

**2017 Annual General Shareholders' Meeting
(Translation)**

Date: Wednesday, 28 June 2017

Time: 9:00 a.m. Taipei time

Place: Auditorium in the Taipei Hero House, No. 20, Changsha Street, Section 1, Taipei, Taiwan

Shareholders present:

Total number of outstanding shares: 5,352,095,854 shares (excluding 779,373 shares owned by FENC's subsidiaries)

Total shares represented by shareholders present: 4,820,131,482 shares

Percentage of shares held by shareholders: 90.061%

Directors: Mr. Douglas Tong Hsu, Mr. Johnny Shih, Mr. Peter Hsu, Mr. Shaw Y. Wang, Ms. Alice Hsu, Mr. Bing Shen, and Mr. Champion Lee

Chairman: Mr. Douglas Tong Hsu, Chairman of the Board of Directors



Recorder: Ms. Grace Yang



Meeting called to order

(The aggregate shares of the shareholders present in person or by proxy constituted a quorum.)

Chairman's address (Omitted)

Reporting items

1. 2016 business operations (Omitted)
2. 2016 financial statements (See Attachment I)
3. The Audit Committee's review report of 2016 business operations and financial statements
(See Attachment II)
4. 2016 employees' compensation and Directors' remuneration (Omitted)
5. Information of the corporate bonds issued in 2016 (Omitted)

Approval items

1. To accept 2016 business report and financial statements

The Board of Directors proposes and recommends that each shareholder vote FOR the acceptance of 2016 business report and financial statements.

Explanatory Notes:

- i. FENC's 2016 business report and financial statements (including consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows) have been audited by independent auditors, Mr. Shih Jing-Bin and Mr. Kuo Cheng-Hung of Deloitte & Touche, and have been examined by and determined to be correct and accurate by the Audit Committee of FENC. We thereby submit this report.
- ii. The 2016 independent auditors' reports with the financial statements and Audit Committee's report are attached as Attachments I, and II.
- iii. Please accept the aforesaid business report and financial statements.

Voting Results: 4,820,131,482 shares were represented at the time of voting (including e-voting); 4,522,488,432 shares voted for the proposal, representing 93.83% of the total represented shares, 632,591 shares voted against the proposal, while 297,010,459 shares voted abstention the proposal.

RESOLVED, that the 2016 business report and financial statements be and hereby were accepted as submitted.

2. To approve the proposal for distribution of 2016 profits

The Board of Directors proposes and recommends that each shareholder vote FOR the distribution of 2016 profits.

Explanatory Notes:

- i. Cash dividends to common shareholders: Totaling NT\$4,282,300,182. (NT\$ 0.8/share)
- ii. After being approved at the Annual General Shareholders' Meeting, the cash dividends to common shareholders will be distributed on a record date to be determined by the Board of Directors. Should FENC subsequently repurchase its common shares or issue new common shares according to the relevant regulations, the total number of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FENC be authorized to adjust the cash to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.

iii. Please refer to the following table for the 2016 profit allocation proposal

(Unit: NT\$)

1. Net income of 2016	6,307,786,384
2. Legal reserve	630,778,638
3. Adjustments due to changes in investees' equity in equity-method investments	13,107,198
4. Adjustments due to changes in other comprehensive income	486,719,780
5. Special reserve	2,662,006,088
6. Reversal of special reserve	592,974,267
7. Unappropriated earnings of previous years	5,384,529,982
Earnings available for distribution as of 31 December 2016	8,492,678,929
(1-2-3-4-5+6+7)	
Distribution item:	
1. Shareholders' dividend (NT\$ 0.8/share in cash)	4,282,300,182
Total distribution	4,282,300,182
Unappropriated earnings	4,210,378,747

iv. Please approve the aforesaid proposal for the distribution of 2016 profits.

Voting Results: 4,820,131,482 shares were represented at the time of voting (including e-voting); 4,536,713,071 shares voted for the proposal, representing 94.12% of the total represented shares, 698,270 shares voted against the proposal, while 282,720,141 shares voted abstention the proposal.

RESOLVED, the proposal for distribution of 2016 profits be and hereby was accepted as proposed.

Proposed resolution

1. To approve amending the company bylaw of “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation”

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of Procedures for Acquisition and Disposition of Assets.

Explanatory Notes:

- i. In accordance with the Letter No. FSC 1060001296 issued by the Financial Supervisory Commission on 9 February 2017, which is to amend some articles of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, it is proposed to amend Article 7, 8, 9, 10, 11, 12 and 14 of “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation”.
- ii. The overview table for the “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation” Before and After amendments is attached as Attachment III.
- iii. Please approve the proposal for the amendments to “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation”.

Voting Results: 4,820,131,482 shares were represented at the time of voting (including e-voting); 4,390,736,011 shares voted for the proposal, representing 91.09% of the total represented shares, 743,729 shares voted against the proposal, while 428,651,742 shares voted abstention the proposal.

RESOLVED, the proposal for the amendments to the company bylaw of “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation” be and hereby was accepted as proposed.

Extemporaneous motion: None

Meeting adjourned

The English version is the translation of the Chinese version and if there is any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

Attachment I

2016 Independent Auditors' Report

(English Translation of a Report Originally Issued in Chinese)

The Board of Directors and Stockholders
Far Eastern New Century Corporation

Opinion

We have audited the accompanying consolidated financial statements of Far Eastern New Century Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Far Eastern New Century Corporation and its subsidiaries as of December 31, 2016 and 2015, and their consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the consolidated financial statements for the year ended in December 31, 2016 are as follows:

Fair Value Evaluation of Investment Property

As of December 31, 2016, the total investment property was NT\$124,758,539 thousand, which represented 24% of the consolidated total asset. In 2016, the gain from adjusting the fair value of investment property was NT\$3,269,052 thousand, which represented 20% of the consolidated income before income tax. Those mentioned above are considered to be significant for consolidated financial statements as a whole. The group's investment properties are subsequently measured using the fair value model. The fair value evaluation involved the significant accounting estimation and judgment.

As a result, fair value evaluation of investment property is considered as a key audit matter.

For the accounting policy, the significant accounting judgment, evaluation, and assumption on the main source of uncertainty related to investment property, please refer to Note 4 (10) and 5 (3) of the consolidated financial statements. For more information about the investment property, please refer to Note 18 of the consolidated financial statements.

For fair value evaluation of investment property, we performed corresponding audit procedures as follows:

1. We assessed the competencies and independency of the independent valuer engaged by the management and discuss with the management about valuer's work scope and of engagement acceptance way to evaluate the risk that the valuer's independency might be impaired and being free from the situation of limiting valuer's work scope.
2. We assessed the reasonableness of valuer's assumptions and methods used in valuation.
3. We audited of items from management's supporting documentation, including data which is used in valuation process by valuer.

Evaluation of Impairment Loss of Related Asset in Telecommunication Department

The Group's telecommunication department is in a highly market competition and rapidly changing environment. The economic trends and technology development influence the management's evaluation and judgment on the expected economic benefits and recoverable amounts of the cash-generating unit to which the asset belongs, which in turn is used for the evaluation of the asset's impairment. Thus, evaluation of impairment loss of related asset in telecommunication department is considered as a key audit matter.

For the accounting policy, the significant accounting judgment, evaluation, and assumption on the main source of uncertainty related to impairment of asset, please refer to Note 4 (11 and 13) and 5 (1 and 2) of the consolidated financial statements. For other related disclosures, please refer to Note 17 and Note 19 of the consolidated financial statements.

For evaluation of impairment loss of related asset in telecommunication department, we performed corresponding audit procedures as follows:

1. We obtained an understanding of the Group's asset impairment evaluation processes and of the design and implementation of related controls.
2. Obtain the Group's asset impairment evaluation reports for each cash-generating unit.
3. Evaluate the reasonableness of the Group's identification of asset impairment, the assumptions and sensitivity used in the asset impairment assessment, including the appropriateness of the classification of cash-generating unit, cash flows forecasts and discount rates used.

Recognition of Telecommunications Service Revenue

The telecommunications service revenue is the main source of the revenue of the Group's telecommunication department. The calculation of telecommunications service revenue highly relies on automated systems and includes complicated and huge data transmission. In order to meet market demands and remain competitive, the Group often launches different combinations of products and services which makes the calculation of revenue more complex and directly affects the accuracy and timing of revenue recognition. Therefore, the recognition of telecommunications service revenues is considered as a key audit matter.

For the accounting policies related to telecommunications service revenues, please refer to Note 4 (17)

of the consolidated financial statements.

