitiveness and development of business, the Company shall determine the optimal dividend policy by taking into account its current profitability and future working capital needs, and this includes appropriate use of cash dividend.

When the Company prepares a proposal for allocation of distributable profit, the following principles shall be considered: for distributed dividend, no less than 50% of net profits after tax in the current year; and for stock dividend, no less than 80% of proposed distributed dividend in the current year.

#### **Chapter Seven Bylaws**

Article 26 Matters not specifically provided for in these Articles of Incorporation shall be governed by *The Company Act*, *The Securities and Exchange Act* and other relevant legislations.

Article 27 These Articles of Incorporation were enacted on October 7th, 1990, and were amended on June 20th, 1991, as the 1st amendment; on November 17th, 1992, as the 2nd amendment; on March 30th, 1995, as the 3rd amendment; on May 22, 1997, as the 4th amendment; on April 24th, 1998, as the 5th amendment; on May 15th, 1999, as the 6th amendment; on June 29th, 2000, as the 7th amendment; on December 12th, 2000, as the 8th amendment; on May 31st, 2002, as the 9th amendment; on May 30th, 2003, as the 10th amendment; on May 27th, 2004, as the 11th amendment; on June 17th, 2005, as the 12th amendment; on June 9th, 2006, as the 13th amendment; on June 15th, 2007, as the 14th amendment; on June 13th, 2008, as the 15th amendment; on June 15th, 2010, as the 16th amendment; on June 22th, 2012, as the 17th amendment, and on June 20th, 2014, as the 18th amendment.

# 15. Rules of Procedure for Shareholders Meeting

Article 1 To establish a strong governance system and sound supervisory capabilities for this Corporation's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2 The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 3 Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors.

This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and its shareholder services agent as well as being distributed on-site at the meeting place.

Election or dismissal of directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act or Articles 26-1 and 43-6 of the Securities and Exchange Act shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the

proposal.

Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

Article4 For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Corporation before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

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

Article5 The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article6 This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification. This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

This Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article7 If a shareholders' meeting is called by the board of directors, the board chairman shall preside at the said shareholders' meeting. In case the chairman is on leave of absence, or cannot exercise his powers and authority, an agent acting on his behalf shall be appointed according to the regulations in

the Company Act. It is advisable that shareholders meetings convened by the board of directors be attended by a majority of the directors.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

Article8 This Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article9 Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

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

Article10 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of

the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the attending shareholders may elect a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

Article11 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

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

Article12 Voting at a shareholders meeting shall be calculated based the number of shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

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

Article13 A shareholder shall be entitled to one vote for each share held, except where other legal requirements apply.

When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic

means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. It is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in this Corporation's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

If no attending shareholder voices an objection following an inquiry by the chair, the proposal will be deemed approved. If there is an objection or abstention, which involves in those exercised by correspondence or electronic means, the proposal shall be brought to a vote.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article14 The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors

and the numbers of votes with which they were elected.

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

Article15 Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes in accordance with Article 183 of the Company Act.

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

If no attending shareholder voices an objection following an inquiry by the chair, the proposal will be deemed approved, and the statement "consultation by Chairman without any opposition raised" should be documented in the minutes of meeting. If there is an objection, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the proposal.

Article16 On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.

Article17 Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Corporation, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article18 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days



in accordance with Article 182 of the Company Act.

Article19 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

Article20 These Rules of Procedure for Shareholders Meeting were enacted on June 13th, 2008, and were amended on June 15th, 2011, as the 1st amendment; on June 22th, 2012, as the 2nd amendment; on June 14th, 2013, as the 3rd amendment; on June 20, 2014. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

# 16. Rules for Director and Supervisor Elections

- Article 1 Unless otherwise stipulated by the Company Act and our Company's Articles of Incorporation, the election of our Company's directors and supervisors shall be governed by the Rules hereto.
- Article 2 The election of our Company's directors and supervisors shall comply with the due process prescribed in Article 192-1 of the Company Act regarding to the candidate nomination procedure. The election of our Company's directors and supervisors shall adopt uni-nominal cumulative voting scheme. Voter identification appearing on ballot may be substituted by attendance pass number. Unless otherwise stipulated by the laws, each share shall have the votes equal to the number of the directors and supervisors to be elected in the election of our Company's directors and supervisors, and the said votes may be voted all on one candidate or separately on several candidates.
- Article 3 At the beginning of voting, the chairperson shall appoint scrutineers and poll clerks to execute the responsibilities of vote scrutiny and vote counting.
- Article 4 The quotas of our Company's director and supervisors shall be determined in accordance with our Company's Articles of Incorporation, and the suffrage of independent director and non-independent director shall be calculated separately. The winners of the election shall be determined according to and in the order of the number of suffrage received by the candidates. A tie among two or more candidates with the same number of suffrage shall be resolved by a draw, and an absent candidate not available for the said draw in person shall be substituted by the chairperson for the said draw. A corporate shareholder or a person who wins the election as a director and a supervisor concurrently must decide to serve as either a director or a supervisor, and the vacancy emerges shall be assumed by the candidate winning the second highest votes from the same election.
- Article 5 The election ballots shall be printed and issued by our Company; each ballot shall be coded with attendance pass serial number and the respective suffrage. However, no ballot will be issued to those who vote by electronic means, which shall be exercised in accordance with the website and form prescribed on the respective meeting notice.
- Article 6 A voter shall specify the account name and account number of the candidate on ballot if the said candidate is a shareholder, or name and Citizen ID number of the said candidate is a non-shareholder. However, if a corporate shareholder is to be voted, such a candidate's government name or corporate name, or the government name or corporate name and the name of the representative of the said government or corporate, shall be specified on the name field on the ballot. In case of several representatives, specify all names.
- Article 7 A ballot shall be regarded as null and void if any of the followings applies:
1. The ballot does not conform to this Rules;
  2. A bank ballot is deposited into the ballot box;
  3. Writing on the ballot is beyond reasonable recognition or has been altered or modified;
  4. The name and shareholder account number of a shareholder candidate being specified on the ballot are inconsistent to the shareholder list;
  5. Any writing other than candidate's name and shareholder account number or Citizen ID number is found on the ballot;

6. The candidate's name specified on the ballot is identical to other shareholder and no shareholder account number or Citizen ID number is specified for valid identification; or
7. Ballot found null and void in accordance with the laws.

