

Hermes Microvision, Inc.
2013 Annual Shareholders' Meeting Minutes
(Translation)

Time and Date: 9:00 a.m., Friday, June 6, 2014

Place: The Allied Association for Science Park Industries, Room 101
(No.2, Zhanye 1st Rd., East Dist., Hsinchu City 300, Taiwan)

Attendance: Attending shareholders and proxy representing 60,065,779 shares accounted for 84.59% of the Company's total outstanding shares.

Chairman: Mr. Chin-Yung Hsu, Chairman of the Board of Directors

Recorder: Mr. Hsiao-Lien Shen

1. Chairman's Address: Omitted.

2. Report Items

Report Item (1)

Subject: 2013 Business Report. Please resolve your decision.

Description: 2013 Business Report is attached as page 5, Attachment 1.

Resolved.

Report Item (2)

Subject: Audit Committee's review report. Please resolve your decision.

Description: Audit Committee's review report is attached as page 6, Attachment 2.

Resolved.

3. Acknowledgements

Acknowledgement Item (1)

Subject: Adoption of the 2013 Business Report and Financial Statements.
(Proposed by the Board of Directors)

Description: (1) Hermes Microvision, Inc's 2013 Financial Statements, including the balance sheets, statements of comprehensive income, statements of changes in shareholders' equity, and statements of cash flows, were audited by independent auditors Ya-Huei Cheng and Tien-Yi Li of PricewaterhouseCoopers.

- (2) For the 2013 Business Report, Independent Auditors' Report, and the aforementioned Financial Statements, please refer to page 5, Attachment 1, page 7-12, Attachment 3, and page 13-20, Attachment 4.

RESOLVED, that the above proposal be and hereby was approved as proposed.

Acknowledgement Item (2)

Subject: Adoption of the proposal for distribution of 2013 Profits.
(Proposed by the Board of Directors)

Description: (1) The 2013 Profit Allocation Proposal is attached hereto as Attachment 5. Please refer to page 21.
(2) If the outstanding shares are impacted due to the Company's subsequent share buybacks, the transfer or cancellation of treasury stocks, the conversion of convertible corporate bonds, the exercise of employee stock options, the capital raising, or other matters, it is proposed the Board of Directors be authorized by the Annual Meeting of Shareholders to adjust the cash payout ratio.

RESOLVED, that the above proposal be and hereby was approved as proposed.

4. Resolutions

Resolution Item (1)

Proposed by the Board of Directors

Subject: To revise the company's "Article of Incorporation."

Descriptions: In order to conform to the needs of commercial practice, the company hereby proposes to revise the "Article of Incorporation." Please refer to page 22 (attachment 6) for details.

RESOLVED, that the above proposal be and hereby was approved as proposed.

Resolution Item (2)

Proposed by the Board of Directors

Subject: To revise the company's "Procedures Governing Asset Acquisition and Disposal."

Descriptions: In order to conform to related commercial laws, the company hereby proposes to revise the "Procedures Governing Asset Acquisition and Disposal." Please refer to page 23 (attachment 7) for details.

RESOLVED, that the above proposal be and hereby was approved as proposed.

Resolution Item (3)

Proposed by the Board of Directors

Subject: To elect nine Directors (including four independent directors)

Description: (1) The three-year term of the directors (including independent directors) of the 4th Board will end this year. Accordingly, the company proposes to duly elect new Board members at this year's Annual General Shareholders' Meeting. The Annual General Shareholders' Meeting shall elect 9 directors (including 4 independent directors.) Their three-year term will start from June 6th, 2014 and conclude on June 5th, 2017.

(2) The qualification of the 4 nominated independent directors has been reviewed by the Board meeting on February 25th, 2014. Personal information of the 4 nominees is as follows:

Name	Shareholding	Education	Experience
Liang, Kai-Tai	0	Bachelor of Electrophysics, National Chiao Tung University	President of Masstop Technology Inc. President of Siemens Shanghai Telecom President of Madewell Technology, Global Mobile Communication System Department
Hu, Han-Liang	0	Bachelor of International Business, Tamkang University	Partner of C.J.S. CPAs & Co., Ltd. Superisor of Orient Pharma Co., Ltd. Superisor of Genius, KYE systems Corp. Director of Sciencetech Corporation. Superisor of Godex International Co.,Ltd. Chairman of Shamrock Micro Device Corp.
Tu, Huai-Chi	0	Bachelor of Economy, National Taiwan University	CEO/Director of Promate Electronic Co., Ltd.
Kin, Lien-Fang	0	Doctor of Engineering Science, Columbia University	Director of MediaTek Inc. Counselor of Oak Hill Capital Partners Independent Director of eMemory Technology, Inc. Independent Director of AzureWave Technologies, Inc. Associate Dean of College of Technology Management, National Tsing Hua University Vice President of Global Business and Services, TSMC Vice President of Microelectronics Global Business and Services, IBM Vice President of Motorola Computer Business- Asia Pacific

Voting Results:

The list of the newly elected Directors with votes received follows:

Title	Name	Votes Received
Director	Shu, Chin-Yung	51,346,364
Director	Hermes-Epitek Corp.	46,591,482
Director	Jack Ying Chia Jau	46,604,352
Director	Chen, Zhong-Wei	46,595,352
Director	Yang, Chyan	46,604,352
Independent Director	Tu, Huai-Chi	46,587,526
Independent Director	Hu, Han-Liang	46,597,275
Independent Director	Liang, Kai-Tai	46,587,526
Independent Director	Kin, Lien-Fang	46,587,526

Resolution Item (4)

Proposed by the Board of Directors

Subject: To Release the prohibition on Directors from participation in competitive business

Description: Pursuant to Article 209 of the Company Act, it is proposed to release the prohibition on Directors from participation in competitive business

RESOLVED, that the above proposal be and hereby was approved as proposed.

5. Special Motions

6. Meeting Adjourned

Board of Directors
Hermes Microvision, Inc.

Attachment 1

Hermes Microvision, Inc. 2013 Business Report

Along with the geometry migration to advanced process technology nodes, the increasing architectural, manufacturing and material complexities will result in more inspection layers and more killer defects in the semiconductor manufacturing process. We expect e-beam inspection or EBI tools to gain market share from the main stream optical inspection system at the leading edge technology nodes, given their superior technical performance in resolution and sensitivity. As a result, our revenue and profit grew steadily in the past few years.

Although the global economy was in a recession in 2013, the robust demand for mobile devices and tablets has driven the semiconductor industry for smaller geometry node migration. The migration eventually result in increasing adoption of EBI by advanced wafer manufacturers.

In year 2013, HMI's sales reached another record high of NT\$ 5.34 billion. The year-over-year revenue growth was 28% comparing to the revenue of NT\$ 4.18 billion in 2012. The profit after income tax was NT\$ 2.35 billion and the EPS was NT\$ 35.09.

HMI has been committed to the research and manufacturing of EBI tools and solutions. Today, we offer a wide range of EBI products based on our proprietary electron gun and column technologies and highly effective defect inspection algorithms to meet the various needs of our customers. Besides being dedicated to the development of our core EBI technology, HMI is also devoted into broadening our EBI application to optimize EBI utilization and create value to our clients.

HMI launched Global Depositary Shares offering on November 2013. The net proceed will be used in research and development of new products and advanced technology projects. This program attracted some high quality global institutional investors to invest in HMI and improved HMI's global visibility.

Going forward, semiconductor manufacturers' requirement to high quality process control and yield management tools should increase along with the technology node migration. HMI's new manufacturing plant should be ready for production by the end of 2014 to meet clients' demand. Meanwhile, HMI is committed to develop next-generation inspection solutions alongside our customers and seek to introduce new system capabilities and features that would help address their technological difficulties and improve their yield rate.

Chairman: Chin-Yung Hsu

President: Jack Jau

CFO: Hsiao-Lien Shen

Attachment 2

Hermes Microvision, Inc. Audit Committee's Review Report

The Financial Statements of Hermes Microvision, Inc. in fiscal year 2013 have been duly audited by PricewaterhouseCoopers and are believed to fairly represent the financial standing, operation results and cash flows of Hermes Microvision, Inc.. The Audit Committee has duly reviewed the Financial Statements along with the Business Report and proposal for profits distribution and hereby verify that they comply with the requirements of Company Law and relevant regulations. This report is duly submitted in accordance with Article 219 of the Company Law, and I, as the Chairman of the Audit Committee hereby submit this report.

To Hermes Microvision, Inc. 2014 Annual General Shareholders' Meeting

Hermes Microvision, Inc.

Chairman of the Audit Committee: Han-Liang Hu

February 25, 2014

Attachment 3

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

Report of Independent Accountants

To Hermes Microvision, Inc.

We have audited the accompanying parent company only balance sheets of Hermes Microvision, Inc. as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those 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 provide a reasonable basis for our opinion.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of Hermes Microvision, Inc. as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers".