For recognition of telecommunications service revenue, we performed corresponding audit procedures as follows:

1. We obtained an understanding of the Group's recognition of telecommunications service revenues, and the design and implementation of related controls.
2. Review the contracts of mobile subscribers to confirm the accuracy of the information in the accounting system.
3. Perform test of dialing to verify the accuracy and completeness of the traffic and information in switch equipment.
4. Test the accuracy of the billing calculation.
5. Test the completeness and accuracy of the calculation and billing of monthly fees and airtime fees.
6. Test the completeness and accuracy of the calculation and billing of value-added service fees.

For the revenue recognition of billed and unbilled amounts, we conducted the following tests:

1. For the billed amounts, we compare if there is any difference between the reports generated from the accounting system and the billing system.
2. For the unbilled amounts, we recalculate the service revenue for services provided as of the balance sheet date based on the applied charge rates to confirm the accuracy.

Other Matter

We have also audited the financial statements of the parent company, Far Eastern New Century Corporation, as of the years ended December 31, 2016 and 2015 on which we have issued unmodified and modified unqualified opinions.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching-Pin Shih and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 35,675,422	7	\$ 40,878,814	8
Financial assets at fair value through profit or loss - current	3,835,959	1	3,997,895	1
Available-for-sale financial assets - current	656,773	-	727,557	-
Derivative financial assets for hedging - current	2,073	-	6,015	-
Debt investments with no active market - current	1,797,697	-	3,350,990	1
Notes and accounts receivable, net	24,830,649	5	23,370,506	4
Amounts due from customers for construction contracts	1,202,624	-	973,888	-
Other receivables	7,811,376	2	5,789,282	1
Current tax assets	60,895	-	23,615	-
Inventories	22,103,308	4	24,558,575	5
Prepayments	3,399,270	1	3,257,852	1
Other financial assets - current	4,402,953	1	4,573,109	1
Refundable deposits - current	37,643	-	50,742	-
Other current assets	1,722,674	-	2,094,404	-
Total current assets	<u>107,539,316</u>	<u>21</u>	<u>113,653,244</u>	<u>22</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current	4,245,668	1	4,486,739	1
Financial assets measured at cost - non-current	1,135,148	-	1,138,626	-
Investments accounted for using the equity method	53,421,270	11	58,658,951	11
Property, plant and equipment	148,316,398	29	148,141,804	29
Investment properties, net	124,758,539	24	124,190,706	24
Concession	41,422,996	8	35,151,640	7
Goodwill	11,865,515	2	11,865,515	2
Other intangible assets	3,676,776	1	3,465,545	1
Deferred tax assets	2,361,276	1	2,317,146	1
Prepayments for equipment	1,612,960	-	2,280,180	-
Refundable deposits	806,289	-	822,052	-
Long-term other receivables from related parties	1,440,000	-	1,620,000	-
Other financial assets - non-current	3,783,584	1	2,714,837	1
Long-term prepayments for lease	6,716,440	1	7,000,124	1
Other non-current assets	357,983	-	1,258,013	-
Total non-current assets	<u>405,920,842</u>	<u>79</u>	<u>405,111,878</u>	<u>78</u>
TOTAL	<u>\$513,460,158</u>	<u>100</u>	<u>\$518,765,122</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 35,131,547	7	\$ 24,687,627	5
Short-term bills payable	9,278,381	2	6,597,763	1
Financial liabilities at fair value through profit or loss - current	3,421	-	-	-
Derivative financial liabilities for hedging - current	47,767	-	11,016	-
Notes and accounts payable	15,910,920	3	15,622,902	3
Notes and accounts payable to related parties	418,751	-	381,383	-
Amounts due to customers for construction contracts	1,428	-	120,696	-
Payables to suppliers of machinery and equipment	2,615,378	1	2,986,273	1
Other payable	14,451,394	3	14,430,397	3
Current tax liabilities	2,393,096	-	1,830,859	-
Provisions - current	270,831	-	258,638	-
Guarantee deposits received - current	298,281	-	287,280	-
Receipts in advance	1,174,563	-	1,047,226	-
Unearned revenue	2,585,723	1	2,581,177	1
Current portion of long-term liabilities	20,057,220	4	22,012,363	4
Other current liabilities	2,544,731	-	1,992,912	-
Total current liabilities	<u>107,183,432</u>	<u>21</u>	<u>94,848,512</u>	<u>18</u>
NON-CURRENT LIABILITIES				
Derivative financial liabilities for hedging - non-current	171,366	-	338,020	-
Bonds payable	62,518,046	12	63,363,036	12
Long-term borrowings	68,837,916	14	77,004,892	15
Provisions - non-current	859,586	-	811,094	-
Deferred tax liabilities	17,014,677	3	16,822,397	4
Net defined benefit liabilities - non-current	3,610,061	1	3,941,868	1
Guarantee deposits received	607,007	-	695,895	-
Deferred credit - gains on related - party transactions	124,192	-	149,074	-
Other non-current liabilities	341,223	-	393,331	-
Total non-current liabilities	<u>154,084,074</u>	<u>30</u>	<u>163,519,607</u>	<u>32</u>
Total liabilities	<u>261,267,506</u>	<u>51</u>	<u>258,368,119</u>	<u>50</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital stock				
Common stock	53,528,751	10	53,528,751	10
Capital surplus	2,859,588	1	2,807,683	1
Retained earnings				
Legal reserve	15,315,028	3	14,511,559	3
Special reserve	110,292,892	22	108,721,550	21
Unappropriated earnings	11,785,464	2	13,706,389	2
Total retained earnings	<u>137,393,384</u>	<u>27</u>	<u>136,939,498</u>	<u>26</u>
Other equity	(2,870,205)	(1)	4,000,696	1
Treasury shares	(25,063)	-	(25,063)	-
Total equity attributable to owners of the Company	190,886,455	37	197,251,565	38
NON-CONTROLLING INTERESTS	<u>61,306,197</u>	<u>12</u>	<u>63,145,438</u>	<u>12</u>
Total equity	<u>252,192,652</u>	<u>49</u>	<u>260,397,003</u>	<u>50</u>
TOTAL	<u>\$513,460,158</u>	<u>100</u>	<u>\$518,765,122</u>	<u>100</u>

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

(With Deloitte & Touche independent audit report dated March 23, 2017)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES				
Net sales	\$132,422,673	61	\$132,962,253	61
Telecommunications service income	67,315,200	31	69,655,393	32
Gain on disposal of investments, net	33,462	-	653,893	-
Construction income	5,178,983	3	5,094,212	2
Other operating revenue	<u>10,905,603</u>	<u>5</u>	<u>9,582,451</u>	<u>5</u>
Total operating revenues	<u>215,855,921</u>	<u>100</u>	<u>217,948,202</u>	<u>100</u>
OPERATING COSTS				
Cost of sales	127,872,750	59	132,139,162	61
Cost of telecommunications services	26,134,094	12	25,857,076	12
Construction cost	4,975,804	2	4,883,668	2
Other operating cost	<u>5,702,151</u>	<u>3</u>	<u>4,585,014</u>	<u>2</u>
Total operating costs	<u>164,684,799</u>	<u>76</u>	<u>167,464,920</u>	<u>77</u>
GROSS PROFIT	<u>51,171,122</u>	<u>24</u>	<u>50,483,282</u>	<u>23</u>
REALIZED CONSTRUCTION INCOME	<u>555</u>	<u>-</u>	<u>555</u>	<u>-</u>
OPERATING EXPENSES				
Selling and marketing	24,244,348	11	23,838,721	11
General and administrative	11,521,573	5	11,346,476	5
Research and development	<u>868,947</u>	<u>1</u>	<u>785,112</u>	<u>-</u>
Total operating expenses	<u>36,634,868</u>	<u>17</u>	<u>35,970,309</u>	<u>16</u>
OPERATING INCOME	<u>14,536,809</u>	<u>7</u>	<u>14,513,528</u>	<u>7</u>
NONOPERATING INCOME AND EXPENSES				
Share of the profit or loss of associates	1,873,936	1	2,721,771	1
Interest income	440,904	-	483,727	-
Other income	1,304,074	-	1,049,313	-
Gain on disposal of investment properties	313,100	-	941,564	-
Exchange loss, net	(792,420)	-	(916,502)	-
(Loss) gain on financial (liabilities) assets at fair value through profit or loss, net	(62,755)	-	433,436	-
Gain on change in fair value of investment properties	3,269,052	1	4,658,509	2
Interest expense	<u>(2,486,885)</u>	<u>(1)</u>	<u>(2,450,149)</u>	<u>(1)</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
Other expenses	(1,021,408)	(1)	(593,076)	-
Loss on disposal of property, plant and equipment	(746,006)	-	(960,258)	-
Loss on disposal of concession	(108)	-	(876)	-
(Loss) gain on disposal of intangible assets	(10,085)	-	260	-
Impairment loss	<u>(658,098)</u>	-	<u>(180,574)</u>	-
Total nonoperating income and expenses	<u>1,423,301</u>	-	<u>5,187,145</u>	<u>2</u>
INCOME BEFORE INCOME TAX	15,960,110	7	19,700,673	9
INCOME TAX EXPENSE	<u>(3,257,420)</u>	<u>(1)</u>	<u>(5,014,304)</u>	<u>(2)</u>
NET INCOME	<u>12,702,690</u>	<u>6</u>	<u>14,686,369</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(443,067)	-	(1,522,352)	(1)
Gains on property revaluation	-	-	197,960	-
Share of the other comprehensive income (loss) of associates	(82,222)	-	(268,785)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>17,732</u>	-	<u>256,999</u>	-
	<u>(507,557)</u>	-	<u>(1,336,178)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(3,287,569)	(2)	(545,872)	-
Unrealized loss on available-for-sale financial assets	(289,788)	-	(369,099)	-
Cash flow hedges	149,385	-	91,448	-
Share of the other comprehensive income (loss) of associates	<u>(4,006,347)</u>	<u>(2)</u>	<u>(2,470,528)</u>	<u>(1)</u>
	<u>(7,434,319)</u>	<u>(4)</u>	<u>(3,294,051)</u>	<u>(1)</u>
Total other comprehensive income (loss), net	<u>(7,941,876)</u>	<u>(4)</u>	<u>(4,630,229)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,760,814</u>	<u>2</u>	<u>\$ 10,056,140</u>	<u>5</u>
NET INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 6,307,786	3	\$ 8,034,691	4
Non-controlling interests	<u>6,394,904</u>	<u>3</u>	<u>6,651,678</u>	<u>3</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
	<u>\$ 12,702,690</u>	<u>6</u>	<u>\$ 14,686,369</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ (1,049,835)	(1)	\$ 3,712,786	2
Non-controlling interests	<u>5,810,649</u>	<u>3</u>	<u>6,343,354</u>	<u>3</u>
	<u>\$ 4,760,814</u>	<u>2</u>	<u>\$ 10,056,140</u>	<u>5</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 1.26</u>		<u>\$ 1.61</u>	
Diluted	<u>\$ 1.26</u>		<u>\$ 1.60</u>	