Article 8 Ballot box will be opened for counting immediately at the end of voting, and the voting result will be announced by the chairperson on site.

Article 9 Our Company shall issue elected certificate to the winning directors and supervisors.

Article 10 Issues not regulated by this Rules shall be governed by the Company Act and the competent laws and/or mandates.

Article 11 This Rules shall be implemented after being approved by the board of directors. Amendment shall also require approval from the board of directors.

Article 12 This Rules are promulgated on June 15, 2004. First revision on June 22, 2012. Second revision on June 20, 2014.

# 17. The Operational Procedures for Asset Acquisition or Disposal

## Article 1: Purpose

These Procedures are especially provided for the protection of investors' interests, effective control of risk, and compliance to openness of information for the public.

## Article 2: Source of law

These Procedures are provided in accordance with Article 36-1 of the Securities and Exchange Act (herein after referred to as the SEA) and the mandates stipulated by the Securities and Futures Commission, Ministry of Finance, in its letter "Principles Governing Public Companies Acquiring or Disposing Assets", issued on Dec. 10, 2003, reference number Tai-Cai-Jheng (1) No. 091000610.

## Article 3: Scope of assets

1. Negotiable securities: including long- and short-term investment in stock, bond, corporate bond, financial debenture, securities of outstanding fund, depositary receipt, call (put) warrant, beneficiary securities, and asset backed securities.
2. Real estate property (including land, house, building, investment property, tenure, and construction business inventory) and equipment.
3. Membership certificate.
4. Intangible asset: including patency, copyright, trade mark right, and franchise.
5. Financial institutes' debentures (including account receivable, foreign exchange buying discount, loan, and non-accrual debt).
6. Financial derivatives.
7. Asset acquired or disposed die to legal merger, division, acquisition, or receiving shares.
8. Other major assets.

## Article 4: Definitions

1. Derivatives: Forward contract, option contract, future contract, leverage contract, swap contract, and the composite contract of the above, of which value derive from asset, interest rate, exchange rate, index, or other interests. A forward contract shall exclude insurance policy, performance deed, after-sale service agreement, long-term lease contract, and long-term merchandise procurement/sale agreement.
2. Asset acquired or disposed die to legal merger, division, acquisition, or receiving shares: Assets acquired from or disposed through merger, division, or acquisition in accordance with Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws and regulations, or receiving IPO shares of other company (herein after referred to as Received Shares) in accordance with Article 156-8 of the Company Act.
3. Stakeholders/subsidiary: As the Regulations Governing Security Issuer's Financial Report

Compiling may define..

4. Professional appraiser: Real estate property appraiser or other professionals legally permitted for practicing appraisal on real estate property and other fixed assets.
5. Actual occurrence date: a contract execution date, payment date, completion date, ownership transfer date, board of directors' resolution date, or date on which a counterparty and transaction amount become definitely certain, whichever happens earlier. However, for investment that requires approval from the competent authority, an actual occurrence date shall be either the date abovementioned or the date of the said approval, whichever happens earlier.
6. Investment in Mainland China area: An investment made in Mainland China in compliance with the Regulations Governing Approval for Investment or Technical Cooperation in Mainland China Area stipulated by the Investment Board, Ministry of Economic Affairs.
7. A latest financial report shall mean the financial report audited, attested, or scrutinized by an accountant and released to the public before a company's acquisition or disposal of asset..

Article 5: Quota on investment of non-operational purpose real estate property and security

The quota of asset individually acquired by our Company or a subsidiary shall comply with the governing laws or our Company's internal hierarchical authorization system.

Article 6: The professional appraiser responsible for our Company's appraisal report and the CPA, attorney, or security underwriter responsible for opinion statement regarding to our Company, and their associated appraisers, accountants, lawyers, security underwriters, and transaction parties may not function as a stakeholder.

Article 7: Appraisal report or CPA opinion statement may be replaced with a certificate issued by the court if asset is acquired or disposed by way of court-administered foreclosure.

Article 8: Procedure for acquiring or disposing real estate property or equipment

1. Appraisal and operational procedure

Our Company's acquisition or disposal of real estate property or equipment shall comply with our Company's internal control system and fixed asset rules.

2. Trade terms and conditions and credit limit decision-making procedure

(1) Acquisition or disposal of asset shall first refer to announced present value, assessed value, actual transaction prices of the neighboring area to determine transaction terms and conditions and price. An analysis report is to be delivered to the decision-maker and the amount shall comply with our Company's hierarchical authorization system.

(2) Acquisition or disposal of other fixed assets shall choose one method among price inquiry, price competition, price negotiation, or bidding, and the amount shall comply with our Company's hierarchical authorization system.

3. Execution unit

When our Company acquires or disposes real estate property or equipment, the user unit and the Administration Department shall be responsible for execution after approval is obtained through the due process stipulated in the previous subparagraph.