PricewaterhouseCoopers, Taiwan
Hsinchu, Taiwan
Republic of China

February 25, 2014

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HERMES MICROVISION, INC.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012				
Assets			Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%		
Current assets											
1100	Cash and cash equivalents	6(1)	\$	5,189,811	44	\$	2,417,871	45	\$	510,700	18
1147	Bond investments without	6(3)									
	active markets - current			2,891,085	24		-	-		-	-
1170	Accounts receivable, net	6(4)		1,365,752	12		819,071	15		410,257	14
1180	Accounts receivable - related	7									
	parties			381,922	3		427,975	8		370,666	13
1200	Other receivables			17,355	-		15,685	-		29,325	1
1210	Other receivables - related	7									
	parties			1,085	-		18,539	-		25,912	1
130X	Inventories	6(5)		859,798	7		888,293	17		877,372	31
1410	Prepayments			9,543	-		19,622	1		13,068	-
11XX	Current Assets			10,716,351	90		4,607,056	86		2,237,300	78
Non-current assets											
1523	Available-for-sale financial	6(2)									
	assets - noncurrent			4,412	-		-	-		-	-
1550	Investments accounted for	6(6)									
	using the equity method			816,036	7		584,338	11		474,633	17
1600	Property, plant and equipment	6(7)		268,730	2		110,596	2		119,063	4
1780	Intangible assets	6(8)		5,028	-		5,467	-		6,580	-
1840	Deferred income tax assets	6(24)		48,626	1		27,020	1		30,595	1
1920	Refundable deposits			120	-		247	-		291	-
15XX	Non-current assets			1,142,952	10		727,668	14		631,162	22
1XXX	Total assets		\$	11,859,303	100	\$	5,334,724	100	\$	2,868,462	100

(Continued)

HERMES MICROVISION, INC.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012				
			AMOUNT	%	AMOUNT	%	AMOUNT	%			
Liabilities and Equity											
Notes											
Current liabilities											
2100	Short - term borrowings	6(9)	\$	-	-	\$	-	-	\$	657,000	23
2150	Notes payable			-	-		-	-		1,080	-
2170	Accounts payable			98,288	1		62,280	1		33,768	1
2180	Accounts payable - related parties	7		235,579	2		215,319	4		105,072	4
2200	Other payables	6(10)		468,320	4		280,955	5		110,640	4
2220	Other payables - related parties	7		148,563	1		158,709	3		224,846	8
2230	Current income tax liabilities	6(24)		152,848	1		84,817	2		98,699	3
2250	Provisions for liabilities - current	6(13)		972,259	8		577,257	11		218,576	8
2300	Other current liabilities			4,940	-		2,873	-		2,107	-
21XX	Current Liabilities			2,080,797	17		1,382,210	26		1,451,788	51
Non-current liabilities											
2570	Deferred income tax liabilities	6(24)		5,042	-		14	-		3,589	-
2600	Other non - current liabilities	6(11)		79,058	1		85,468	2		59,019	2
25XX	Non - current liabilities			84,100	1		85,482	2		62,608	2
2XXX	Total Liabilities			2,164,897	18		1,467,692	28		1,514,396	53
Equity											
3110	Share capital - common stock	6(14)		710,000	6		660,000	12		600,000	21
3200	Capital surplus	6(15)		5,427,023	46		1,234,348	23		-	-
	Retained earnings	6(16)									
3310	Legal reserve			231,846	2		80,186	1		14,962	-
3320	Special reserve			4,144	-		-	-		-	-
3350	Unappropriated retained earnings			3,306,436	28		1,900,634	36		739,104	26
	Other equity interest	6(17)									
3400	Other equity interest			14,957	-	(8,136)	-		-	-
3XXX	Total equity			9,694,406	82		3,867,032	72		1,354,066	47
	Total liabilities and equity		\$	11,859,303	100	\$	5,334,724	100	\$	2,868,462	100

The accompanying notes are an integral part of parent company only financial statements.

HERMES MICROVISION, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			For the years ended December 31,			
			2013		2012	
	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(18) and 7	\$ 5,487,228	100	\$ 4,174,028	100
5000	Operating costs	6(5) and 7	(1,938,362)	(35)	(1,330,571)	(32)
5900	Net operating margin		3,548,866	65	2,843,457	68
5950	Net operating margin		3,548,866	65	2,843,457	68
	Operating expenses	6(22)(23) and 7				
6100	Selling expenses		(274,437)	(5)	(282,723)	(6)
6200	General and administrative expenses		(158,646)	(3)	(161,774)	(4)
6300	Research and development expenses		(874,497)	(16)	(791,113)	(19)
6000	Total operating expenses		(1,307,580)	(24)	(1,235,610)	(29)
6900	Operating profit		2,241,286	41	1,607,847	39
	Non-operating income and expenses					
7010	Other income	6(19)	24,205	-	34,230	1
7020	Other gains and losses	6(20)	54,192	1	(68,207)	(2)
7050	Finance costs	6(21)	-	-	(5,824)	-
7070	Share of profit of subsidiaries	4(15)	200,902	4	77,803	2
7000	Total non-operating revenue and expenses		279,299	5	38,002	1
7900	Profit before income tax		2,520,585	46	1,645,849	40
7950	Income tax expense	6(24)	(176,985)	(3)	(128,683)	(3)
8200	Profit for the year		\$ 2,343,600	43	\$ 1,517,166	37
	Other comprehensive income	4(22)				
8310	Cumulative translation differences of foreign operations		\$ 26,157	-	(\$ 8,136)	-
8360	Actuarial gain (loss) on defined benefit plan		6,645	-	(26,412)	(1)
8399	Income tax relating to the components of other comprehensive income		297	-	-	-
8300	Other comprehensive income for the year		\$ 33,099	-	(\$ 34,548)	(1)
8500	Total comprehensive income for the year		\$ 2,376,699	43	\$ 1,482,618	36
	Basic earnings per share	6(25)				
9750	Basic earnings per share		\$ 35.09		\$ 23.34	
	Diluted earnings per share	6(25)				
9850	Diluted earnings per share		\$ 35.04		\$ 23.30	

The accompanying notes are an integral part of parent company only financial statements.

HERMES MICROVISION, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Share capital - common stock	Capital surplus	Retained earnings			Cumulative translation differences of foreign operations	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		
<u>For the year ended December 31, 2012</u>							
Balance at January 1, 2012	\$ 600,000	\$ -	\$ 14,962	\$ -	\$ 739,104	\$ -	\$ 1,354,066
Issuance of common stock for cash	60,000	1,188,000	-	-	-	-	1,248,000
Appropriation of 2011 earnings							
Legal reserve	-	-	65,224	-	(65,224)	-	-
Cash dividends	-	-	-	-	(264,000)	-	(264,000)
Profit for the year	-	-	-	-	1,517,166	-	1,517,166
Other comprehensive income for the year	-	-	-	-	(26,412)	(8,136)	(34,548)
Adjustments arising from changes in percentages of ownership in subsidiary	-	10,517	-	-	-	-	10,517
Compensation cost for newly issued shares reserved for subscription by employees	-	35,831	-	-	-	-	35,831
Balance at December 31, 2012	<u>\$ 660,000</u>	<u>\$ 1,234,348</u>	<u>\$ 80,186</u>	<u>\$ -</u>	<u>\$ 1,900,634</u>	<u>(\$ 8,136)</u>	<u>\$ 3,867,032</u>
<u>For the year ended December 31, 2013</u>							
Balance at January 1, 2013	\$ 660,000	\$ 1,234,348	\$ 80,186	\$ -	\$ 1,900,634	(\$ 8,136)	\$ 3,867,032
Issuance of common stock for cash	50,000	4,188,036	-	-	-	-	4,238,036
Appropriation of 2012 earnings							
Legal reserve	-	-	151,660	-	(151,660)	-	-
Special reserve	-	-	-	4,144	(4,144)	-	-
Cash dividends	-	-	-	-	(792,000)	-	(792,000)
Profit for the year	-	-	-	-	2,343,600	-	2,343,600
Adjustments arising from changes in percentages of ownership in subsidiary	-	4,639	-	-	-	-	4,639
Other comprehensive income for the year	-	-	-	-	10,006	23,093	33,099
Balance at December 31, 2013	<u>\$ 710,000</u>	<u>\$ 5,427,023</u>	<u>\$ 231,846</u>	<u>\$ 4,144</u>	<u>\$ 3,306,436</u>	<u>\$ 14,957</u>	<u>\$ 9,694,406</u>

The accompanying notes are an integral part of parent company only financial statements.

HERMES MICROVISION, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax for the year	\$ 2,520,585	\$ 1,645,849
Adjustments to reconcile profit before tax to net cash provided by operating activities		
Income and expenses having no effect on cash flows		
Provision for doubtful accounts	-	19,820
Depreciation	35,328	38,857
Amortization	4,108	4,195
Compensation cost for newly issued shares reserved for subscription by employees	-	35,831
Compensation cost of stock appreciation right	62,790	-
Interest expense	-	5,824
Share of profits of subsidiaries	(200,902)	(77,803)
Interest income	(23,997)	(6,448)
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Accounts receivable	(546,681)	(408,814)
Accounts receivable - related parties	46,053	57,309
Other receivables	(1,670)	(6,180)
Other receivables - related parties	17,454	7,373
Inventories	36,268	(31,601)
Prepayments	10,079	4,108
Net changes in liabilities relating to operating activities		
Notes payable	-	(1,080)
Accounts payable	36,008	28,512
Accounts payable - related parties	20,260	110,247
Other payables	47,179	170,315
Other payables - related parties	(10,146)	(66,137)
Provisions for liabilities	395,002	358,681
Other current liabilities	2,068	982
Other non- current liabilities	235	37
Cash provided by operations	2,450,021	1,775,259
Interest received	23,997	6,448
Interest paid	-	(6,040)
Income tax paid	(125,235)	(142,565)
Net cash provided by operating activities	<u>2,348,783</u>	<u>1,633,102</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of bond investments without active markets - current	(2,891,085)	-
Acquisition of available-for-sales financial assets - non - current	(4,412)	-
Acquisition of investments accounted for using the equity method	-	(29,521)
Acquisition of property, plant and equipment	(123,843)	(20,391)
Acquisition of intangible assets	(3,669)	(3,082)
Proceeds from disposal of property, plant, equipment and intangible assets	3	19
Decrease in refundable deposits	127	44
Net cash used in investing activities	(3,022,879)	(52,931)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Decrease in short - term borrowings	-	(657,000)
Proceeds from issuance of common stock	4,302,575	1,248,000
Cost of acquisition of capital	(64,539)	-
Cash dividends paid	(792,000)	(264,000)
Net cash provided by financing activities	<u>3,446,036</u>	<u>327,000</u>
Increase in cash and cash equivalents	2,771,940	1,907,171
Cash and cash equivalents at beginning of year	2,417,871	510,700
Cash and cash equivalents at end of year	<u>\$ 5,189,811</u>	<u>\$ 2,417,871</u>

The accompanying notes are an integral part of parent company only financial statements.