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

(With Deloitte & Touche independent audit report dated March 23, 2017)

(Concluded)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars; Except Dividends Per Share)

	Equity Attributable to Owners of the Company											Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings			Other Equity				Total			
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Gains on Property Revaluation		Treasury Shares		
BALANCE AT JANUARY 1, 2015	\$ 52,479,168	\$ 3,666,948	\$ 13,408,217	\$105,911,942	\$ 17,383,706	\$ 2,871,860	\$ 3,629,652	\$ (173,051)	\$ 512,607	\$ (25,063)	\$199,665,986	\$ 63,818,325	\$263,484,311
Appropriation of the 2014 earnings													
Legal reserve	-	-	1,103,342	-	(1,103,342)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	4,348,583	(4,348,583)	-	-	-	-	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	(6,297,500)	-	-	-	-	-	(6,297,500)	-	(6,297,500)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(7,933,930)	(7,933,930)
Stock dividends distributed from capital surplus - NT\$0.2 per share	1,049,583	(1,049,583)	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	8,034,691	-	-	-	-	-	8,034,691	6,651,678	14,686,369
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(1,481,533)	(597,177)	(2,509,725)	77,107	189,423	-	(4,321,905)	(308,324)	(4,630,229)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	6,553,158	(597,177)	(2,509,725)	77,107	189,423	-	3,712,786	6,343,354	10,056,140
Change in equity in associates	-	3,855	-	(10)	(12,214)	-	-	-	-	-	(8,369)	(43)	(8,412)
Effect on changes in percentage of ownership in associates	-	14,958	-	-	-	-	-	-	-	-	14,958	2	14,960
Disposal of investment in associates	-	-	-	-	(39)	-	-	-	-	-	(39)	(39)	(78)
Partial acquisition (disposal) of interests in subsidiaries	-	67,691	-	-	-	-	-	-	-	-	67,691	(183,230)	(115,539)
Effect on changes in percentage of ownership in subsidiaries	-	102,898	-	-	(7,762)	-	-	-	-	-	95,136	(19,716)	75,420
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,120,715	1,120,715
Change in capital surplus from dividends distributed to subsidiaries	-	916	-	-	-	-	-	-	-	-	916	-	916
Reversal of special reserve	-	-	-	(1,538,965)	1,538,965	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2015	53,528,751	2,807,683	14,511,559	108,721,550	13,706,389	2,274,683	1,119,927	(95,944)	702,030	(25,063)	197,251,565	63,145,438	260,397,003
Appropriation of the 2015 earnings													
Legal reserve	-	-	803,469	-	(803,469)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	2,165,513	(2,165,513)	-	-	-	-	-	-	-	-
Cash dividends - NT\$1.0 per share	-	-	-	-	(5,352,875)	-	-	-	-	-	(5,352,875)	-	(5,352,875)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(7,710,107)	(7,710,107)
Net income for the year ended December 31, 2016	-	-	-	-	6,307,786	-	-	-	-	-	6,307,786	6,394,904	12,702,690
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(486,720)	(3,852,495)	(3,067,584)	48,430	748	-	(7,357,621)	(584,255)	(7,941,876)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	5,821,066	(3,852,495)	(3,067,584)	48,430	748	-	(1,049,835)	5,810,649	4,760,814
Change in equity in associates	-	9,432	-	(2)	(1,116)	-	-	-	-	-	8,314	(1,109)	7,205
Disposal of investment in associates	-	-	-	(1,194)	(795)	-	-	-	-	-	(1,989)	-	(1,989)
Partial acquisition (disposal) of interests in subsidiaries	-	41,694	-	-	(11,198)	-	-	-	-	-	30,496	61,341	91,837
Cash capital reduction by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(15)	(15)
Change in capital surplus from dividends distributed to subsidiaries	-	779	-	-	-	-	-	-	-	-	779	-	779
Reversal of special reserve	-	-	-	(592,975)	592,975	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2016	\$ 53,528,751	\$ 2,859,588	\$ 15,315,028	\$110,292,892	\$ 11,785,464	\$ (1,577,812)	\$ (1,947,657)	\$ (47,514)	\$ 702,778	\$ (25,063)	\$190,886,455	\$ 61,306,197	\$252,192,652