4. Appraisal report for real estate property or other fixed assets

The transaction amount of our Company's acquisition or disposal of real estate property or

equipment exceeding 2% of our Company's paid-up capital or TWD 300 million shall require a price appraisal report issued by a professional appraiser and compliance to the followings:

- (1) If a limited price, specific price, or special price is used as a reference for the transaction price, the same transaction shall require approval from the board meeting in advance. The same shall apply to future change of terms and conditions for transaction.
- (2) Appraisals from two or more professional appraisers are required for transaction with amount exceeding TWD 1 billion, appraised price exceeding transaction price for asset acquisition or the appraisal result of asset disposal.
- (3) Unless otherwise the appraisal for asset acquisition is higher than transaction amount or the appraisal result of asset disposal is lower than transaction amount, if the professional appraiser's appraisal result applies to any of the following situation, the accountant shall exercise the Audit Principle Gazette No. 20 issued by the Accounting Research and Development Foundation (ARDF) and present opinion regarding to the cause of difference and the adequacy of the transaction price:
  - i. The difference between appraisal result and transaction amount is 20% or more of the transaction price;
  - ii. The difference between/among two or more professional appraisers' appraisal results is 10% or more of the transaction price.
- (4) The time between the date of appraisal report issued by a professional appraiser and the date of contract execution should not exceed 3 months. However, if the applicable announced present value for the same period does not exceed 6 months, the original professional appraiser may present opinion statement.

#### Article 9: Procedure for acquiring or disposing securities investment

1. Assessment and operational procedure  
Our Company's purchase and sale of both long- and short-term securities shall comply with our Company's internal control system and investment rules.
2. Decision-making procedure for transaction terms and conditions and credit authorization
  - (1) Trade of securities conducted at the stock exchange market or through a business site of a securities dealer shall be determined by the responsible unit with reference to the market status. The transaction amount shall comply with internal authorization rules.
  - (2) Trade of securities conducted not at the stock exchange market or not through a business site of a securities dealer shall use the target company's latest financial statements audited, attested, or scrutinized by a CPA as reference for transaction assessment with considerations of net value per share, profitability, and future potential of the target company. The amount concerned shall also comply with internal authorization system.
3. Execution unit  
When our Company acquires or disposes securities investment, the respective execution unit shall be responsible for execution.
4. Obtaining accountant's opinion  
A transaction with amount exceeding 20% of our Company's paid-up capital or TWD 300 million shall require the accountant to present opinion regarding to the reasonability of the

transaction price prior to the actual occurrence date. If the said accountant requires exert statement, the accountant shall exercise the Audit Principle Gazette No. 20 issued by the ARDF. However, if the said securities may enhance the public price quotations in the market or comply with the Financial Supervisory Commission regulations in any of the following situations:

- (1) Acquiring securities with cash through IPO or fund raising.
- (2) The company partaking in the buying of the target increases capital by cash in accordance with the governing laws and issues securities at par value.
- (3) The company being invested and partaking in a 100% divestment increases capital by cash and issues securities.
- (4) Listed, OTC, emerging market securities traded at the stock exchange market or securities dealer's business site.
- (5) Bonds that are callable or puttable public bonds.
- (6) Offshore and onshore funds.
- (7) Listed (OTC) company shares acquired or disposed in accordance with the listed (OTC) securities subscription rules or auction rules stipulated by the Stock Exchange Market or GreTai Securities Market.
- (8) Securities acquired through stock warrant as a result of a listed company increasing capital by cash, and the said securities acquired are not privately raised securities.
- (9) Subscription of mutual fund prior to the establishment of the same fund as stipulated by Article 11-1 of the Securities Investment Trust and Consulting Act and the FSC Mandate Jin-Guan-Jheng No. 0930005249 of Nov. 1, 2004.
- (10) Subscription or buy-back of offshore and onshore private fund, of which scope of investment is the same as public fund, except securities margin transactions and open position of securities, if the trust agreement already prescribed the investment strategy.

#### Article 10: Procedure for transaction with stakeholders

4. Our Company's acquisition or disposal of asset from or with stakeholders shall comply with, in addition to Article 7 pertaining to the procedure for real estate property acquisition, the following rules for the decision-making procedure and reasonability of the transaction's terms and conditions. If the amount exceeds 10% of our Company's total asset, then an appraisal report issued by a professional appraiser or opinion stated by an accountant is required. In addition, when identifying the counterparty's identity as a stakeholder shall take into account not only the legal formality, but also de facto relation.
5. Assessment and operational procedure  
Our Company's acquisition or disposal of real estate property from or with a stakeholder, or acquisition or disposal of other non-real estate property, with transaction amount equals to or more than 20% of our Company's paid-up capital, 10% of total asset, or TWD 300 million, except for government bonds, re-purchase or re-sale of bonds, subscription or redemption of domestic monetary funds, shall also require presenting the following information to the board of directors and supervisors for approval before the respective transaction agreement may be

executed and payment be made:

- (8) The purpose, necessity, and expected benefit of the asset acquisition or disposal.
- (9) The reason for choosing a stakeholder as transaction counterparty.
- (10) The information regarding to assessing the reasonability of the intended transaction's terms and conditions in accordance with Paragraph 3, Subparagraph (1) and (4) of this Article.
- (11) The date and price of the property originally acquired by the stakeholder, and the counterparty's relation with our Company and the stakeholder.
- (12) Monthly cash flow forecasts for the 12 months from the month when the agreement is expected to be executed. The necessity of the transaction and the reasonability of the capital maneuver shall be assessed as well.
- (13) Appraisal report issued by a professional appraiser or opinion presented by accountant shall be obtained in accordance with Paragraph 1 of this Article.
- (14) Restrictions or other important considerations applicable to the transaction in concern.

The president is authorized by the board of directors to make decision with discretion for acquisition or disposal of business machine and equipment of a certain value between our Company and subsidiary, provided the transaction is reported afterwards to the board for approval.

If independent directors are already in place, their opinions as the previous Paragraph may concern shall be thoroughly considered. Any objection or reserve opinion raised by an independent director shall be recorded in the meeting record of the board meeting.