Attachment 4

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR13000035

To Hermes Microvision, Inc.

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

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

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hermes Microvision, Inc. and its subsidiaries as of December 31, 2013, December 31, 2012, and January 1, 2012 and the results of their operations and their cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Hermes Microvision, Inc. as of the years ended December 31, 2013 and 2012. In our report dated February 25, 2014, we expressed an unqualified opinion on these financial statements.

PricewaterhouseCoopers, Taiwan
Hsinchu, Taiwan
Republic of China

February 25, 2014

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012	
Assets		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 5,370,702	46	\$ 2,776,308	53	\$ 612,326	22
1147	Bond investments without	6(3)						
	active markets - current		2,891,085	25	-	-	-	-
1170	Accounts receivable, net	6(4)	1,556,892	13	848,427	16	652,622	24
1180	Accounts receivable - related	7						
	parties		13,367	-	303	-	7,135	-
1200	Other receivables		24,842	-	31,892	1	30,565	1
130X	Inventories	6(5)	1,516,157	13	1,278,613	25	1,189,641	44
1410	Prepayments		37,678	-	32,862	1	30,840	1
1470	Other current assets		33,751	-	3,154	-	22	-
11XX	Current Assets		11,444,474	97	4,971,559	96	2,523,151	92
Non-current assets								
1523	Available-for-sale financial	6(2)						
	assets - noncurrent		4,412	-	-	-	-	-
1600	Property, plant and equipment	6(6)	334,590	3	170,246	3	168,142	6
1780	Intangible assets	6(7)	10,632	-	10,717	-	11,045	1
1840	Deferred income tax assets	6(22)	48,626	-	27,020	1	30,595	1
1900	Other non - current assets		8,803	-	8,117	-	7,553	-
15XX	Non - current assets		407,063	3	216,100	4	217,335	8
1XXX	Total assets		\$ 11,851,537	100	\$ 5,187,659	100	\$ 2,740,486	100

(Continued)

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2013		December 31, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short - term loans	6(8)	\$ -	-	\$ -	-	\$ 657,000	24
2150	Notes payable		-	-	-	-	1,080	-
2170	Accounts payable		149,703	1	93,112	2	59,066	2
2180	Accounts payable - related parties	7	328	-	-	-	-	-
2200	Other payables	6(9)	678,687	6	378,101	7	168,240	6
2220	Other payables - related parties	7	68,731	1	62,125	1	87,590	3
2230	Current income tax liabilities	6(22)	159,758	1	85,194	2	100,064	4
2250	Provisions for liabilities - current	6(12)	972,259	8	577,257	11	218,576	8
2300	Other current liabilities		4,939	-	2,873	-	8,712	1
21XX	Current Liabilities		2,034,405	17	1,198,662	23	1,300,328	48
Non-current liabilities								
2570	Deferred income tax liabilities	6(22)	5,042	-	14	-	3,589	-
2600	Other non - current liabilities	6(10)	79,058	1	88,940	2	61,412	2
25XX	Non - current liabilities		84,100	1	88,954	2	65,001	2
2XXX	Total Liabilities		2,118,505	18	1,287,616	25	1,365,329	50
Equity								
Equity attributable to owners of parent company								
Share capital								
3110	Share capital - common stock	6(13)	710,000	6	660,000	13	600,000	22
3200	Capital surplus	6(14)	5,427,023	46	1,234,348	24	-	-
Retained earnings								
3310	Legal reserve	6(15)	231,846	2	80,186	1	14,962	-
3320	Special reserve		4,144	-	-	-	-	-
3350	Unappropriated retained earnings		3,306,436	28	1,900,634	36	739,104	27
Other equity interest								
3400	Other equity interest	6(16)	14,957	-	(8,136)	-	-	-
31XX	Equity attributable to owners of the parent company		9,694,406	82	3,867,032	74	1,354,066	49
36XX	Non - controlling interest		38,626	-	33,011	1	21,091	1
3XXX	Total equity		9,733,032	82	3,900,043	75	1,375,157	50
Significant contingent liabilities and unrecognised contract commitments								
Total liabilities and equity			\$ 11,851,537	100	\$ 5,187,659	100	\$ 2,740,486	100

The accompanying notes are an integral part of these consolidated financial statements.

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31			
		2013		2012	
	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	\$ 5,340,043	100	\$ 4,179,904	100
5000	Operating costs	(1,581,584)	(30)	(1,199,056)	(29)
5900	Net operating margin	3,758,459	70	2,980,848	71
	Operating expenses				
6100	Selling expenses	(362,496)	(7)	(321,045)	(8)
6200	General and administrative expenses	(240,476)	(4)	(234,546)	(5)
6300	Research and development expenses	(743,966)	(14)	(717,941)	(17)
6000	Total operating expenses	(1,346,938)	(25)	(1,273,532)	(30)
6900	Operating profit	2,411,521	45	1,707,316	41
	Non-operating income and expenses				
7010	Other income	79,312	2	34,570	1
7020	Other gains and losses	64,698	1	(68,993)	(2)
7050	Finance costs	-	-	(5,824)	-
7000	Total non-operating income and expenses	144,010	3	(40,247)	(1)
7900	Profit before tax	2,555,531	48	1,667,069	40
7950	Income tax expense	(208,256)	(4)	(146,640)	(3)
8200	Profit for the year	\$ 2,347,275	44	\$ 1,520,429	37
	Other comprehensive income for the year				
8310	Cumulative translation differences of foreign operations	\$ 27,061	1	(\$ 9,434)	-
8360	Actuarial gain (loss) on defined benefit plan	6,645	-	(26,412)	(1)
8399	Income tax relating to the components of other comprehensive income	297	-	-	-
8300	Other comprehensive income for the year	\$ 34,003	1	(\$ 35,846)	(1)
8500	Total comprehensive income for the year	\$ 2,381,278	45	\$ 1,484,583	36
	Profit, attributable to:				
8610	Equity holders of the parent company	\$ 2,343,600	44	\$ 1,517,166	37
8620	Non-controlling interest	3,675	-	3,263	-
	Profit for the year	\$ 2,347,275	44	\$ 1,520,429	37
	Total comprehensive income attributable to:				
8710	Equity holders of the parent company	\$ 2,376,699	45	\$ 1,482,618	36
8720	Non-controlling interest	4,579	-	1,965	-
	Total comprehensive income for the year	\$ 2,381,278	45	\$ 1,484,583	36
	Basic earnings per share (In dollars)				
9750	Basic earnings per share	\$ 35.09		\$ 23.34	
	Diluted earnings per share (In dollars)				
9850	Diluted earnings per share	\$ 35.04		\$ 23.30	

The accompanying notes are an integral part of these consolidated financial statements.

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Equity attributable to owners of the parent						
Share capital - common stock	Retained earnings			Cumulative translation differences of foreign operations	Total	Non-controlling interest
	Capital surplus	Legal reserve	Special reserve			
\$ 600,000	\$ -	\$ 14,962	\$ -	\$ 739,104	\$ -	\$ 1,354,066
60,000	1,188,000	-	-	-	-	1,248,000
-	-	65,224	-	(65,224)	-	-
-	-	-	-	(264,000)	-	(264,000)
-	-	-	-	1,517,166	-	1,517,166
-	-	-	-	(26,412)	(8,136)	(34,548)
-	10,517	-	-	-	-	10,517
-	35,831	-	-	-	-	35,831
\$ 660,000	\$ 1,234,348	\$ 80,186	\$ -	\$ 1,900,634	(\$ 8,136)	\$ 3,867,032

(Continued)

For the year ended December 31, 2012

Balance at January 1, 2012

Issuance of common stock for cash

Appropriation of 2011 earnings

Legal reserve

Cash dividends

Profit for the year

Other comprehensive income for the year

Adjustments arising from changes in

percentages of ownership in subsidiary

Compensation cost for newly issued shares

reserved for subscription by employees

Balance at December 31, 2012

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Equity attributable to owners of the parent						Non-controlling interest	Total equity
	Retained earnings							
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations		
\$	660,000	\$ 1,234,348	\$ 80,186	\$ -	\$ 1,900,634	(\$ 8,136)	\$ 3,867,032	\$ 3,900,043
50,000		4,188,036	-	-	-	-	4,238,036	4,238,036
-		-	151,660	-	(151,660)	-	-	-
-		-	-	4,144	(4,144)	-	-	-
-		-	-	-	(792,000)	-	(792,000)	(792,000)
-		-	-	-	2,343,600	-	2,343,600	2,347,275
-		-	-	-	10,006	23,093	33,099	34,003
-		4,639	-	-	-	-	4,639	5,675
\$ 710,000	\$ 5,427,023	\$ 231,846	\$ 4,144	\$ 3,306,436	\$ 14,957	\$ 9,694,406	\$ 9,733,032	

For the year ended December 31, 2013

Balance at January 1, 2013
Issuance of common stock for cash
Appropriation of 2012 earnings
Legal reserve
Special reserve
Cash dividends
Profit for the year
Other comprehensive income for the year
Adjustments arising from changes in percentages of ownership in subsidiary
Balance at December 31, 2013

The accompanying notes are an integral part of these consolidated financial statements.