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche independent audit report dated March 23, 2017)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 15,960,110	\$ 19,700,673
Adjustments for:		
Depreciation	15,301,556	14,310,140
Amortization	4,036,836	3,954,803
Allowance for doubtful accounts	700,454	268,113
Interest expenses	2,486,885	2,450,149
Interest income	(440,904)	(483,727)
Dividend income	(202,531)	(230,007)
Share of the profit of associates	(1,873,936)	(2,721,771)
Loss on disposal of property, plant and equipment	746,006	960,258
Gain on disposal of investment properties	(313,100)	(941,564)
Loss (gain) on disposal of intangible assets	10,085	(260)
Loss on disposal of concession	108	876
Gain on disposal of investments	(39,781)	(665,900)
Impairment loss	658,098	180,574
Write-down of inventory (reversal of write-down of inventory)	25,958	(165,433)
Realized gain on the transactions with associates	(555)	(555)
Gain on change in fair value of investment properties	(3,269,052)	(4,658,509)
Deferred loss (gain) on derivative assets for hedging	23,424	(116,318)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss - current	161,936	(2,873,779)
Notes and accounts receivable	(2,156,165)	4,081,891
Amounts due from customers for construction contracts	(228,736)	1,313,023
Other receivables	(351,646)	1,207,888
Inventories	4,204,741	(2,443,256)
Prepayments	(43,606)	1,165,863
Other current assets	371,730	133,261
Financial liabilities at fair value through profit or loss - current	3,421	(807)
Notes and accounts payable	288,018	2,107,495
Notes and accounts payable to related parties	37,368	(132,242)
Amounts due to customers for construction contracts	(119,268)	10,102
Other payables	72,386	143,431
Provisions	60,685	66,312
Receipts in advance	127,337	(167,413)
Other current liabilities	551,819	(301,075)
Net defined benefit liabilities - non-current	(776,415)	27,555
Unearned revenue	4,546	(36,723)
Cash generated from operations	<u>36,017,812</u>	<u>36,143,068</u>
Interest received	439,835	505,819
Dividend received	3,137,207	4,186,716
Interest paid	(2,456,047)	(2,423,380)
Income tax paid	<u>(2,566,581)</u>	<u>(4,374,190)</u>
Net cash generated from operating activities	<u>34,572,226</u>	<u>34,038,033</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(12,285)	(753,486)
Proceeds of the disposal of available-for-sale financial assets	202,059	818,285
Decrease in debt investments with no active market	1,553,293	946,244
Purchase of financial assets measured at cost	-	(66,802)
Acquisition of investments accounted for using the equity-method	(183,357)	(776,192)
Proceeds of on sale of investments accounted for using the equity-method	111,959	33,025
Net cash outflow on acquisition of subsidiaries	-	(159,449)
Payments for property, plant, equipment and prepayments for equipment	(19,516,098)	(24,117,793)
Proceeds from disposal of property, plant, equipment and prepayments for equipment	99,148	2,366,380
Decrease (increase) in refundable deposits	28,862	(129,866)
Increase in other receivable from related parties	(250,270)	(3,246,100)
Payments for intangible assets	(1,099,920)	(993,621)
Proceeds from disposal of intangible assets	-	479
Payments for investment properties	(1,723)	(244,552)
Proceeds from disposal of investment properties	-	66,347
Increase in long-term prepayments for lease	(489,429)	(180,336)
Increase in concessions	(8,526,330)	(239,820)
Proceeds from disposal of concessions	450,384	154
Increase in other financial assets	(898,591)	(582,440)
Increase in other non-current assets	<u>(102,628)</u>	<u>(820,629)</u>
Net cash used in investing activities	<u>(28,634,926)</u>	<u>(28,080,172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	10,443,920	(3,055,744)
Increase in short-term bills payable	2,678,000	1,938,000
Proceeds from issue of bonds	15,600,000	23,600,000
Repayments of bond payables	(21,029,500)	(13,350,000)
Proceeds from long-term borrowings	160,375,278	209,820,146
Repayment of long-term borrowings	(166,031,854)	(196,534,129)
Increase in guarantee deposits received	(77,887)	(53,870)
Decrease in other non-current liabilities	(52,108)	(14,989)
Cash dividends paid	(5,352,875)	(6,297,468)
Cash capital increase by subsidiaries	91,837	435,874
Cash capital reduction by subsidiaries	(15)	-
Dividends paid to non-controlling interests	<u>(7,710,107)</u>	<u>(7,933,927)</u>
Net cash generated from financing activities	<u>(11,065,311)</u>	<u>8,553,893</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
EFFECTS OF EXCHANGE RATE CHANGES	<u>(75,381)</u>	<u>381,641</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,203,392)	14,893,395
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>40,878,814</u>	<u>25,985,419</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 35,675,422</u>	<u>\$ 40,878,814</u>

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

(With Deloitte & Touche independent audit report dated March 23, 2017)

(Concluded)

Independent auditors' report

(English Translation of a Report Originally Issued in Chinese)

The Board of Directors and the Stockholders
Far Eastern New Century Corporation

Opinion

We have audited the financial statements of Far Eastern New Century Corporation (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, financial position of Far Eastern New Century Corporation as of December 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the financial statements for the year ended in December 31, 2016 are as follows:

Fair Value Evaluation of Investment Properties (Including the Investment Properties held by Subsidiaries which is accounted for Using Equity Method)

The Company's Investment Properties (including the investment properties held by subsidiaries which is accounted for using equity method) are subsequently measured using the fair value model. The fair value evaluation involved the significant accounting estimation and judgment, and the recognition of fair value fluctuations would significantly impact the gain or loss on changes in fair value of investment properties and share of the profit or loss of subsidiaries and associates. As a result, fair value evaluation of investment properties (including the investment properties held by subsidiaries which is accounted for using equity method) is considered as a key audit matter.

For accounting policy, the significant accounting judgment, evaluation, and assumption on the main source of uncertainty related to investment property, please refer to Note 4(9) and 5 of the financial statements. For more information about the Company's investment property, please refer to Note 13 of the financial statements.

For fair value evaluation of investment property, we performed corresponding audit procedures as follows:

1. We assessed the competencies and independency of the independent valuer engaged by the management and discuss with the management about valuer's work scope and of engagement acceptance way to evaluate the risk that the valuer's independency might be impaired and being free from the situation of limiting valuer's work scope.
2. We assessed the reasonableness of valuer's assumptions and methods used in valuation.
3. We audited of items from management's supporting documentation, including data which is used in valuation process by valuer.

Evaluation of Impairment Loss of Related Asset from the Company's Subsidiaries' Equity-Method Investee

The Company's subsidiaries' equity-method investee, Far EasTone Telecommunications Corporation (Far EasTone) is the material component. Far EasTone is in the telecommunication industry which is a highly competitive market and rapidly changing environment. The economic trends and technology development influence the management's evaluation and judgement on the expected economic benefits and recoverable amounts of the cash-generating unit to which the assets belongs, which in return is used for the evaluation of the assets impairment. The management's evaluation and judgement of related assets' impairment would impact the share of the profit or loss of subsidiaries and associates. As the result, evaluation of impairment loss of related asset from the Company's subsidiaries' equity-method investee is considered as a key audit matter.

For evaluation of impairment loss of related asset from the Company's subsidiaries' equity-method investee, we performed corresponding audit procedures as follows:

1. We obtained an understanding of the Company's asset impairment evaluation processes and of the design and implementation of related controls.
2. Obtain the Company's asset impairment evaluation reports for each cash-generating unit.
3. Evaluate the reasonableness of the Company's identification of asset impairment, the assumptions and sensitivity used in the asset impairment assessment, including the appropriateness of the classification of cash-generating unit, cash flows forecasts and discount rates used.

Recognition of Telecommunications Service Revenue from the Company's Subsidiaries' Equity-Method Investee

The Company's subsidiaries' equity-method investee, Far EasTone Telecommunications Corporation (Far EasTone) is the material component. The telecommunications service revenue is the main source of the revenue of Far EasTone. The calculation of telecommunications service revenue highly relies on automated systems and includes complicated and huge data transmission. In order to meet market demands and remain competitive, the Company often launches different combinations of products and services which makes the calculation of revenue more complex and directly affects the accuracy and timing of revenue recognition. The recognition of telecommunications service revenue would impact the share of the profit or loss of subsidiaries and associates. As the result, the recognition of telecommunications service revenues is considered as a key audit matter.

For recognition of telecommunications service revenue, we performed corresponding audit procedures as follows:

1. We obtained an understanding of the Company's recognition of telecommunications service revenues, and the design and implementation of related controls.
2. Review the contracts of mobile subscribers to confirm the accuracy of the information in the accounting system.
3. Perform test of dialing to verify the accuracy and completeness of the traffic and information in switch equipment.
4. Test the accuracy of the billing calculation.
5. Test the completeness and accuracy of the calculation and billing of monthly fees and airtime fees.
6. Test the completeness and accuracy of the calculation and billing of value-added service fees.

For the revenue recognition of billed and unbilled amounts, we conducted the following tests:

1. For the billed amounts, we compare if there is any difference between the reports generated from the accounting system and the billing system.
2. For the unbilled amounts, we recalculate the service revenue for services provided as of the balance sheet date based on the applied charge rates to confirm the accuracy.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching-Pin Shih and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2017