6. Assessment of the reasonability of the transaction

- (8) Our Company's acquisition or disposal of real estate from or with stakeholder shall require assessment on the reasonability of transaction cost pursuant to the following methods:
  - i Adding necessary capital interest and costs to be carried by the buyer as the laws may require to the stakeholder's transaction price. The term of necessary capital interest cost shall be the weighted average interest of the fiscal year for the loan borrowed by the Company for the purchase of asset, and may not exceed the maximum loan interest rate for non-financial business announced by the Ministry of Finance.
  - ii If the stakeholder has ever pledged the target with a financial institute, then assess the total value of the target appraised by the same financial institute for the mortgage. The total accumulated loan granted by the same financial institute on the same target shall be 70% or more of the assessed value of the target and the loan has been made for longer than one year. However, if the financial institute is a stakeholder to either party of the transaction, then this rule does not apply.
- (9) For joint acquisition of a same land and house, the separate assessments for the transaction cost of the land and the house shall be made pursuant to any of the above methods.
- (10) Our Company's acquisition of real estate property from a stakeholder shall require assessment on the real estate property cost pursuant to Subparagraphs (1) and (2), Paragraph 3 of this Article, and a secondary review and opinion from accountant are required.
- (11) If the assessment on the real estate property that our Company is to acquire from a stakeholder pursuant to Subparagraphs (1) and (2), Paragraph 3 of this Article suggests the cost is lower



than the transaction cost, then follow Subparagraph (5), Paragraph 3 of this Article. However, this rule does not apply to the following situations, provided objective evidence, real estate professional appraiser's and accountant's opinions on reasonability are obtained:

- i The stakeholder builds building on the raw land acquired or leased shall prove any of the following qualification:
  - (i) The raw land is appraised pursuant to the methods provided in the previous Article, while the cost of the house shall be the stakeholder's construction cost plus reasonable construction profit, and the sum of the two exceeds the actual transaction price. The term reasonable construction profit shall be the average gross profit from operation of the construction department of the stakeholder over the past 3 years, or the construction industry gross profit ratio announced by the Ministry of Finance, whichever is lower.
  - (ii) The assessment on the transaction of other property having comparable acreage on other floor or in adjacent area to the property in concern traded by other non-stakeholders, with terms and conditions complying with common practice in real estate transactions, suggests similar terms and conditions.
  - (iii) The assessment on other property on other floor leased to a non-stakeholder in the past one year, with terms and conditions complying with common practice in real estate transactions and referencing to price difference due to floor number, suggests similar terms and conditions.
- ii Our Company presents evidence that proves the transaction terms and conditions for the acquisition of property from a stakeholder are comparable to other transactions property of comparable acreage in adjacent area made between other non-stakeholders. The term transactions in adjacent area shall mean, principally, a property locating on the same or neighboring block with a distance to the target property in concern does not exceed 500 meters and the announced present values are comparable. The term comparable acreage shall mean the transactions of property, having acreage no less than 50% of the target property's acreage, made between other non-stakeholders. The term one year shall be the past year before the actual occurrence date of the property acquisition.

(12) Our Company's acquisition of real estate property from a stakeholder shall require completing the following tasks if the assessment made in accordance with Subparagraphs (1) and (2), Paragraph 3 of this Article suggests a price lower than transaction price:

- i Regarding to the recognition of special reserve, pursuant to Paragraph 1, Article 40 of the Securities Exchange Act, our Company may not distribute or transfer as common stock for distribution the difference of the real estate transaction's transaction price and assessed cost. A listed company investing in our Company and adopting equity method for assessment shall recognize the special reserve at the share holding ratio in accordance with Paragraph 1, Article 41 of the Securities Exchange Act.
- ii The supervisors shall observe Article 218 of the Company Act.
- iii The handling of Points 1 and 2, Subparagraph (5), Paragraph 3 of this Article shall be reported to the shareholders' meeting and disclose the details of the transaction in the

annual report and the prospectus.

In addition, our Company and the listed company investing in our Company adopting equity method for investment assessment and having recognized the special reserve abovementioned may not use the said special reserve until the asset purchased at a high price has been recognized as loss or disposal due to price fall or adequately compensated or redeemed, or other evidence proving no unreasonability exists, and approved by the FSC..

(13) Our Company acquiring real estate property from a stakeholder having any of the following situations shall comply with Paragraphs 1 and 2 of this Article regarding to the assessment and operation procedures, and Subparagraphs (1), (2), and (3), Paragraph 3 of this Article concerning the assessment on transaction reasonability do not apply:

- i The stakeholder acquires the real estate property through heritage or gift.
- ii The stakeholder's acquisition date of the real estate property has been more than 5 years from the current transaction's agreement execution date.
- iii The real estate property is acquired by executing a joint property development agreement with a stakeholder or a construction project commissioned to the stakeholder on own land or leased land.

(14) Subparagraph (5), Paragraph 3 of this Article shall be also observed if other evidence is in place proving that the transaction in which our Company acquires real estate property from a stakeholder does not conform to common practice.

#### Article 11: Procedure for Acquisition or Disposal of Membership Certificate or Intangible Asset

##### 5. Assessment and operational procedure

Our Company's acquisition or disposal of membership certificate or intangible asset shall comply with our Company's internal control system for fixed asset cyclical procedure.

##### 6. Transaction terms and conditions and authorization granting procedure

The procedure provided by our Company or other procedures require by the laws for asset acquisition and disposal shall require approval by the board. An objection raised by a director, whether documented or in the form of written affidavit, shall be presented to the supervisors. In addition, if our Company already has independent directors in place, their opinions and reasoning shall be thoroughly considered and documented in the meeting record, whether for or against, regarding to asset acquisition or disposal.

##### 7. Execution unit

Our Company acquiring or disposing membership certificate or intangible asset shall obtain approval according to the authorization level abovementioned and the user unit and finance or administration department shall be responsible for execution.

##### 8. Appraisal and opinion report by expert on membership certificate or intangible asset

Our Company acquiring or disposing membership certificate or intangible asset with transaction amount of 20% of our Company's paid-up capital or TWD 300 million or more, unless the said transaction is made with the government, shall have the accountant to present opinion on the reasonability of the transaction price prior to the actual occurrence date. The said accountant shall comply with Audit Principle Gazette No. 20 issued by the ARDF.