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 2,555,531	\$ 1,667,069
Adjustments to reconcile profit before tax to net cash provided by operating activities		
Income and expenses having no effect on cash flows		
(Reversal of allowance) provision for doubtful accounts	(67,806)	21,530
Depreciation	53,766	56,402
Amortization	6,440	6,162
Loss on disposal of property, plant, equipment and intangible assets	42	226
Compensation cost for newly issued shares reserved for subscription by employees	-	35,831
Compensation cost of employee stock option	2,827	4,403
Compensation cost of stock appreciation right	112,465	-
Interest expense	-	5,824
Interest income	(24,284)	(6,641)
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Accounts receivable	(640,660)	(217,335)
Accounts receivable - related parties	(13,063)	6,832
Other receivables	7,050	(1,327)
Inventories	(229,323)	(137,171)
Prepayments	(4,816)	8,641
Other current assets	(30,597)	(3,132)
Net changes in liabilities relating to operating activities		
Notes payable	-	(1,080)
Accounts payable	56,591	34,046
Accounts payable - related parties	328	-
Other payables	110,726	210,077
Other payables - related parties	6,606	(25,465)
Provisions for liabilities	395,002	358,681
Other current liabilities	2,066	(5,839)
Other non - current liabilities	(3,237)	1,116
Cash provided by operations	2,295,654	2,018,850
Interest received	24,284	6,641
Interest paid	-	(6,040)
Income tax paid	(149,292)	(161,510)
Net cash provided by operating activities	2,170,646	1,857,941
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of bond investments without active markets-current	(2,891,085)	-
Acquisition of available - for - sales financial assets - non - current	(4,412)	-
Acquisition of property, plant and equipment	(146,627)	(46,416)
Proceeds from disposal of property, plant, equipment and intangible assets	612	393
Acquisition of intangible assets	(6,240)	(5,601)
Proceeds from disposal of intangible assets	47	-
Increased in deposits - out	(686)	(564)
Net cash used in investing activities	(3,048,391)	(52,188)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Decrease in short - term loans	-	(657,000)
Proceeds from issuance of common stock	4,302,575	1,248,000
Cost of acquisition of capital	(64,539)	-
Cash dividends paid	(792,000)	(264,000)
Proceeds from the exercise of subsidiaries' employees stock option	-	20,472
Net cash provided by financing activities	3,446,036	347,472
Effect of exchange rate	26,103	10,757
Increase in cash and cash equivalents	2,594,394	2,163,982
Cash and cash equivalents at beginning of year	2,776,308	612,326
Cash and cash equivalents at end of year	\$ 5,370,702	\$ 2,776,308

The accompanying notes are an integral part of these consolidated financial statements.

Attachment 5

Hermes Microvision, Inc. Profit Allocation Proposal December 31, 2013

	Unit: NT\$
Unappropriated Retained Earnings of Previous Years	\$1,021,747,284
IFRS Adjustments	(68,916,477)
Plus: Net Income of 2013 ¹	2,343,600,348
Employee Compensation Calculation Benefit	10,005,207
Reverse of Special Reserve	4,143,607
Less: 10% Legal Reserve	(234,360,035)
Retained Earnings Available for Distribution as of December 31, 2013	3,076,219,934
Distribution Item:	
Cash Dividends to Common Share Holders (NT\$16 per share)	(1,136,000,000)
Unappropriated Retained Earnings	<u>\$ 1,940,219,934</u>

¹ After expensing the following:

- Employees' cash bonus and profit sharing of NT\$91,131,950.
- Directors' compensation of NT\$ 4,800,000.

Attachment 6

Hermes Microvision, Inc.

Comparison of the Original Text and the Amended Text in “Article of Incorporation”

	Amended Text	Original Text	Amendment Remarks
Section IV Article 14	The Company shall have seven (7) to <u>thirteen (13)</u> directors. The term of office of director is three (3) years. The directors shall be elected in the shareholders' meeting from persons with capacity to make judicial acts; re-election shall be permissible.	The Company shall have seven (7) to <u>nine (9)</u> directors. The term of office of director is three (3) years. The directors shall be elected in the shareholders' meeting from persons with capacity to make judicial acts; re-election shall be permissible.	To conform with the Company's policies
Section IV Article 14-1	<u>The number of independent directors shall be at least two and not less than one-fifth of the total number of directors in the board of directors.</u> The independent directors shall be elected by candidates nomination mechanism. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority.	<u>There shall be at least two independent directors in the board of directors.</u> The independent directors shall be elected by candidates nomination mechanism. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority.	Amended in accordance with the latest amendment of "Securities and Exchange Act"
Section VII Article 22	These Articles of Incorporation were resolved on April 30, 2003. The first amendment was made on July 3, 2003; the second amendment was made on February 23, 2004; the third amendment was made on June 21, 2005; the fourth amendment was made on August 30, 2007; the fifth amendment was made on June 16, 2009; the sixth amendment was made on June 10, 2010; the seventh amendment was made on November 30, 2010; the eighth amendment was made on June 30, 2011; <u>the ninth amendment was made on June 6, 2014.</u>	These Articles of Incorporation were resolved on April 30, 2003. The first amendment was made on July 3, 2003; the second amendment was made on February 23, 2004; the third amendment was made on June 21, 2005; the fourth amendment was made on August 30, 2007; the fifth amendment was made on June 16, 2009; the sixth amendment was made on June 10, 2010; the seventh amendment was made on November 30, 2010; the eighth amendment was made on June 30, 2011.	Amendment date added.

Attachment 7

Hermes Microvision, Inc.

Comparison of the Original Text and the Amended Text in “Procedures Governing Asset Acquisition and Disposal”

Amended Text	Original Text	Amendment Remarks
<p>2.Legal basis</p> <p>The Procedures are set up in accordance with Article 36-1 of the “Securities and Exchange Act”, and the “Guidelines for Handling Acquisition and Disposal of Assets by Public Companies” stipulated by the Financial Supervisory Commission (hereafter referred to as the FSC).</p>	<p>2.Legal basis</p> <p>The Procedures are set up in accordance with Article 36-1 of the “Securities and Exchange Act”, and the “Guidelines for Handling Acquisition and Disposal of Assets by Public Companies” stipulated by the Financial Supervisory Commission <u>of Executive Yuan</u>.</p>	<p>This text was amended in accordance with the latest laws and regulations</p>
<p>3.Scope of applicable assets</p> <p>3.1 Investment in stocks, bonds, corporate bonds, financial bonds, securities in recognition of funds, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities, etc.</p> <p>3.2 Real estate (including <u>land, houses and buildings, investment property, rights to use land</u>, construction inventory) and <u>equipment</u>.</p> <p>3.3. Membership cards</p> <p>3.4 Intangible assets, such as patent rights, copy rights, trademark rights and franchises, etc.</p> <p>3.5 Financial institutions’ debts (including receivables, purchase of foreign exchanges, discount, loans and overdue receivable).</p> <p>3.6 Derivative products</p> <p>3.7 The assets acquired or disposed by law from merger, split, acquisition or share assignment.</p> <p>3.8 Other important assets.</p>	<p>3.Scope of applicable assets</p> <p>3.1 Investment in stocks, bonds, corporate bonds, financial bonds, securities in recognition of funds, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities, etc.</p> <p>3.2 Real estate (including construction inventory) and <u>other fixed assets</u>.</p> <p>3.3. Membership cards</p> <p>3.4 Intangible assets, such as patent rights, copy rights, trademark rights and franchises, etc.</p> <p>3.5 Financial institutions’ debts (including receivables, purchase of foreign exchanges, discount, loans and overdue receivable).</p> <p>3.6 Derivative products</p> <p>3.7 The assets acquired or disposed by law from merger, split, acquisition or share assignment.</p> <p>3.8 Other important assets.</p>	<p>Amended in accordance with the latest amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p>
<p>4.Definition of terms</p> <p>4.1 Derivative products: They refer to the forward contract, option contract, futures contract, leverage contract and swap contract derived from the products whose values are determined by assets, interest rates, exchange rates, indexes or other benefits, and the compound contract combining the aforesaid products. The aforesaid forward contract does not include the insurance contract, performance contract, after-sale service contract, long-term lease contract and long-term purchase (sales) contract.</p> <p>4.2 The assets acquired or disposed by law from merger, split, acquisition or share assignment: They refer to the assets acquired or disposed from merger, split or acquisition according to the Business Mergers and Acquisitions Act, Financial</p>	<p>4.Definition of terms</p> <p>4.1 Derivative products: They refer to the forward contract, option contract, futures contract, leverage contract and swap contract derived from the products whose values are determined by assets, interest rates, exchange rates, indexes or other benefits, and the compound contract combining the aforesaid products. The aforesaid forward contract does not include the insurance contract, performance contract, after-sale service contract, long-term lease contract and long-term purchase (sales) contract.</p> <p>4.2 The assets acquired or disposed by law from merger, split, acquisition or share assignment: They refer to the assets acquired or disposed from merger, split or acquisition according to the Business Mergers and Acquisitions Act, Financial</p>	<p>Amended in accordance with the latest amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p> <p>Amended the number of items.</p>