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

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

FAR EASTERN NEW CENTURY CORPORATION

BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 13,932,650	5	\$ 14,213,766	5
Financial assets at fair value through profit or loss - current	49,525	-	99,125	-
Notes and accounts receivable, net	6,960,762	3	7,193,069	3
Other receivables	307,556	-	4,063,193	1
Current tax assets	12,005	-	14,663	-
Inventories	6,231,657	2	6,349,136	2
Prepayments	68,168	-	113,066	-
Other current assets	265,424	-	250,048	-
Total current assets	<u>27,827,747</u>	<u>10</u>	<u>32,296,066</u>	<u>11</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current	740,500	-	781,027	-
Investments accounted for using equity method	230,569,651	81	235,733,762	80
Property, plant and equipment	24,509,217	9	24,340,572	8
Investment properties	1,456,014	-	1,446,491	1
Other intangible assets	24,499	-	20,622	-
Deferred tax assets	138,658	-	148,237	-
Prepayment for equipment	308,692	-	236,690	-
Refundable deposits	91,479	-	53,776	-
Other financial assets - non-current	41,174	-	48,205	-
Other non-current assets	62,317	-	62,165	-
Total non-current assets	<u>257,942,201</u>	<u>90</u>	<u>262,871,547</u>	<u>89</u>
TOTAL	<u>\$285,769,948</u>	<u>100</u>	<u>\$295,167,613</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 2,033,578	1	\$ 40,366	-
Financial liabilities at fair value through profit or loss - current	3,166	-	-	-
Notes and accounts payable	2,008,267	1	2,133,929	1
Notes and accounts payable to related parties	1,208,687	1	637,379	-
Payables to suppliers of machinery and equipment	4,960	-	8,716	-
Other payable	3,735,929	1	3,438,101	1
Provisions - current	-	-	1,461	-
Receipts in advance	285,380	-	358,988	-
Current portion of long-term liabilities	9,696,741	3	13,575,460	5
Other current liabilities	864,260	-	775,790	-
Total current liabilities	<u>19,840,968</u>	<u>7</u>	<u>20,970,190</u>	<u>7</u>
NON-CURRENT LIABILITIES				
Bonds payable	38,545,506	13	36,447,254	12
Long-term borrowings	32,578,264	11	36,169,650	12
Deferred tax liabilities	1,596,464	1	1,930,822	1
Net defined benefit liabilities - non-current	2,259,559	1	2,359,176	1
Guarantee deposits received	3,144	-	3,043	-
Deferred credit - gain on related-party transactions	35,828	-	35,913	-
Other non-current liabilities	23,760	-	-	-
Total non-current liabilities	<u>75,042,525</u>	<u>26</u>	<u>76,945,858</u>	<u>26</u>
Total liabilities	<u>94,883,493</u>	<u>33</u>	<u>97,916,048</u>	<u>33</u>
EQUITY				
Capital stock				
Common stock	53,528,751	19	53,528,751	18
Capital surplus	2,859,588	1	2,807,683	1
Retained earnings				
Legal reserve	15,315,028	5	14,511,559	5
Special reserve	110,292,892	39	108,721,550	37
Unappropriated earnings	11,785,464	4	13,706,389	5
Total retained earnings	137,393,384	48	136,939,498	47
Other equity	(2,870,205)	(1)	4,000,696	1
Treasury shares	(25,063)	-	(25,063)	-
Total equity	<u>190,886,455</u>	<u>67</u>	<u>197,251,565</u>	<u>67</u>
TOTAL	<u>\$285,769,948</u>	<u>100</u>	<u>\$295,167,613</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche independent audit report dated March 23, 2017)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES				
Net sales	\$44,735,795	100	\$46,837,024	100
Other operating revenue	<u>13,642</u>	<u>-</u>	<u>12,505</u>	<u>-</u>
Total operating revenues	<u>44,749,437</u>	<u>100</u>	<u>46,849,529</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	40,620,551	91	42,559,154	91
Other operating cost	<u>15,284</u>	<u>-</u>	<u>13,759</u>	<u>-</u>
Total operating costs	<u>40,635,835</u>	<u>91</u>	<u>42,572,913</u>	<u>91</u>
GROSS PROFIT	<u>4,113,602</u>	<u>9</u>	<u>4,276,616</u>	<u>9</u>
OPERATING EXPENSES				
Selling and marketing	3,007,620	7	2,691,283	6
General and administrative	1,123,249	2	1,281,387	3
Research and development	<u>849,096</u>	<u>2</u>	<u>757,250</u>	<u>1</u>
Total operating expenses	<u>4,979,965</u>	<u>11</u>	<u>4,729,920</u>	<u>10</u>
OPERATING LOSS	<u>(866,363)</u>	<u>(2)</u>	<u>(453,304)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES				
Share of the profit or loss of subsidiaries and associates	8,318,840	19	9,177,312	20
Interest income	65,030	-	137,142	-
Rental income	23,284	-	22,566	-
Dividend income	31,911	-	30,285	-
Other income	241,453	1	215,466	-
Gain on disposal of property, plant and equipment	3,237	-	11,352	-
Gain on disposal of investments	85	-	85,873	-
Net exchange (loss) gain	(271,978)	(1)	92,332	-
(Loss) Gain on financial assets (liabilities) at fair value through profit or loss	(222,598)	(1)	283,364	1
Gain on change in fair value of investment properties	9,523	-	33,138	-
Interest expense	(962,019)	(2)	(1,025,841)	(2)
Other expense	(207,516)	(1)	(203,712)	-
Loss on disposal of investment properties	-	-	(42,065)	-
Impairment loss	<u>(171,055)</u>	<u>-</u>	<u>(108,150)</u>	<u>-</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Total non-operating income and expenses	<u>6,858,197</u>	<u>15</u>	<u>8,709,062</u>	<u>19</u>
INCOME BEFORE INCOME TAX	5,991,834	13	8,255,758	18
INCOME TAX EXPENSE (BENEFIT)	<u>315,952</u>	<u>1</u>	<u>(221,067)</u>	<u>(1)</u>
NET INCOME	<u>6,307,786</u>	<u>14</u>	<u>8,034,691</u>	<u>17</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(404,822)	(1)	(1,381,087)	(3)
Share of other comprehensive loss of subsidiaries and associates	(89,970)	-	(145,808)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>8,820</u>	<u>-</u>	<u>234,785</u>	<u>-</u>
	<u>(485,972)</u>	<u>(1)</u>	<u>(1,292,110)</u>	<u>(3)</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	(40,527)	-	(13,951)	-
Share of other comprehensive loss of subsidiaries and associates	<u>(6,831,122)</u>	<u>(15)</u>	<u>(3,015,844)</u>	<u>(6)</u>
	<u>(6,871,649)</u>	<u>(15)</u>	<u>(3,029,795)</u>	<u>(6)</u>
Total other comprehensive loss	<u>(7,357,621)</u>	<u>(16)</u>	<u>(4,321,905)</u>	<u>(9)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$ (1,049,835)</u>	<u>(2)</u>	<u>\$ 3,712,786</u>	<u>8</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 1.26</u>		<u>\$ 1.61</u>	
Diluted	<u>\$ 1.26</u>		<u>\$ 1.60</u>	

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche independent audit report dated March 23, 2017)

(Concluded)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars; Except Dividend Per Share)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Other Equity					Total Equity
						Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Gain on Property Revaluation	Treasury Shares	
BALANCE AT JANUARY 1, 2015	\$ 52,479,168	\$ 3,666,948	\$ 13,408,217	\$105,911,942	\$ 17,383,706	\$ 2,871,860	\$ 3,629,652	\$ (173,051)	\$ 512,607	\$ (25,063)	\$199,665,986
Appropriation of the 2014 earnings											
Legal reserve	-	-	1,103,342	-	(1,103,342)	-	-	-	-	-	-
Special reserve	-	-	-	4,348,583	(4,348,583)	-	-	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	(6,297,500)	-	-	-	-	-	(6,297,500)
Stock dividends from capital surplus - NT\$0.2 per share	1,049,583	(1,049,583)	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	8,034,691	-	-	-	-	-	8,034,691
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(1,481,533)	(597,177)	(2,509,725)	77,107	189,423	-	(4,321,905)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	6,553,158	(597,177)	(2,509,725)	77,107	189,423	-	3,712,786
Change in associates accounted for using the equity method	-	179,117	-	(10)	(20,015)	-	-	-	-	-	159,092
Effect on changes in percentage of ownership in associates	-	10,285	-	-	-	-	-	-	-	-	10,285
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	916	-	-	-	-	-	-	-	-	916
Reversal of special reserve	-	-	-	(1,538,965)	1,538,965	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2015	53,528,751	2,807,683	14,511,559	108,721,550	13,706,389	2,274,683	1,119,927	(95,944)	702,030	(25,063)	197,251,565
Appropriation of the 2015 earnings											
Legal reserve	-	-	803,469	-	(803,469)	-	-	-	-	-	-
Special reserve	-	-	-	2,165,513	(2,165,513)	-	-	-	-	-	-
Cash dividends - NT\$1.0 per share	-	-	-	-	(5,352,875)	-	-	-	-	-	(5,352,875)
Net income for the year ended December 31, 2016	-	-	-	-	6,307,786	-	-	-	-	-	6,307,786
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(486,720)	(3,852,495)	(3,067,584)	48,430	748	-	(7,357,621)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	5,821,066	(3,852,495)	(3,067,584)	48,430	748	-	(1,049,835)
Change in associates accounted for using the equity method	-	51,126	-	(1,196)	(13,109)	-	-	-	-	-	36,821
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	779	-	-	-	-	-	-	-	-	779
Reversal of special reserve	-	-	-	(592,975)	592,975	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2016	\$ 53,528,751	\$ 2,859,588	\$ 15,315,028	\$110,292,892	\$ 11,785,464	\$ (1,577,812)	\$ (1,947,657)	\$ (47,514)	\$ 702,778	\$ (25,063)	\$190,886,455