#### Article 12: Procedure for acquiring or disposing financial institute debenture

Basically our Company does not engage in transactions of acquisition or disposal of financial institute debenture. If such transaction is ever to be engaged in the future, it shall first require approval from the board, followed by respective assessment and operational procedure and governed by Article 13: Procedure for acquiring or disposing derivatives.

#### Article 13: Procedure for acquiring or disposing derivatives

5. Prior to engagement in derivatives, the transaction department of our Company shall first present the guidelines for the respective transactions to the General Manager for approval.

##### (1) Transaction principles and guidance:

They shall include the types, operation or risk aversion strategy, responsibility, key points for performance appraisal, total amount of derivative agreements, and upper limit of loss for general and individual agreements for derivative transactions.

##### (2) Risk management measure.

##### (3) Internal audit system.

##### (4) Scheduled assessment method and policy for abnormality.

6. Our Company engaging derivative transactions shall adopt the following risk management measures:

##### (1) Scope of risk management shall include credit, market price, currency, cash flow, operational risk, and legal risk.

##### (2) Derivative transaction agent may not concurrently assume the job of confirmation and settlement personnel.

##### (3) The personnel responsible for risk assessment, supervision, and control shall be deployed in department other than the department responsible for the personnel mentioned in the previous Subparagraph and shall report to the board of directors or high-ranking management not responsible for transaction or position policy.

##### (4) The positions of derivatives on hand shall be reviewed at least once per week.

Risk-preventive transactions shall be reviewed twice per month if so required for business. The review report shall be presented to the high-ranking management authorized by the board of directors.

##### (5) Other major risk management measures.

7. The board of directors shall thoroughly perform their duties of supervision and control according to the following principles regarding to our Company's engagement in derivative transactions:

##### (1) Assign high-ranking management to keep close watch on the supervision and control of the risk of derivative transactions.

##### (2) Periodically review derivative transactions and determine their conformity to existing operation strategy and risk tolerance stipulated by our Company.

The high-ranking management authorized by the board shall manage derivative transactions according to the following principles:

##### (3) Periodically review the adequacy of currently adopted risk management measure and strictly observe these guidelines and the procedures stipulated by our Company for

derivative transactions.

- (4) Supervise transaction and gain/loss status and adopt necessary countermeasure upon finding of abnormality and report to the board of directors. A listed company engaging in derivatives transactions and authorizing is personnel to practice the said transaction in accordance with the derivatives transaction procedure itself has provided shall report in the nearest meeting of the board.
8. Our Company shall have in place a review journal for derivatives transactions and keep loggings of the types, amounts, board of directors' approval dates, and other issues to be prudent with for future reference.

#### Article 14: Procedure for merger, division, acquisition, or share receiving

##### 1. Assessment and operational procedure

- (1) Our Company handling merger, division, acquisition, or share receiving shall summon lawyers, accountants, and underwriters for meeting to determine the legal process and time schedule and organize a task force to execute in accordance with the legal process. Our Company shall also have the accountants, lawyers, and underwriters to share their opinions regarding to the reasonableness of share exchange ratio, purchase price, distribution of cash or other property among shareholders, followed by proposing the same to the board of directors for approval.
- (2) Prior to shareholders' meeting, our Company shall produce public document to the shareholders, stating important information pertaining to any merger, division, or acquisition and expert opinions as stipulated in Subparagraph 1, Paragraph 1 of this Article, as reference for decision on the said merger, division, or acquisition proposal, and deliver the said document together with shareholders' meeting notice to the shareholders. However, this does not apply to the merger, division, or acquisition the laws do not require decision in shareholders' meeting. The companies participating in the said merger, division, or acquisition shall immediately explain to the public about the reason, afterward handling, and intended shareholder's meeting schedule if the company's shareholders' meeting fails to proceed with the meeting or reach a resolution due to quorum problem, insufficient votes, or other legal restrictions, or proposition being vetoed.

##### 2. Other issues

- (1) Board meeting date: Unless otherwise stipulated by laws or excused by FSC in advance for special reason, the companies participating in a merger, division, or acquisition shall begin their board meeting and shareholders' meeting on the same day to determine the said merger, division, and acquisition. Unless otherwise stipulated by laws or excused by our Commission in advance for special reason, the company participating in receiving shares shall also begin its board meeting on the same day.

The listed companies or companies traded at securities brokers' business sites, participating in a merger, division, acquisition, or share receiving, shall keep the following information in their archive for at least 5 years for future reference:

1. Personnel basic information: including the names, job titles, Citizen ID (passport number for foreigner) of the persons who plan and/or execute the merger, division,

acquisition, or share receiving prior to the disclosure of the said transaction.

2. Important dates: including the execution dates of letter of intent, memorandum, commissioning of financial or legal consultants, execution of agreements, and board meetings.
3. Important document and meeting record: including the plan for merger, division, acquisition, or share receiving, letter of intent, memorandum, important agreements, and board meetings' meeting records.

The listed companies or companies traded at the securities brokers' business sites participating in the merger, division, acquisition, or share receiving shall deliver the information stipulated in Subparagraphs 1 and 2 of the previous Paragraph to the Commission through internet reporting system in the form stipulated within 2 days from the approval resolution is made by the board meeting.

The listed or OTC-traded companies participating in the merger, division, acquisition, or share receiving shall make and enter into agreement with the non-listed or non-OTC-traded participating companies in accordance with Paragraphs 3 and 4.