Amended Text	Original Text	Amendment Remarks
<p>Holding Company Act, Financial Institutions Merger Act or other laws, or from other company's share assignment for the new shares (hereafter referred to share assignment) issued in accordance with Paragraph 8 of Article 156 of the Company Act.</p> <p>4.3 Related parties and subsidiaries: <u>As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p><u>4.4</u>Professional appraisers: They refer to the real estate appraisers, or those who engage in real estate and <u>equipment</u> appraisal businesses as stated by law.</p> <p><u>4.5</u> Incident occurrence day: It refers to the earlier of the transaction signing day, payment day, consigned trading day, ownership transfer day, board meeting resolution day or other days which suffice for confirming transaction counterparts and trading amounts. However, those that require approval of the competent authorities for investment, the earlier of the aforesaid day or competent authorities' approval day shall prevail.</p> <p><u>4.6</u>Investment in the mainland China area: It refers to the mainland China investment made in accordance with the Regulations on the Permission of Investment and Technical Cooperation in the Mainland China Area stipulated by Investment Commission, Ministry of Economic Affairs.</p> <p><u>4.7</u>The "latest period of financial statements" refer to the last period of financial statements audited and certified or reviewed by a certified public accountant (CPA), which are publicly disclosed by law prior to the Company's acquisition or disposal of assets.</p>	<p>Holding Company Act, Financial Institutions Merger Act or other laws, or from other company's share assignment for the new shares (hereafter referred to share assignment) issued in accordance with Paragraph 8 of Article 156 of the Company Act.</p> <p>4.3 Related parties: <u>They refer to the those who are covered by the Statements of Financial Accounting Standard No. 6 published by Accounting Research and Development Foundation (hereafter referred to as ARDF).</u></p> <p><u>4.4</u>Subsidiaries: <u>They refer to the those who are covered by the Statements of Financial Accounting Standard No. 5 and No. 7 published by ARDF.</u></p> <p><u>4.5</u>Professional appraisers: They refer to the real estate appraisers, or those who engage in real estate and <u>other fixed assets</u> appraisal businesses as stated by law.</p> <p><u>4.6</u> Incident occurrence day: It refers to the earlier of the transaction signing day, payment day, consigned trading day, ownership transfer day, board meeting resolution day or other days which suffice for confirming transaction counterparts and trading amounts. However, those that require approval of the competent authorities for investment, the earlier of the aforesaid day or competent authorities' approval day shall prevail.</p> <p><u>4.7</u> Investment in the mainland China area: It refers to the mainland China investment made in accordance with the Regulations on the Permission of Investment and Technical Cooperation in the Mainland China Area stipulated by Investment Commission, Ministry of Economic Affairs.</p> <p><u>4.8</u>The "latest period of financial statements" refer to the last period of financial statements audited and certified or reviewed by a certified public accountant (CPA), which are publicly disclosed by law prior to the Company's acquisition or disposal of assets.</p>	
<p>7.Handling procedures of acquisition or disposal of real estate or <u>equipment</u></p> <p>7.1 Evaluation and operation procedures The Company's acquisition or disposal of its real estate and <u>equipment</u> shall be processed in accordance with the Company's internal control system for the fixed asset cycling procedures.</p> <p>7.2 Procedures to determine transaction terms and authorized limits</p> <p>7.2.1. Prior to acquiring or disposing real estate, the responsible personnel shall</p>	<p>7.Handling procedures of acquisition or disposal of real estate or <u>other fixed assets</u></p> <p>7.1 Evaluation and operation procedures The Company's acquisition or disposal of its real estate and <u>other fixed assets</u> shall be processed in accordance with the Company's internal control system for the fixed asset cycling procedures.</p> <p>7.2 Procedures to determine transaction terms and authorized limits</p> <p>7.2.1. Prior to acquiring or disposing real estate, the responsible personnel shall</p>	<p>Amended in accordance with the latest amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."</p>

Amended Text	Original Text	Amendment Remarks
<p>refer to the government-declared present value, judge the real estate's value and investigate neighboring real estate's actual trading prices, followed by determining the transaction terms and price and preparing an analysis report for submission. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>7.2.2 The responsible personnel shall use price enquiry, price comparison, price negotiation or bidding to acquire or dispose <u>equipment</u>. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>7.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.</p> <p>7.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>7.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any</p>	<p>refer to the government-declared present value, judge the real estate's value and investigate neighboring real estate's actual trading prices, followed by determining the transaction terms and price and preparing an analysis report for submission. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>7.2.2 The responsible personnel shall use price enquiry, price comparison, price negotiation or bidding to acquire or dispose <u>other fixed assets</u>. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>7.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.</p> <p>7.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>7.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any</p>	

Amended Text	Original Text	Amendment Remarks
<p>material asset transaction shall be agreed by more than half of the entire body of audit committee members before being submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>7.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.</p> <p>7.3 Execution unit When acquiring or disposing real estate or <u>equipment</u>, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use and management units shall be responsible for execution.</p> <p>7.4 Appraisal reports of real estate and <u>equipment</u> For the Company's acquisition or disposal of real estate or <u>equipment</u>, except the transaction with government agencies, construction assigned by the land owner, construction assigned for the leased land, or acquisition or disposal of business-purpose equipment, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, the appraisal report (the matters to be stated in the report shall be subject to statutory laws and regulations) issued by a professional appraiser shall be obtained before the incident occurrence day and comply with the following regulations.</p> <p>7.4.1 If due to some special reason the limited price, specific price or special price is required to be used as the reference for the transaction price, the transaction in question shall be first submitted to the board of directors for adoption. The aforesaid procedures shall also apply to those that have any change in transaction terms in the future.</p> <p>7.4.2 When a transaction amount is more than 100 million NT dollars, the appraisal shall be made by at least two professional appraisers.</p> <p>7.4.3 In case that any of the following circumstances occurs to the appraisal made by a professional appraiser, except</p>	<p>material asset transaction shall be agreed by more than half of the entire body of audit committee members before being submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>7.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.</p> <p>7.3 Execution unit When acquiring or disposing real estate or <u>other fixed assets</u>, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use and management units shall be responsible for execution.</p> <p>7.4 Appraisal reports of real estate and <u>other fixed assets</u> For the Company's acquisition or disposal of real estate or <u>other fixed assets</u>, except the transaction with government agencies, construction assigned by the land owner, construction assigned for the leased land, or acquisition or disposal of business-purpose <u>machinery</u> equipment, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, the appraisal report (the matters to be stated in the report shall be subject to statutory laws and regulations) issued by a professional appraiser shall be obtained before the incident occurrence day and comply with the following regulations.</p> <p>7.4.1 If due to some special reason the limited price, specific price or special price is required to be used as the reference for the transaction price, the transaction in question shall be first submitted to the board of directors for adoption. The aforesaid procedures shall also apply to those that have any change in transaction terms in the future.</p> <p>7.4.2 When a transaction amount is more than 100 million NT dollars, the appraisal shall be made by at least two professional appraisers.</p> <p>7.4.3 In case that any of the following circumstances occurs to the appraisal</p>	

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<p>that the appraised price of asset acquisition is higher than the transaction amount or the appraised price of asset disposal is lower than the transaction amount, the Company shall request its CPA to process the case <u>in accordance with the Statements of Auditing Standard No. 20 published by ARDF</u>, for which the CPA shall give their specific opinion on the variance cause and adequacy of the transaction price:</p> <p>7.4.3.1 When the gap between the appraised price and transaction amount is over 20% of the transaction amount.</p> <p>7.4.3.2 When the appraisal made by two or more than two appraisers and the gap of the appraised price and transaction amount is over 10% of the transaction amount.</p> <p>7.4.4 The date of the report issued by a professional appraiser shall not be more than three months apart from the contract establishment date. However, for the case which can be subject to the present value declared by the government in the same period and the date of the report is within six months, the original professional appraiser shall issue their opinion report.</p> <p>7.4.5. In the case that the Company acquires or disposes assets in accordance with the court auction procedures, the certificate document issued by the court can be used to replace the appraisal report or CPA's opinion report.</p> <p>7.4.6 A transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain the appraisal report issued by a professional appraiser or the opinion report issued by a CPA can be exempt from the calculation.</p> <p>7.4.6.1 The amount of each transaction</p> <p>7.4.6.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>7.4.6.3. The amount of the same development project's real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p>	<p>made by a professional appraiser, except that the appraised price of asset acquisition is higher than the transaction amount or the appraised price of asset disposal is lower than the transaction amount, the Company shall request its CPA to process the case in accordance with the Statements of Auditing Standard No. 20, for which the CPA shall give their specific opinion on the variance cause and adequacy of the transaction price:</p> <p>7.4.3.1 When the gap between the appraised price and transaction amount is over 20% of the transaction amount.</p> <p>7.4.3.2 When the appraisal made by two or more than two appraisers and the gap of the appraised price and transaction amount is over 10% of the transaction amount.</p> <p>7.4.4 The date of the report issued by a professional appraiser shall not be more than three months apart from the contract establishment date. However, for the case which can be subject to the present value declared by the government in the same period and the date of the report is within six months, the original professional appraiser shall issue their opinion report.</p> <p>7.4.5. In the case that the Company acquires or disposes assets in accordance with the court auction procedures, the certificate document issued by the court can be used to replace the appraisal report or CPA's opinion report.</p> <p>7.4.6 A transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain the appraisal report issued by a professional appraiser or the opinion report issued by a CPA can be exempt from the calculation.</p> <p>7.4.6.1 The amount of each transaction</p> <p>7.4.6.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>7.4.6.3. The amount of the same development project's real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p>	