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche independent audit report dated March 23, 2017)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,991,834	\$ 8,255,758
Adjustments for:		
Depreciation	2,085,962	2,145,777
Amortization	10,391	10,517
Allowance for doubtful accounts	237,515	-
Interest expenses	962,019	1,025,841
Interest income	(65,030)	(137,142)
Dividend income	(31,911)	(30,285)
Share of the profit of subsidiaries and associates	(8,318,840)	(9,177,312)
Gain on disposal of property, plant and equipment	(3,237)	(11,352)
Loss on disposal of investment properties	-	42,065
Gain on disposal of investments	(85)	(85,873)
Impairment loss	171,055	108,150
(Reversal of) Write-down of inventories	(60,861)	146,280
Net gain on unrealized foreign currency exchange	-	(120,500)
Gain on change in fair value of investment properties	(9,523)	(33,138)
Net changes in operating assets and liabilities		
Financial assets held for trading	49,600	(12,070)
Notes and accounts receivable	(5,208)	1,512,634
Other receivables	(192,867)	716,211
Inventories	178,340	4,234
Prepayments	44,898	67,759
Other current assets	(15,376)	(39,491)
Financial liabilities held for trading	3,166	-
Notes and accounts payable	(125,662)	(462,785)
Notes and accounts payable to related parties	571,308	(111,081)
Other payables	357,845	(410,918)
Provisions	(1,461)	(6,879)
Receipts in advance	(73,608)	14,845
Other current liabilities	88,470	35,824
Net defined benefit liabilities - non-current	(504,439)	(178,932)
Cash generated from operations	<u>1,344,295</u>	<u>3,268,137</u>
Interest received	154,034	137,577
Dividend received	7,361,053	7,628,632
Interest paid	(986,009)	(985,952)
Income tax received	<u>2,651</u>	<u>1,412</u>
Net cash generated from operating activities	<u>7,876,024</u>	<u>10,049,806</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease of debt investments with no active market	-	585,979
Acquisition of investments accounted for using the equity-method	(705,923)	(1,511,164)
Proceeds on sale of investments accounted for using the equity-method	-	53

(Continued)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Payments for property, plant, equipment and prepayments for equipment	(2,504,427)	(2,389,653)
Proceeds from disposal of property, plant and equipment	10,443	15,113
Decrease in refundable deposits	(37,703)	7,473
Decrease in other receivables	3,957,500	120,750
Payments for intangible assets	(14,268)	(9,532)
Decrease in other financial assets	7,031	-
(Increase) decrease in other non-current assets	<u>(4,351)</u>	<u>45,766</u>
Net cash generated from (used in) investing activities	<u>708,302</u>	<u>(3,135,215)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in short-term borrowings	1,993,212	(2,189,056)
Proceeds from issue of bonds	11,800,000	18,600,000
Repayments of bonds payable	(13,679,500)	(8,750,000)
Proceeds from long-term borrowings	138,643,485	164,439,396
Repayment of long-term borrowings	(142,269,865)	(168,133,779)
Increase (Decrease) in guarantee deposits received	101	(16)
Dividends paid	<u>(5,352,875)</u>	<u>(6,297,468)</u>
Net cash used in financing activities	<u>(8,865,442)</u>	<u>(2,330,923)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(281,116)	4,583,668
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>14,213,766</u>	<u>9,630,098</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$13,932,650</u>	<u>\$14,213,766</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche independent audit report dated March 23, 2017)

(Concluded)

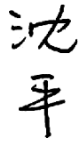
Attachment II

The Audit Committee's Review Report

To the 2017 General Shareholders' Meeting of Far Eastern New Century Corporation,

In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we have examined the Business Report, Financial Statements, and the Resolution for Allocation of Surplus Profit submitted by the Board of Directors for the year ending 2016 which had been audited by Deloitte & Touche, and found them in order.

The Convener of the Audit Committee: Bing Shen



11 May 2017

Attachment III

Amendments to “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation”

Section	Proposed Changes	Current Articles	Description
Article 7	<p>Acquisition or Disposition of Real Property or Equipment</p> <p>1) Evaluation Process</p> <p>a) For investments in real property and equipment, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of equipment shall be carried out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation Reports for Real Property or Equipment In the case of real property or equipment acquired or disposed by the Company other than as a result of transactions with the <u>government</u>, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipments for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall, prior to the date of the transaction occurred, require professional appraiser to furnish their valuation</p>	<p>Acquisition or Disposition of Real Property or Equipment</p> <p>1) Evaluation Process</p> <p>a) For investments in real property and equipment, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of equipment shall be carried out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation Reports for Real Property or Equipment In the case of real property or equipment acquired or disposed by the Company other than as a result of transactions with the <u>government</u>, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipments for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall, prior to the date of the transaction occurred, require professional appraiser to furnish their valuation</p>	<p>In accordance with Article 9 of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” (the Regulations), the Chinese wordings change.</p>

Section	Proposed Changes	Current Articles	Description
	<p>report (which report shall specify the matters set out in Appendix 1 herein); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, unless the appraisal prices of acquired assets are higher than the transaction price, or the appraisal prices of assets being disposed are lower than the transaction price, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p>ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater.</p> <p>d) Report made by the professional appraiser shall not be dated beyond three (3) months prior to the date of the contract; however where an appropriate value published</p>	<p>report (which report shall specify the matters set out in Appendix 1 herein); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, unless the appraisal prices of acquired assets are higher than the transaction price, or the appraisal prices of assets being disposed are lower than the transaction price, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p>ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater.</p> <p>d) Report made by the professional appraiser shall not be dated beyond three (3) months prior to the date of the contract; however where an appropriate value published</p>	

Section	Proposed Changes	Current Articles	Description
	<p>during the same period but not exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in Determining Authorized Investment Limit and Responsible Units Prior to the Company acquiring or disposing real property or equipment, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>during the same period but not exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in Determining Authorized Investment Limit and Responsible Units Prior to the Company acquiring or disposing real property or equipment, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	
Article 8	<p>Transactions of Real Property with Related Parties</p> <p>1) Where the Company acquires or disposes real property from or to related parties, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of this Article undertake the relevant resolution and appraisal of the fairness of transaction conditions, etc., and shall pursuant to the provisions of this Article obtain appraisal reports made by professional appraisers or accountants' opinions when the transaction amount is ten per cent (10%) of the total assets of the Company or more. In deciding</p>	<p>Transactions of Real Property with Related Parties</p> <p>1) Where the Company acquires or disposes real property from or to related parties, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of this Article undertake the relevant resolution and appraisal of the fairness of transaction conditions, etc., and shall pursuant to the provisions of this Article obtain appraisal reports made by professional appraisers or accountants' opinions when the transaction amount is ten per cent (10%) of the total assets of the Company or more. In deciding</p>	

Section	Proposed Changes	Current Articles	Description
	<p>whether the other party to the transaction is a related party, in addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures The Company shall, if it acquires or disposes real property from or to related parties, or if it acquires or disposes other assets except real property from or to related parties and the said transaction amount is twenty per cent (20%) of the paid-in capital of the Company, or ten per cent (10%) of the total assets of the Company, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, submit to the Audit Committee and the Board of Directors for approval of the following information prior to the signing of the transaction contract and making payments:</p> <p>a) Purpose of acquiring or disposing the said assets, its necessity and projected benefits;</p> <p>b) Reasons for transacting with related parties;</p> <p>c) Information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein, when acquiring real property from related parties;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) Pursuant to the paragraph 1 of this Article, the appraisal reports made by the</p>	<p>whether the other party to the transaction is a related party, in addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures The Company shall, if it acquires or disposes real property from or to related parties, or if it acquires or disposes other assets except real property from or to related parties and the said transaction amount is twenty per cent (20%) of the paid-in capital of the Company, or ten per cent (10%) of the total assets of the Company, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, submit to the Audit Committee and the Board of Directors for approval of the following information prior to the signing of the transaction contract and making payments:</p> <p>a) Purpose of acquiring or disposing the said assets, its necessity and projected benefits;</p> <p>b) Reasons for transacting with related parties;</p> <p>c) Information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein, when acquiring real property from related parties;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) Pursuant to the paragraph 1 of this Article, the appraisal reports made by the</p>	<p>The term “domestic money market funds” shall mean the money market funds issued by the institution that operates the securities investment trust with the permission of Financial Supervisory Commission R.O.C. (Taiwan) (“FSC”) as described in “Securities Investment Trust and Consulting Act”. Therefore, amend paragraph 2 in accordance with Article 14 of the Regulations.</p>

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	<p>professional appraisers or accountants' opinions.</p> <p>g) Restrictions on this transaction and other key contractual issues.</p> <p>When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised</p>	<p>professional appraisers or accountants' opinions.</p> <p>g) Restrictions on this transaction and other key contractual issues.</p> <p>When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised</p>	