- (2) Non-disclosure agreement: All persons participating or having the knowledge of the said merger, division, acquisition, or share receiving plan shall execute a written guarantee not to disclose the said plan before the plan is officially disclosed to the public, and may not engage in the trade under his/her own name or other people's names the shares or equity-equivalent securities of the companies participating in the merger, division, acquisition, or share receiving.
- (3) Principles for share exchange or purchase price determination and change: The companies participating in the merger, division, acquisition, or share receiving shall have their respective accountants lawyers, and securities underwriters to present their opinions regarding to the reasonability of the share exchange ratio, purchase price, cash or other property distributed among shareholders before the board meeting, and such companies shall disclose these opinions in their shareholders' meetings. Basically, share exchange ratio or purchase price may not be changed without justifiable cause unless otherwise the conditions to the said change has been agreed in the agreement and disclosed to the public. Share exchange ratio and purchase price may be changed if:
  1. Increasing capital by cash, issuing convertible bond, free-gratis, warrant bonds, preferred shares with warrants, warrants, and other equitable securities.
  2. Disposal of company's major asset to have impact on the company's financial standing.
  3. Major disaster, critical change of technology, or other incident that has impact on the company's shareholders' interest or securities prices.
  4. Any of the companies participating in the merger, division, acquisition, or share receiving adjusting its treasury stocks as adjustment.
  5. The main entity or number of companies participating in the merger, division, acquisition, or share receiving has changed.
- (4) Information required to be stated: The companies participating in the merger, division,

acquisition, or share receiving shall observe Article 317-1 of the Company Act and Article 22 of the Business Mergers And Acquisitions Act and clearly state the following information:

1. Measure for breaching;
  2. The principles for handling the equitable securities already issued by the eliminating company due to merger or division or treasury stocks already bought back;
  3. The quantity of treasury stocks to be bought back and the principles for handling the said stocks after the participating companies have determined the share exchange ratio and record date;
  4. The handling method for change of the main entity or number of participating companies;
  5. Estimated plan execution progress and completion date; and
  6. Handling procedure for failure to meet the plan's deadline, and estimated date of shareholders' meeting as required by the laws.
- (5) Upon change of number of companies participating in the merger, division, acquisition, or share receiving: After the information of the merger, division, acquisition, or share receiving is disclosed to the public, a participating company wishes to engage in a merger, division, acquisition, or share receiving with other companies, unless otherwise the number of participating company decreases and the shareholders' meeting has determined and authorized the board of directors to change the authority, the participating company is not required to summon a shareholders' meeting to re-determine, and the procedure or legal action already completed for the original plan of merger, division, acquisition, or share receiving shall be re-do by and among all participating companies.
- (6) Our Company shall make and enter into agreement with non-listed companies participating in the merger, division, acquisition, or share receiving and observe Paragraph 2 (1) of this Article regarding to the board meeting date, Subparagraph (2) regarding to the non-disclosure agreement, and Subparagraph (5) regarding to the change of the number of companies participating in the merger, division, acquisition, or share receiving.

#### Article 15: Procedure for information disclosure

1. Information to be reported and the report standard
  - (1) Acquisition or disposal of real estate property from or with a stakeholder, or property other than real estate property, of which transaction amount exceeds 20% of our Company's paid-up capital, 10% of total asset, or TWD 300 million. However, this rule does not apply to the government bonds, re-purchase or re-sale of bonds, subscription or redemption of domestic monetary funds,.
  - (2) Engaging in merger, division, acquisition, or share receiving.
  - (3) Loss realized from derivatives transactions, of which loss amount satisfies the upper limit of all or individual contracts in accordance with the stipulated handling procedure.
  - (4) Asset transactions other than the ones stated in the previous 3 subparagraphs, a financial institute disposing debt or investment in Mainland China area with transaction amount exceeding 20% of paid-up capital or TWD 300 million. However, this rule does not apply

to the followings:

- i. Trade of public bond;
  - ii. Trades of securities by professional investors at onshore or offshore securities exchange markets or securities brokers' business sites or securities prescribed by securities brokers at primary market or in accordance with applicable regulations..
  - iii. Re-purchase or re-sale of bonds and subscription or redemption of onshore currency market fund.
  - iv. Acquisition or disposal of assets of which types are machine and equipment for business, the transaction counterparty is not a stakeholder, and the transaction amount is less than TWD 500 million.
  - v. Acquisition or disposal of real estate for the use of construction by our Company engaging in construction business, the transaction counterparty is not a stakeholder and the transaction amount is less than TWD 500 million.
  - vi. Acquisition of property by way of commissioned project on own land, commissioned project on leased land, joint construction and split house, joint construction and allocation of ownership percentage, and joint construction and separate sale; the Company's planned committed transaction amount is less than TWD 500 million.
- (5) The transaction amount is calculated according to the method in below, and the abovementioned within one year shall be the year before the record date of the actual happening of this transaction. The part announced in compliance with the regulations is not included.
- i. Amount per each transaction.
  - ii. Amount accumulated for acquiring or disposing a property of the same nature from the same counterparty within one year.
  - iii. Amount accumulated for acquiring or disposing (separately accumulated for acquisition and disposal) the same property development within one year.
  - iv. Amount accumulated for acquiring or disposing (separately accumulated for acquisition and disposal) the same securities.
2. Time limit for public disclosure and reporting
- Our Company shall disclose to the public and complete reporting within 2 days from the occurrence date of property acquisition or disposal to which transaction amount the disclosure and reporting standards apply as stipulated in Paragraph 1 of this Article.
3. Disclosure and reporting procedure
- (1) Our Company shall disclose and report the related information at the website designated by the FSC.
  - (2) Our Company shall upload the information of the derivatives transactions made by our Company and subsidiary not domestically listed as of the end of the previous month as stipulated by the FSC, in the form stipulated, by the 10<sup>th</sup> day of each month.
  - (3) Our Company shall make prompt correction if the information disclosed as required by laws is found to be incorrect or incomplete, and re-disclose and re-report all information again.

- (4) Unless otherwise stipulated by laws, our Company shall keep the contracts, meeting records, memorandum, appraisal report, accountant/lawyer/securities broker opinion regarding to our Company's acquisition or disposal of asset in archive at our Company for at least 5 years.
- (5) Our Company shall disclose and report the related information within two days from the occurrence date at the website designated by our Commission if any of the following occurs after our Company has completed disclosure and reporting in accordance with regulations:
  - i. Change, termination, or cancellation of the original executed contract;
  - ii. The merger, division, acquisition, or share receiving is not completed as scheduled; or
  - iii. Change of the information disclosed and reported.