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<p>9.Related parties' transaction handling procedures</p> <p>9.1 For the assets acquired or disposed between the Company and its related parties, other than the matters regarding related resolution procedures and evaluation of the rationality of the transaction terms which shall be processed by complying with the following regulations, if the transaction amount is over 10% of the Company's total asset amount, the "7.4", "8.4" and "10.4" of the Procedures shall be followed in obtaining the appraisal report issued by a professional appraiser or the opinion report issued by a CPA. In addition, when judging if a transaction counterparty is a related party, other than legal issues, substantive relations shall also be considered.</p> <p>9.2 Evaluate and operation procedures</p> <p>9.2.1 For the real estate or other assets other than real estate that the Company acquires or disposes from its related parties, if the transaction amount is more than 20% of the Company's paid-up capital, 10% of the Company's total asset amount or 300 million NT dollars, <u>unless trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds</u>, the following data shall be submitted to the board of directors for approval and sent to supervisors for adoption. After obtaining the approval and adoption, the transaction contract can then be signed and the payment can then be made:</p> <p>9.2.1.1 The purpose, necessity and expected effects of asset acquisition or disposal.</p> <p>9.2.1.2 The reason for determining a related party as a transaction counterparty.</p> <p>9.2.1.3 The data related to evaluation of the rationality of the scheduled transaction terms made according to "9.3.1" to "9.3.4" of the Handling Procedures for the real estate acquisition from related parties.</p> <p>9.2.1.4 The matters regarding related party's original acquisition date and price, the transaction counterparty and the relationship between the transaction counterparty and the Company as well as its related parties.</p> <p>9.2.1.5 The list of prediction of cash receipt and expenditure for respective months of the coming one year starting from the month expected to sign the</p>	<p>9.Related parties' transaction handling procedures</p> <p>9.1 For the assets acquired or disposed between the Company and its related parties, other than the matters regarding related resolution procedures and evaluation of the rationality of the transaction terms which shall be processed by complying with the following regulations, if the transaction amount is over 10% of the Company's total asset amount, the "7.4", "8.4" and "10.4" of the Procedures shall be followed in obtaining the appraisal report issued by a professional appraiser or the opinion report issued by a CPA. In addition, when judging if a transaction counterparty is a related party, other than legal issues, substantive relations shall also be considered.</p> <p>9.2 Evaluate and operation procedures</p> <p>9.2.1 For the real estate or other assets other than real estate that the Company acquires or disposes from its related parties, if the transaction amount is more than 20% of the Company's paid-up capital, 10% of the Company's total asset amount or 300 million NT dollars, the following data shall be submitted to the board of directors for approval and sent to supervisors for adoption. After obtaining the approval and adoption, the transaction contract can then be signed and the payment can then be made:</p> <p>9.2.1.1 The purpose, necessity and expected effects of asset acquisition or disposal.</p> <p>9.2.1.2 The reason for determining a related party as a transaction counterparty.</p> <p>9.2.1.3 The data related to evaluation of the rationality of the scheduled transaction terms made according to "9.3.1" to "9.3.4" of the Handling Procedures for the real estate acquisition from related parties.</p> <p>9.2.1.4 The matters regarding related party's original acquisition date and price, the transaction counterparty and the relationship between the transaction counterparty and the Company as well as its related parties.</p> <p>9.2.1.5 The list of prediction of cash receipt and expenditure for respective months of the coming one year starting from the month expected to sign the contract, and evaluation of transaction necessity and rationality of capital utilization.</p> <p>9.2.1.6 The appraisal report issued by a professional appraiser or the opinion</p>	<p>Amended in accordance with the latest amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."</p>

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<p>contract, and evaluation of transaction necessity and rationality of capital utilization.</p> <p>9.2.1.6 The appraisal report issued by a professional appraiser or the opinion report issued by a CPA, which is obtained in accordance with “9.1” of the Procedures.</p> <p>9.2.1.7 Restriction terms and other important agreed matters of this time of transaction.</p> <p>9.2.1.8 The transaction amount shall be calculated according to the following ways, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that are submitted to the board of directors for approval and sent to supervisors for adoption can be exempt from the calculation.</p> <p>A.The amount of each transaction</p> <p>B.The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>C.The amount of the same development project’s real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>D.The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>9.2.2 For acquisition or disposal of business-purpose equipment between the Company and its parent company or subsidiaries, the board of directors may authorize the president for execution within 500 million NT dollars, for which any execution will be reported in the next board meeting for retroactive adoption.</p> <p>9.2.3. Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors’ opinions into account when following the stipulation to submit a real estate acquisition transaction with a related party to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p>	<p>report issued by a CPA, which is obtained in accordance with “9.1” of the Procedures.</p> <p>9.2.1.7 Restriction terms and other important agreed matters of this time of transaction.</p> <p>9.2.1.8 The transaction amount shall be calculated according to the following ways, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that are submitted to the board of directors for approval and sent to supervisors for adoption can be exempt from the calculation.</p> <p>A.The amount of each transaction</p> <p>B.The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>C.The amount of the same development project’s real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>D.The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>9.2.2 For acquisition or disposal of business-purpose <u>machinery</u> equipment between the Company and its parent company or subsidiaries, the board of directors may authorize the president for execution within 500 million NT dollars, for which any execution will be reported in the next board meeting for retroactive adoption.</p> <p>9.2.3. Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors’ opinions into account when following the stipulation to submit a real estate acquisition transaction with a related party to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>9.2.4 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, the matters which shall be adopted by supervisors as regulated shall be agreed by more than</p>	

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<p>9.2.4 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, the matters which shall be adopted by supervisors as regulated shall be agreed by more than the majority of audit committee members before being submitted to the board of directors for resolution. In the case that the matters fail to pass the approval of the majority of the entire body of audit committee members, they can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>9.2.5 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.</p> <p>9.3 Evaluation of transaction cost rationality</p> <p>9.3.1. The rationality of the transaction cost of the real estate acquired by the Company from its related party shall be evaluated according to the following methods:</p> <p>9.3.1.1 To add required capital interest and the cost required to be paid by the buyer by law to the related party's transaction price. The preceding required capital interest cost shall be calculated according to the weighted average interest rate for the amount borrowed in the year in which the Company purchased the asset. However, the interest rate shall not be higher than the highest loan rate published by the Ministry of Finance for the non-institutional industry.</p> <p>9.3.1.2 If the related party pledged the underlying object in question at a financial institution for a loan, the actual accumulated amount of the loan released from the financial institution against the pledged object shall be over 70% of the total estimated amount of the loan and the loan period shall be more than one year. However, it is not applicable to the situation where the financial institution and the transaction party are the related party each other.</p> <p>9.3.2 Those that jointly purchase the same underlying land and house shall assess the transaction cost of the land and house respectively according to either method listed in the preceding paragraph.</p> <p>9.3.3 When the Company acquires real estate</p>	<p>the majority of audit committee members before being submitted to the board of directors for resolution. In the case that the matters fail to pass the approval of the majority of the entire body of audit committee members, they can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>9.2.5 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.</p> <p>9.3 Evaluation of transaction cost rationality</p> <p>9.3.1. The rationality of the transaction cost of the real estate acquired by the Company from its related party shall be evaluated according to the following methods:</p> <p>9.3.1.1 To add required capital interest and the cost required to be paid by the buyer by law to the related party's transaction price. The preceding required capital interest cost shall be calculated according to the weighted average interest rate for the amount borrowed in the year in which the Company purchased the asset. However, the interest rate shall not be higher than the highest loan rate published by the Ministry of Finance for the non-institutional industry.</p> <p>9.3.1.2 If the related party pledged the underlying object in question at a financial institution for a loan, the actual accumulated amount of the loan released from the financial institution against the pledged object shall be over 70% of the total estimated amount of the loan and the loan period shall be more than one year. However, it is not applicable to the situation where the financial institution and the transaction party are the related party each other.</p> <p>9.3.2 Those that jointly purchase the same underlying land and house shall assess the transaction cost of the land and house respectively according to either method listed in the preceding paragraph.</p> <p>9.3.3 When the Company acquires real estate from its related party, it shall follow "9.3.1" of the Procedures to assess the cost of the real estate and request its CPA to re-check it and give concrete opinion.</p>	