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	<p>value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b) Where both the land and the buildings on it are purchased <i>in toto</i>, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p> <p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p>i) The related party having obtained the real property by way of inheritance or gift;</p> <p>ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five (5) years; or</p> <p>iii) The Company obtaining the real property by way of joint-development contract entered with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f)</p>	<p>value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b) Where both the land and the buildings on it are purchased <i>in toto</i>, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p> <p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p>i) The related party having obtained the real property by way of inheritance or gift;</p> <p>ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five (5) years; or</p> <p>iii) The Company obtaining the real property by way of joint-development contract entered with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f)</p>	

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	<p>and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the</p>	<p>and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the</p>	

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	<p>practice for sale and purchase of real property.</p> <p>C. Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside</p>	<p>practice for sale and purchase of real property.</p> <p>C. Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside</p>	

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	<p>special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Act, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Independent Directors shall undertake measures in compliance with Article 218 of the Company Act;</p> <p>iii) The shareholders' meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p>4) Process in determining authorized investment limit and responsible units Prior to the Company acquiring or disposing equipments for operational purposes from or to its</p>	<p>special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Act, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Independent Directors shall undertake measures in compliance with Article 218 of the Company Act;</p> <p>iii) The shareholders' meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p>4) Process in determining authorized investment limit and responsible units Prior to the Company acquiring or disposing equipments for operational purposes from or to its</p>	

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	<p>subsidiaries, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. When the dollar amount of the said transactions is below NT\$300 million; the Chairman shall have the authority to approve/disapprove the said transactions. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p> <p>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon 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.</p>	<p>subsidiaries, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. When the dollar amount of the said transactions is below NT\$300 million; the Chairman shall have the authority to approve/disapprove the said transactions. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p> <p>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon 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.</p>	
Article 9	<p>Acquisition of Club Membership or Intangible Assets</p> <p>1) Evaluation and Process</p> <p>a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports. Where the transaction is NT\$ 3 million or below, the said analysis report</p>	<p>Acquisition of Club Membership or Intangible Assets</p> <p>1) Evaluation and Process</p> <p>a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports. Where the transaction is NT\$ 3 million or below, the said analysis report</p>	

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	<p>shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>2) Expert's Valuation Report on Club Membership or Intangible Assets</p> <p>a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition or disposition of club membership or intangible assets exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, except in transaction with <u>government</u> agency, accountants shall be engaged, prior to the date of occurrence, to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation The Company may only proceed with the acquisition or disposition of club membership or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	<p>shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>2) Expert's Valuation Report on Club Membership or Intangible Assets</p> <p>a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition or disposition of club membership or intangible assets exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, except in transaction with <u>government</u> agency, accountants shall be engaged, prior to the date of occurrence, to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation The Company may only proceed with the acquisition or disposition of club membership or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	<p>In accordance with the Regulations, the Chinese wordings of subparagraph 2 under paragraph 2 change.</p>
Article 10	<p>Acquisition or Disposition of Derivative Products</p> <p>1) Principles and Policies for Transactions</p> <p>a) Types of Transaction</p> <p>i) Derivative products the Company is permitted to undertake shall be those contracts as defined in</p>	<p>Acquisition or Disposition of Derivative Products</p> <p>1) Principles and Policies for Transactions</p> <p>a) Types of Transaction</p> <p>i) Derivative products the Company is permitted to undertake shall be those contracts as defined in</p>	

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	<p>Article 3 1) hereinabove.</p> <p>ii) "For transactional purposes" herein shall refer to the holding or producing of derivative products the purpose of which is to earn the difference in transaction prices of the products, including transaction activities in which profits or loss are measured and realized in the current period by way of fair value. "For non-transactional purposes" herein shall refer to those transactions for reasons other than those provided above.</p> <p>b) Operational or Hedging Strategy</p> <p>i) "For transactional purposes": The operation strategy shall be one of nimbleness and flexibility.</p> <p>ii) "For non-transactional purposes": The hedging strategy shall be one of prudence and caution.</p> <p>c) Duties and Responsibilities</p> <p>i) Execution of transaction contracts and relevant documents: By the Chairman or a person so appointed by him as representative of the Company.</p> <p>ii) Execution of transaction and profit/loss evaluation:</p> <p>A. The Procurement Department shall be responsible for contracts involved goods related to raw materials; the Finance Department shall be responsible for contracts relating to finance.</p> <p>B. Account opening, transaction, confirmation, settlement: director of the relevant department to decide or authorize.</p> <p>C. Production of transaction slip, invoice and application for funding to be undertaken by traders</p>	<p>Article 3 1) hereinabove.</p> <p>ii) "For transactional purposes" herein shall refer to the holding or producing of derivative products the purpose of which is to earn the difference in transaction prices of the products, including transaction activities in which profits or loss are measured and realized in the current period by way of fair value. "For non-transactional purposes" herein shall refer to those transactions for reasons other than those provided above.</p> <p>b) Operational or Hedging Strategy</p> <p>i) "For transactional purposes": The operation strategy shall be one of nimbleness and flexibility.</p> <p>ii) "For non-transactional purposes": The hedging strategy shall be one of prudence and caution.</p> <p>c) Duties and Responsibilities</p> <p>i) Execution of transaction contracts and relevant documents: By the Chairman or a person so appointed by him as representative of the Company.</p> <p>ii) Execution of transaction and profit/loss evaluation:</p> <p>A. The Procurement Department shall be responsible for contracts involved goods related to raw materials; the Finance Department shall be responsible for contracts relating to finance.</p> <p>B. Account opening, transaction, confirmation, settlement: director of the relevant department to decide or authorize.</p> <p>C. Production of transaction slip, invoice and application for funding to be undertaken by traders</p>	

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	<p>and approved by supervisors at various levels before forwarding the same to Finance, Accounting and Audit Departments.</p> <p>D. Designated staff at all relevant departments shall be responsible for profit/loss evaluation; evaluation forms shall be forwarded to <u>the Chairman or a person so appointed by him.</u></p> <p>iii) Accounting: The Accounting Department shall formulate record slips and enter into accounts based on the various receipts, and shall complete the relevant accounting reports according to the accounting cycles.</p> <p>iv) Audit: The Audit Department shall conduct regular and ad hoc audit based on the internal audit system.</p> <p>v) Legal: Legal counsel shall be responsible for review of transaction contracts.</p> <p>vi) Unless otherwise provided, only the administrator or those ranking above may implement the transaction for derivative products.</p> <p>d) Performance Appraisal The benchmark for performance appraisal shall be the year-end net profit or loss.</p> <p>e) Total Contract Amount and Authorized Limit</p> <p>i) "For transaction purposes": The upper limit of losses of individual contract is less than 5% of that contract's amount. The upper limit of losses of all the contracts is less than 5% of total amount of all contracts.</p> <p>ii) "For non-transactional purposes": The upper limit of losses of individual contract is less than 25% of that contract's amount. The upper limit of losses of all the contracts is less than 25% of total amount of all</p>	<p>and approved by supervisors at various levels before forwarding the same to Finance, Accounting and Audit Departments.</p> <p>D. Designated staff at all relevant departments shall be responsible for profit/loss evaluation; evaluation forms shall be forwarded to <u>the director of Audit Department.</u></p> <p>iii) Accounting: The Accounting Department shall formulate record slips and enter into accounts based on the various receipts, and shall complete the relevant accounting reports according to the accounting cycles.</p> <p>iv) Audit: The Audit Department shall conduct regular and ad hoc audit based on the internal audit system.</p> <p>v) Legal: Legal counsel shall be responsible for review of transaction contracts.</p> <p>vi) Unless otherwise provided, only the administrator or those ranking above may implement the transaction for derivative products.</p> <p>d) Performance Appraisal The benchmark for performance appraisal shall be the year-end net profit or loss.</p> <p>e) Total Contract Amount and Authorized Limit</p> <p>i) "For transaction purposes": The upper limit of losses of individual contract is less than 5% of that contract's amount. The upper limit of losses of all the contracts is less than 5% of total amount of all contracts.</p> <p>ii) "For non-transactional purposes": The upper limit of losses of individual contract is less than 25% of that contract's amount. The upper limit of losses of all the contracts is less than 25% of total amount of all</p>	<p>According to FSC's opinion, the internal auditors of company shall regularly review the appropriateness of internal controls for derivative product trading, thus, the board of directors shall not authorize the directors of audit department to conduct the management and supervision of derivative product trading. Therefore, amend "directors of Audit Department" to "the chairman or the person appointed by him", and amend paragraph 1, 2 and 4.</p>