#### 4. Disclosure format

As the competent authority may stipulate.

Article 16: Our Company's subsidiary shall comply with the followings:

1. A subsidiary shall comply with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies for its Procedure for Property Acquisition and Disposal.
2. Our Company shall act on behalf of a subsidiary that is not a listed company and its acquisition or disposal of property is subject to reporting standard stipulated by the Regulations Governing the Acquisition and Disposal of Assets by Public Companies for disclosure and reporting.
3. The standard applicable to a subsidiary that "exceeds 20% of our Company's paid-up capital or 10% of total asset" shall mean the principal (our) Company's paid-up capital.

#### Article 17: Penalty

Employee handling acquisition and disposal of asset who violates these Procedures shall be subject to penalty provided by our Company's Employee Management Rules depending on the severity. The said violation will be considered in the scheduled review.

#### Article 18: Implementation and amendment

Our Company's Procedures for Asset Acquisition or Disposal is to be approved by the board of directors with carbon copies delivered to the supervisors, and will be proposed to the shareholders' meeting for approval. Amendment shall follow the same procedure. Our Company shall deliver any objection raised by any director, documented, or made in written statement to the supervisors. If Independent directors are already in place, their opinions, for or against, shall be given thorough considerations in the board's review of the Procedures for Asset Acquisition and Disposal and recorded in the board meeting's record.

#### Article 19: Miscellaneous

Any issue not comprehensively covered in these Procedures shall be governed by the applicable laws.

Article 20: These Procedures shall be implemented after the approval from the board of directors and the shareholders' meeting. Amendment shall follow the same procedure. These Procedures are promulgated on March 11, 2003. The first amendment is made on June 15, 2007. The second amendment is made on June 15, 2010. The third amendment is made on June 21, 2012. The fourth amendment is made on June 20, 2014. The fifth amendment is made on June 12, 2015.



# 18. The Operational Procedures for Endorsements and Guarantees

**Article 1:** These procedures are stipulated pursuant to the “Rules for Management of Public Company Loans and Endorsement Guarantee” and the “Rules for Management of Securities Dealers” by the Company in order to handle endorsement and guarantee.

**Article 2:** The Company may make endorsements and guarantees for the following entities:

- 1) Where the Company makes reinvestment and holds more than 50% of shares of an overseas securities subsidiary, and if the overseas securities subsidiary wants to do the securities underwriting business, the Company shall offer the financing guarantee or property as guarantee for the overseas securities subsidiary.
- 2) Where the Company that directly or indirectly holds 100% of shares of a securities subsidiary and establish overseas subsidiaries in countries or regions where there are securities competent authorities, and issue the subscription (selling) right abroad.
- 3) Other companies approved by the competent authorities.

**Article 3:** The ceiling on the amount of endorsements and guarantees:

- 1) The aggregate amount of guarantees or guarantees created shall not exceed 20% of the net worth of the Company.
- 2) The amount of endorsements and guarantees to a single overseas subsidiary shall not exceed the aggregate amount of the Company.
- 3) Matters for making endorsements and guarantees shall be executed within the preceding amount by the chairman authorized by the board of directors, and subsequently shall be reported to the board of directors for recognition.

**Article 4:** Procedures for handling and reviewing endorsements and guarantees:

- 1) When the Company makes endorsements and guarantees, the financial division of the Company shall audit the necessity and the reasonability of endorsements and guarantees, perform the credit investigation and the risk assessment of the entity for which the endorsement and guarantee are made, evaluate the impact on the Company’s business operating risk, financial condition, and shareholders’ equity, and evaluate if the collateral and its appraisal value should be obtained. The assessment result then shall be submitted to the chairman for being executed in the preceding amount and reported to the most recent board of directors for recognition.
- 2) Where the entity for which the endorsement and guarantee are made is a subsidiary whose net worth is 50% less than the paid-in capital, the related follow-up control measures shall be clearly defined.

**Article 5:** Procedures for use and custody of endorsement and guarantee stamps:

The Company shall use only the stamps registered in the Ministry of Economic Affairs for endorsements and guarantees. The stamps shall be under the custody of a person authorized by the board of directors and only be used after completing the application form and being approved in accordance with the stipulated procedure. If the warrantees are foreign companies, the letter of guarantee issued by the Company shall be signed by the person authorized by the board of directors.

**Article 6:** Procedures for announcement and report

- 1) The announcement or report refers to the information that the Company should type it into the information declaration website appointed by the Financial Supervisory Commission.

The date of occurrence named in the procedure refers to the contract signing date, payment date, board resolution date or other dates when the transaction entity and amount are determined.

2) The Company shall announce and report the previous month's balance of endorsements and guarantees of its head office and its subsidiaries by the 10<sup>th</sup> day of each month.

3) The Company whose balance of endorsement and guarantee reaches one of the following levels shall announce and report such event within 2 days commencing immediately from the date of occurrence:

(1) The balance of endorsements and guarantees of the Company reaches 50% or more of the Company's net worth as stated in its latest financial statement, or after announcing and reporting by requirements, its increased balance reaches 5% of the Company's net worth as stated in its latest financial statement.

(2) The balance of endorsements and guarantees of the Company for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement, or after announcing and reporting by requirements, its increased balance reaches 5% of the Company's net worth as stated in its latest financial statement.

(3) The balance of endorsements and guarantees of the Company for a single enterprise reaches NTD 10 million or more and the aggregate balance of its endorsements and guarantees for, long-term investment in, and loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement, or after announcing and reporting by requirements, its increased balance reaches 5% of the Company's net worth as stated in its latest financial statement.