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<p>from its related party, it shall follow “9.3.1” of the Procedures to assess the cost of the real estate and request its CPA to re-check it and give concrete opinion.</p> <p>9.3.4 In the case that the Company’s assessment price for the real estate acquired from its related party according to “9.3.1” of the Handling Procedures is lower than the transaction price, “9.3.5” of the Handling Procedures shall be subject to. However, it is not limited to the following circumstances in which objective evidence and concrete and rational opinions from a real estate professional appraiser and a CPA are submitted:</p> <p>9.3.4.1 For the construction made after related party’s acquisition of the plain land or leased land, the burden of proof for complying with any of the following terms shall be put:</p> <p>A.The total amount of the plain land assessed according to the preceding article and the house calculated by adding a reasonable construction profit to a related party’s construction cost exceeds the actual transaction price. The aforesaid reasonable construction profit shall be the lower of the average business gross margin of the related party’s construction department over the past three years or the gross margin of the construction industry published by the Ministry of Finance in the latest period.</p> <p>B.The successful transactions of other floors of the underlying building or the neighboring area made by non-related parties within one year, in which the space is similar, and, as estimated according to the reasonable floor and area price difference with the real estate trading practice, the transaction terms are tantamount.</p> <p>C.The lease cases of other floors of the underlying building occurring to non-related parties within one year, in which, as inferred according to the reasonable floor price difference with the real estate lease practice, the transaction terms are similar.</p> <p>9.3.4.2 According to the burden of proof put by the Company for the real estate purchased from a related party, the transaction terms are tantamount to those of the successful transactions of the neighboring area made by non-related parties, in which the space</p>	<p>9.3.4 In the case that the Company’s assessment price for the real estate acquired from its related party according to “9.3.1” of the Handling Procedures is lower than the transaction price, “9.3.5” of the Handling Procedures shall be subject to. However, it is not limited to the following circumstances in which objective evidence and concrete and rational opinions from a real estate professional appraiser and a CPA are submitted:</p> <p>9.3.4.1 For the construction made after related party’s acquisition of the plain land or leased land, the burden of proof for complying with any of the following terms shall be put:</p> <p>A.The total amount of the plain land assessed according to the preceding article and the house calculated by adding a reasonable construction profit to a related party’s construction cost exceeds the actual transaction price. The aforesaid reasonable construction profit shall be the lower of the average business gross margin of the related party’s construction department over the past three years or the gross margin of the construction industry published by the Ministry of Finance in the latest period.</p> <p>B.The successful transactions of other floors of the underlying building or the neighboring area made by non-related parties within one year, in which the space is similar, and, as estimated according to the reasonable floor and area price difference with the real estate trading practice, the transaction terms are tantamount.</p> <p>C.The lease cases of other floors of the underlying building occurring to non-related parties within one year, in which, as inferred according to the reasonable floor price difference with the real estate lease practice, the transaction terms are similar.</p> <p>9.3.4.2 According to the burden of proof put by the Company for the real estate purchased from a related party, the transaction terms are tantamount to those of the successful transactions of the neighboring area made by non-related parties, in which the space is similar. The aforesaid successful transactions of the neighboring area are based on the principle that the real estate is at the same or neighboring street and within 500 meters from the</p>	

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<p>is similar. The aforesaid successful transactions of the neighboring area are based on the principle that the real estate is at the same or neighboring street and within 500 meters from the underlying real estate or its value is close to the government declared present value. Also, in terms of the similar space, it refers to the space of the real estate of the successful transactions made by non-related parties which shall not less than 50% of the space of the underlying real estate. The aforesaid “within one year” shall be one year before this time of real estate acquisition occurrence day.</p> <p>9.3.5 For the Company’s real estate acquisition from a related party, if the price evaluated according to “9.3.1” and “9.3.4” of the Handling Procedures is lower than the transaction price, the regulations below shall be followed:</p> <p>9.3.5.1 For the difference between real estate’s transaction price and its assessed cost, the Company shall set a special surplus reserve aside according to Paragraph 1 of Article 41 of the Securities and Exchange Act, with which surplus distribution or stock dividend from earnings recapitalization is not allowed. If the investor using the equity method to value the Company’s investment is a public company, a special surplus reserve shall be set aside based on the pro-rata entitlement of the lodged amount as prescribed by Paragraph 1 of Article 41 of the Securities and Exchange Act. Also, if the Company and the public company adopting the equity method to value the Company’s investment already set a special surplus reserve aside in accordance with the aforesaid regulations, recognized loss on market value for the asset purchased with a high price, disposed the asset, properly compensated for the loss or restored the asset to its original state, or there is other evidence to show no irrationality, the special surplus reserve in question could then be used after approved by the competent authorities.</p> <p>9.3.5.2 Supervisors shall comply with Article 218 of the Company Act.</p> <p>9.3.5.3 The status of the handling made according to “9.3.5.1” and “9.3.5.2” of the Handling Procedures shall be submitted to the board of shareholders and the detailed transaction content</p>	<p>underlying real estate or its value is close to the government declared present value. Also, in terms of the similar space, it refers to the space of the real estate of the successful transactions made by non-related parties which shall not less than 50% of the space of the underlying real estate. The aforesaid “within one year” shall be one year before this time of real estate acquisition occurrence day.</p> <p>9.3.5 For the Company’s real estate acquisition from a related party, if the price evaluated according to “9.3.1” and “9.3.4” of the Handling Procedures is lower than the transaction price, the regulations below shall be followed:</p> <p>9.3.5.1 For the difference between real estate’s transaction price and its assessed cost, the Company shall set a special surplus reserve aside according to Paragraph 1 of Article 41 of the Securities and Exchange Act, with which surplus distribution or stock dividend from earnings recapitalization is not allowed. If the investor using the equity method to value the Company’s investment is a public company, a special surplus reserve shall be set aside based on the pro-rata entitlement of the lodged amount as prescribed by Paragraph 1 of Article 41 of the Securities and Exchange Act. Also, if the Company and the public company adopting the equity method to value the Company’s investment already set a special surplus reserve aside in accordance with the aforesaid regulations, recognized loss on market value for the asset purchased with a high price, disposed the asset, properly compensated for the loss or restored the asset to its original state, or there is other evidence to show no irrationality, the special surplus reserve in question could then be used after approved by the competent authorities.</p> <p>9.3.5.2 Supervisors shall comply with Article 218 of the Company Act.</p> <p>9.3.5.3 The status of the handling made according to “9.3.5.1” and “9.3.5.2” of the Handling Procedures shall be submitted to the board of shareholders and the detailed transaction content shall be disclosed in the annual report and prospectus.</p> <p>9.3.6 If any of the following circumstances occurs when the Company acquires real estate from a related party, “9.2” of the</p>	

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<p>shall be disclosed in the annual report and prospectus.</p> <p>9.3.6 If any of the following circumstances occurs when the Company acquires real estate from a related party, “9.2” of the Handling Procedures for evaluation and operation procedures shall be subject to, whereas “9.3.1” to “9.3.3” of the Handling Procedures for evaluation of rationality of transaction costs are not applicable:</p> <p>9.3.6.1 The related party acquires the real estate from inheritance or bestowal.</p> <p>9.3.6.2 The transaction contract signing date is over five year apart from the day that the related party established the contract and acquired the real estate.</p> <p>9.3.6.3 The real estate is acquired by signing a co-construction contract, <u>engaging others to build on its own land, engaging others to build on rented land with a related party.</u></p> <p>9.3.7 When the Company acquires real estate from a related party, if there is any evidence to show that the transaction does not meet the arm’s length principle, “9.3.5” of the Handling Procedures will be followed.</p>	<p>Handling Procedures for evaluation and operation procedures shall be subject to, whereas “9.3.1” to “9.3.3” of the Handling Procedures for evaluation of rationality of transaction costs are not applicable:</p> <p>9.3.6.1 The related party acquires the real estate from inheritance or bestowal.</p> <p>9.3.6.2 The transaction contract signing date is over five year apart from the day that the related party established the contract and acquired the real estate.</p> <p>9.3.6.3 The real estate is acquired by signing a co-construction contract with a related party.</p> <p>9.3.7 When the Company acquires real estate from a related party, if there is any evidence to show that the transaction does not meet the arm’s length principle, “9.3.5” of the Handling Procedures will be followed.</p>	
<p>10.Handling procedures of acquisition or disposal of membership cards or intangible assets</p> <p>10.1 Evaluation and operation procedures The Company’s acquisition or disposal of its membership cards or intangible assets shall be processed in accordance with the Company’s internal control system for the fixed asset cycling procedures.</p> <p>10.2 Procedures to determine transaction terms and authorized limits</p> <p>10.2.1 Prior to acquiring or disposing membership cards, the responsible personnel shall refer to the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>10.2.2 Prior to acquiring or disposing</p>	<p>10.Handling procedures of acquisition or disposal of membership cards or intangible assets</p> <p>10.1 Evaluation and operation procedures The Company’s acquisition or disposal of its membership cards or intangible assets shall be processed in accordance with the Company’s internal control system for the fixed asset cycling procedures.</p> <p>10.2 Procedures to determine transaction terms and authorized limits</p> <p>10.2.1 Prior to acquiring or disposing membership cards, the responsible personnel shall refer to the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>10.2.2 Prior to acquiring or disposing</p>	<p>Amended in accordance with the latest amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p>