(4) The Company shall announce and report such event within 3 days commencing from the date of occurrence pursuant to the Rules for Management of Securities Dealers.

**Article 7:** Internal control procedures:

1) When the Company makes endorsement and guarantee activities, the financial department shall prepare a memorandum book for recording in detail the following information: the entity for which the endorsement and guarantee are made, the amount, date decided by the board of directors or the chairman, and the date when the endorsement and guarantee are made.

2) The Company's internal auditors shall audit the Procedures for Endorsement and Guarantee and the implementation thereof at least every quarter and prepare written records accordingly. They shall promptly notify the supervisors immediately in writing of any major violation found.

**Article 8:** Where the limits stipulated in the Procedures for Endorsement and Guarantee have to be exceeded and comply with conditions stipulated in the Procedures for Endorsement and Guarantee in order to meet the business needs when the Company makes endorsements and guarantees, the approval from the board of directors and over half of all the directors should jointly endorse the potential loss that may be brought by the excess of limits. The board of directors shall also revise the procedures and has it ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the board of directors shall stipulate a plan containing a timetable to withdraw the excessive portion.

**Article 9:** Where an employee of the Company who violates the procedures will be sued by law depending on the seriousness in addition to punishments made by relevant regulations of the Company.

**Article 10:** Where the entity for which the endorsement and guarantee are made no longer meets the requirements, or the amount of the endorsement and guarantee exceeds the limit as a result of change of circumstances, the Company shall stipulate the improvement plans and submit them to the supervisors.

**Article 11:** The Company shall evaluate or record the contingent loss for endorsements/guarantees and shall

appropriately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

**Article 12:** Matters not mentioned in the procedures shall be settled in accordance with relevant laws, and shall be settled in accordance with the changed laws if the laws are changed.

The procedures are subject to the approval of the board of directors and submitted to the supervisors and the shareholders' meeting for approval. Where any director expresses dissent and it contains the minutes or a written statement, the Company shall submit the director's opinion to the supervisors and the shareholders' meeting for discussion. Any amendment is subject to the same procedure.

**Article 13:** When the procedures are submitted for discussion by the board of directors, each independent director's opinion shall be fully taken into consideration. The agreement or disagreement expressed by each independent director and its disagreement reasons shall be recorded in the minutes of the board meeting.

**Article 14:** The procedures were stipulated on 27 May, 2004, revised on 9 June, 2006 for the first time, revised on 15 June 2011 for the second time, revised on 14 June, 2013 for the third time.

## 19. Shareholding of Directors and Supervisors

Title	The minimum shares legally should hold	The recorded shares held until the date of closure (April 14,2015)
Board of Directors	22,026,777 shares	28,690,585 shares
Supervisors	2,202,677 shares	2,223,484 shares

	Name	The recorded shares held until the date of closure (April 14, 2015)
<b>Chairman of the Board</b>	De Sheng Development Corp. Representative : Chou,Kang-Chi	
<b>Directors</b>	De Sheng Development Corp. Representative : Cheng,Ta-Yu	11,650,774
	De Sheng Development Corp. Representative : Su,Hui-Fen	
	De Sheng Development Corp. Representative : Hsu,Kuo-An	
	De Sheng Development Corp. Representative : Gordon Yeh	
	De Sheng Development Corp. Representative : Cheng,Yin-Hua	
	De Sheng Development Corp. Representative : Robin W.S. Liao	
	Hong Chi Investment Corp. Representative : Chen,Hung-Chou	6,316,822
	Hong Chi Investment Corp. Representative : Chao,Kao-Shen	
	De Ye Investment Co., Ltd Representative : Lin,Chi-Sen	150,000
	De Ye Investment Co., Ltd Representative : Su,Ming-Jen	
	Jia Yi Corp. Representative : Tsai,Sung-Po	889,204
	Concord Investment Corp. Representative : Hung, Chin-Yi	8,456,046
	Youshare Trade & Development Corp.	605,208
	Ma,Pei-Chun	622,531
<b>Independent Directors</b>	Pai,Chun-Nan	0
	Chen,Ming-Tai	0
	Jinnder Chang	0
	Li,Yung-Ran	0
<b>Supervisors</b>	Cheng,Pei-Chih	1,437,450
	Ta Yuan Construction Corp. Representative : Chiang,Chang-Wen	741,547
	Ko,Wen-Huei	0
	Liu,Chien-Chun	167,487

## **20.The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate**

- (1) The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate :

According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company undisclosed the forecast of financial of 2014, therefore, it is unable to estimate the income or loss, earnings per share and pro-forma information.

- (2) Information on Employee Bonus Sharing and Director Compensation:

According to Article 25 of “Articles of Incorporation”, the profits of the Company in each fiscal year shall first be applied to payments of taxes, recovery of past losses, and company reserve in accordance with the relevant rules and regulations as follows:

III. 10% of the profits as the legal reserve

IV. 20% of the profits as the special surplus reserve (where this reserve equals to or exceeds the paid-in capital of the Company, the Company may discontinue appropriate of profit to this reserve).

Any remaining profit shall be accumulated to the previous year’s retained earnings and may collectively be used as distributable profits.

After deduction by the Board for operation necessities, distributable profits shall be allocated in accordance with the following proposal and submitted for approval at a shareholders' meeting:

III. Remuneration of Directors and Supervisors, not exceeding 5% of the balance;

IV. Employee bonuses in the sum of 1 to 2% of the balance;

Given the Company is in the securities industry, which is a volatile industry environment, and in its growth stage that still needs plenty of capital to assure competitiveness and development of business, the Company shall determine the optimal dividend policy by taking into account its current profitability and future working capital needs, and this includes appropriate use of cash dividend.

When the Company prepares a proposal for allocation of distributable profit, the following principles shall be considered: for distributed dividend, no less than 50% of net profits after tax in the current year; and for stock dividend, no less than 80% of proposed distributed dividend in the current year.