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<p>intangible assets, the responsible personnel shall refer to expert's assessment report or the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>10.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.</p> <p>10.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>10.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by the majority of the entire body of audit committee members and submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of the entire body of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>10.2.6 The aforesaid entire body of audit committee members and entire body of</p>	<p>intangible assets, the responsible personnel shall refer to expert's assessment report or the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>10.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.</p> <p>10.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>10.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by the majority of the entire body of audit committee members and submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of the entire body of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>10.2.6 The aforesaid entire body of audit committee members and entire body of</p>	

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<p>directors shall be calculated according to the incumbent members and directors.</p> <p>10.3 Execution unit When acquiring or disposing membership cards or intangible assets, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use department and financial unit or administrative unit shall be responsible for execution.</p> <p>10.4 Expert's opinions 10.4.1 For the Company's acquisition or disposal of its membership cards or intangible assets, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, <u>unless transacting with a government agency</u>, the Company shall request its CPA before the incident occurrence day to give their opinion on the rationality of the transaction price, for which the CPA shall follow the Statements of Auditing Standard No. 20 published by ARDF to process the case.</p> <p>10.4.2 The transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain their CPA's opinion report can be exempt from the calculation.</p> <p>10.4.2.1 The amount of each transaction</p> <p>10.4.2.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p>	<p>directors shall be calculated according to the incumbent members and directors.</p> <p>10.3 Execution unit When acquiring or disposing membership cards or intangible assets, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use department and financial unit or administrative unit shall be responsible for execution.</p> <p>10.4 Expert's opinions 10.4.1 For the Company's acquisition or disposal of its membership cards or intangible assets, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, the Company shall request its CPA before the incident occurrence day to give their opinion on the rationality of the transaction price, for which the CPA shall follow the Statements of Auditing Standard No. 20 published by ARDF to process the case.</p> <p>10.4.2 The transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain their CPA's opinion report can be exempt from the calculation.</p> <p>10.4.2.1 The amount of each transaction</p> <p>10.4.2.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p>	
<p>12.4 The principles of the board of directors' supervision management for derivative product transactions</p> <p>12.4.1 The board of directors shall designate high-rank competent supervisors to supervise and control the risk of derivative product transactions at any time. The management principles are as follow:</p> <p>12.4.1.1 Periodically evaluate if the current risk management measures are proper, and literally follow the "Regulations Governing the Acquisition and Disposal of Assets</p>	<p>12.4 The principles of the board of directors' supervision management for derivative product transactions</p> <p>12.4.1 The board of directors shall designate high-rank competent supervisors to supervise and control the risk of derivative product transactions at any time. The management principles are as follow:</p> <p>12.4.1.1 Periodically evaluate if the current risk management measures are proper, and literally follow the "Regulations Governing the Acquisition and Disposal of Assets</p>	<p>Amended in accordance with the latest amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."</p>

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<p>by Public Companies” and the Procedures.</p> <p>12.4.1.2 Supervise the status of transactions and profit/loss. In case of finding any irregularities, required countermeasures shall be taken and the board of directors shall be immediately reported. If the Company has independent directors, they shall attend the board meeting and put forth their opinions.</p> <p>12.4.2 Periodically evaluate if the performance of derivative product transactions conform to the existing operating strategy and if the assumed risks are within the Company’s tolerance.</p> <p>12.4.3 When engaging in a derivative product transaction, the personnel authorized according to the Handling Procedures shall submit an ex-post report to <u>the next</u> board of directors meeting.</p>	<p>by Public Companies” and the Procedures.</p> <p>12.4.1.2 Supervise the status of transactions and profit/loss. In case of finding any irregularities, required countermeasures shall be taken and the board of directors shall be immediately reported. If the Company has independent directors, they shall attend the board meeting and put forth their opinions.</p> <p>12.4.2 Periodically evaluate if the performance of derivative product transactions conform to the existing operating strategy and if the assumed risks are within the Company’s tolerance.</p> <p>12.4.3 When engaging in a derivative product transaction, the personnel authorized according to the Handling Procedures shall submit an ex-post report to board of directors meeting.</p>	
<p>14.Procedures of public disclosure of information</p> <p>14.1 Matters required to be announced and declared, and announcement and declaration standards</p> <p>14.1.1 The real estate acquired or disposed from a related party or other assets (beyond real estate) acquired or disposed from a related party in which the transaction amount is over 20% of the Company’s paid-up capital, 10% of its total asset amount or 300 million NT dollars. However, it is not limited to purchase or sale of government bonds, the bonds with a repurchase or reverse repurchase agreement or subscription <u>or redemption of domestic money market funds.</u></p> <p>14.1.2 When processing merger, split, acquisition or share assignment.</p> <p>14.1.3 The loss on derivative product transactions tops the ceiling amount regulated in the Handling Procedures for loss on total contracts or individual contract.</p> <p>14.1.4 Except the asset transactions stated in the preceding three sub-paragraphs, the transaction amount of the debts disposed by financial institutions or the investment in mainland China is over 20% of the Company’s paid-up capital or 300 million NT dollars. However, it is not limited to the following circumstances:</p> <p>14.1.4.1 Purchase or sale of government bonds</p> <p>14.1.4.2 Securities trading by investment professionals on foreign or domestic</p>	<p>14.Procedures of public disclosure of information</p> <p>14.1 Matters required to be announced and declared, and announcement and declaration standards</p> <p>14.1.1 The real estate acquired or disposed from a related party or other assets (beyond real estate) acquired or disposed from a related party in which the transaction amount is over 20% of the Company’s paid-up capital, 10% of its total asset amount or 300 million NT dollars. However, it is not limited to purchase or sale of government bonds, the bonds with a repurchase or reverse repurchase agreement or subscription.</p> <p>14.1.2 When processing merger, split, acquisition or share assignment.</p> <p>14.1.3 The loss on derivative product transactions tops the ceiling amount regulated in the Handling Procedures for loss on total contracts or individual contract.</p> <p>14.1.4 Except the asset transactions stated in the preceding three sub-paragraphs, the transaction amount of the debts disposed by financial institutions or the investment in mainland China is over 20% of the Company’s paid-up capital or 300 million NT dollars. However, it is not limited to the following circumstances:</p> <p>14.1.4.1 Purchase or sale of government bonds</p> <p>14.1.4.2 Securities trading by investment professionals on foreign or domestic securities exchanges or</p>	<p>Amended in accordance with the latest amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p>

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<p>securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, <u>either in the primary market or in accordance with relevant regulations.</u></p> <p>14.1.4.3 The bonds with a repurchase or reverse repurchase agreement or subscription <u>or redemption of domestic money market funds.</u></p> <p>14.1.4.4 The category of the acquired or disposed assets falls in the machinery equipment for the business purpose, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT dollars.</p> <p>14.1.4.5 The real estate is acquired or disposed by the Company for its construction business, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT dollars.</p> <p>14.1.4.6 The real estate is acquired by the construction assigned by the land owner, the construction assigned for the leased land, the joint construction and allocation of housing units, the joint construction and allocation of ownership percentages, or the joint construction and separate sale, in which the amount that the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>14.1.5 The transaction amount referred to in “14.1.4” of the Handling Procedures shall be calculated as follows, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to make announcement can be exempt from the calculation.</p> <p>14.1.5.1 The amount of each transaction</p> <p>14.1.5.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>14.1.5.3 The amount of the same development project’s real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>14.1.5.4. The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one</p>	<p>over-the-counter markets, or subscription of securities by a securities firm.</p> <p>14.1.4.3 The bonds with a repurchase or reverse repurchase agreement or subscription.</p> <p>14.1.4.4 The category of the acquired or disposed assets falls in the <u>machinery</u> equipment for the business purpose, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT dollars.</p> <p>14.1.4.5 The real estate is acquired or disposed by the Company for its construction business, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT dollars.</p> <p>14.1.4.6 The real estate is acquired by the construction assigned by the land owner, the construction assigned for the leased land, the joint construction and allocation of housing units, the joint construction and allocation of ownership percentages, or the joint construction and separate sale, in which the amount that the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>14.1.5 The transaction amount referred to in “14.1.4” of the Handling Procedures shall be calculated as follows, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to make announcement can be exempt from the calculation.</p> <p>14.1.5.1 The amount of each transaction</p> <p>14.1.5.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>14.1.5.3 The amount of the same development project’s real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>14.1.5.4. The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p>	

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year.		
<p>18. Supplementary provisions</p> <p>18.1 For those that have followed the Securities and Exchange Act to set up the audit committee, the regulations for supervisors stipulated in the Procedures are also applicable to the audit committee.</p> <p>18.2 For those that have followed the “Securities and Exchange Act” to set up the audit committee, “9.3.5.2” of the Procedures is also applicable to the independent directors of the audit committee.</p> <p>18.3 For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p> <p>18.4 The matters not covered by the Handling Procedures shall be subject to related laws and regulations.</p>	<p>18. Supplementary provisions</p> <p>18.1 For those that have followed the Securities and Exchange Act to set up the audit committee, the regulations for supervisors stipulated in the Procedures are also applicable to the audit committee.</p> <p>18.2 For those that have followed the “Securities and Exchange Act” to set up the audit committee, “9.3.5.2” of the Procedures is also applicable to the independent directors of the audit committee.</p> <p>18.3 The matters not covered by the Handling Procedures shall be subject to related laws and regulations.</p>	<p>Amended in accordance with the latest amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p> <p>Amended the number of items.</p>