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	<p>contracts.</p> <p>f) Limit on Losses</p> <p>i) "For transaction purposes": The upper limit of losses of individual contract is less than 5% of that contract's amount. The upper limit of losses of all the contracts is less than 5% of total amount of all contracts.</p> <p>ii) "For non-transactional purposes": The upper limit of losses of individual contract is less than 25% of that contract's notional amount. The upper limit of losses of all the contracts is less than 25% of total notional amount of all contracts.</p> <p>2) Risk Management Measures:</p> <p>a) Counterparty's credit risk – Counterparties shall be financial institutions of good credit standing;</p> <p>b) Market risk in which prices turnaround – in accordance with 1) f) herein.</p> <p>c) Liquidity risk of products – There shall be at least two (2) financial institutions in the market and at the same time offering two-way pricing for products, before transactions are permitted.</p> <p>d) Cash-flow risk – There shall be periodic disclosures of fair market prices for financial products undertaken, for appropriate disclosure of projected cash flow volume from the financial product.</p> <p>e) Internal operation risk – In accordance with 1) c) herein.</p> <p>f) Legal risk for execution of contracts and related documents – Professional opinions of the Legal Department shall be required.</p> <p>g) Trading staff for derivative products shall not also work as operational staff for the purposes of confirmation and settlement.</p> <p>h) Risk measurement, supervision and control staff shall be from departments that differ from those described in g) hereinabove, and shall furthermore report to the</p>	<p>contracts.</p> <p>f) Limit on Losses</p> <p>i) "For transaction purposes": The upper limit of losses of individual contract is less than 5% of that contract's amount. The upper limit of losses of all the contracts is less than 5% of total amount of all contracts.</p> <p>ii) "For non-transactional purposes": The upper limit of losses of individual contract is less than 25% of that contract's notional amount. The upper limit of losses of all the contracts is less than 25% of total notional amount of all contracts.</p> <p>2) Risk Management Measures:</p> <p>a) Counterparty's credit risk – Counterparties shall be financial institutions of good credit standing;</p> <p>b) Market risk in which prices turnaround – in accordance with 1) f) herein.</p> <p>c) Liquidity risk of products – There shall be at least two (2) financial institutions in the market and at the same time offering two-way pricing for products, before transactions are permitted.</p> <p>d) Cash-flow risk – There shall be periodic disclosures of fair market prices for financial products undertaken, for appropriate disclosure of projected cash flow volume from the financial product.</p> <p>e) Internal operation risk – In accordance with 1) c) herein.</p> <p>f) Legal risk for execution of contracts and related documents – Professional opinions of the Legal Department shall be required.</p> <p>g) Trading staff for derivative products shall not also work as operational staff for the purposes of confirmation and settlement.</p> <p>h) Risk measurement, supervision and control staff shall be from departments that differ from those described in g) hereinabove, and shall furthermore report to the</p>	

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	<p>Board of Directors or to senior managers who are not responsible for making decisions in respect of the transaction or for the department concerned.</p> <p>i) All positions in derivative trades shall be appraised on a weekly basis; where hedge positions trades are entered out of business necessity they shall be appraised at least twice a month. Appraisal reports shall be forwarded to <u>the Chairman or a person so appointed by him.</u></p> <p>3) Internal Audit System The Company's internal auditors shall regularly review the appropriateness of internal controls for derivative product trading, and shall on a monthly basis conduct compliance of these Procedures by the Trading Department, with audit reports to be compiled thereafter; where major irregularities are discovered, the Audit Committee shall be notified by writing.</p> <p>4) Regular Appraisal and Measures In the Event of Irregularities</p> <p>a) <u>The Chairman or a person so appointed by him shall</u> closely monitor and control the trading risk for derivative trades.</p> <p>b) <u>The Chairman or a person so appointed by him shall</u> specifically conduct regular appraisal of the performance of derivative trades so as to establish whether there has been conformity with the pre-set operation policies and whether the risks to be undertaken in respect thereof are within the scope allowed by the Company.</p> <p>c) <u>The Chairman or a person so appointed by him shall</u> regularly review the suitability of the existing risk management measures and whether the procedures set out in this Article have been complied with; This person shall furthermore monitor the trades and profits/losses status, and shall take the necessary measures and</p>	<p>Board of Directors or to senior managers who are not responsible for making decisions in respect of the transaction or for the department concerned.</p> <p>i) All positions in derivative trades shall be appraised on a weekly basis; where hedge positions trades are entered out of business necessity they shall be appraised at least twice a month. Appraisal reports shall be forwarded to <u>senior managers authorized by the Board of Directors.</u></p> <p>3) Internal Audit System The Company's internal auditors shall regularly review the appropriateness of internal controls for derivative product trading, and shall on a monthly basis conduct compliance of these Procedures by the Trading Department, with audit reports to be compiled thereafter; where major irregularities are discovered, the Audit Committee shall be notified by writing.</p> <p>4) Regular Appraisal and Measures In the Event of Irregularities</p> <p>a) <u>The Board of Directors shall appoint the directors of Audit Department</u> to closely monitor and control the trading risk for derivative trades.</p> <p>b) <u>The Board of Directors shall appoint a person to</u> specifically conduct regular appraisal of the performance of derivative trades so as to establish whether there has been conformity with the pre-set operation policies and whether the risks to be undertaken in respect thereof are within the scope allowed by the Company.</p> <p>c) <u>The director of the Audit Department shall</u> regularly review the suitability of the existing risk management measures and whether the procedures set out in this Article have been complied with; This person shall furthermore monitor the trades and profits/losses status, and shall take the necessary measures and immediately</p>	

Section	Proposed Changes	Current Articles	Description
	<p>immediately report to the Board of Directors where irregularities are discovered; the Independent Directors shall attend meetings of the Board of Directors and shall express their opinions.</p> <p>d) The Company shall set up accounts books in respect of derivative trades, which books shall record in details the types, amounts, the date of approval by the Board of Directors and the matters for due evaluation as required under items 2) i) and 4) b) and c) herein, for ease of checking.</p>	<p>report to the Board of Directors where irregularities are discovered; the Independent Directors shall attend meetings of the Board of Directors and shall express their opinions.</p> <p>d) The Company shall set up accounts books in respect of derivative trades, which books shall record in details the types, amounts, the date of approval by the Board of Directors and the matters for due evaluation as required under items 2) i) and 4) b) and c) herein, for ease of checking.</p>	
Article 11	<p>Mergers, Demergers, Acquisitions or Transfer of Shareholding</p> <p>1) Evaluation and Process</p> <p>a) The Company shall, prior to the Board of Directors' meeting to approve propose mergers, demergers, acquisitions or transfer of shareholding by way of its resolution, require the Accounting Department to seek opinions from accountants, lawyers or securities underwriters in respect of the share swap ratio, acquisition price or distribution of cash to shareholders or the propriety for other assets, the said opinions to be forwarded to the Board of Directors for their discussion. <u>However, in the mergers between the Company and its subsidiary company, whose total number of issued shares or total capital is 100%-owned, directly or indirectly, by the Company, or the mergers between foregoing subsidiary companies, the said opinions will not be required.</u></p> <p>b) Public companies involved in the merger, demerger or acquisition shall, prior to their respective shareholders' meeting, compile public documents addressed to their shareholders, which documents shall set out the key contractual terms of the said merger, demerger or acquisition as well as relevant</p>	<p>Mergers, Demergers, Acquisitions or Transfer of Shareholding</p> <p>1) Evaluation and Process</p> <p>a) The Company shall, prior to the Board of Directors' meeting to approve propose mergers, demergers, acquisitions or transfer of shareholding by way of its resolution, require the Accounting Department to seek opinions from accountants, lawyers or securities underwriters in respect of the share swap ratio, acquisition price or distribution of cash to shareholders or the propriety for other assets, the said opinions to be forwarded to the Board of Directors for their discussion.</p> <p>b) Public companies involved in the merger, demerger or acquisition shall, prior to their respective shareholders' meeting, compile public documents addressed to their shareholders, which documents shall set out the key contractual terms of the said merger, demerger or acquisition as well as relevant</p>	<p>In the mergers between the Company and its subsidiary company, whose total number of issued shares or total capital is 100%-owned, directly or indirectly, by the Company, or the mergers between foregoing subsidiary companies in accordance with "Business Mergers And Acquisitions Act", shall be deemed as a reorganization of the same corporate group, and will not involve the agreements regarding share conversion rates or the distribution of cash or other property of the shareholders. In such mergers, the opinions of experts regarding the rationality of share conversion rates will not be required, therefore, amend this provision in accordance with Article 22 of the Regulations.</p>

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	<p>issues including experts' opinions abovementioned as reference, forwarded to their shareholders along with the notices of shareholders' meeting to vote for or against the said merger, demerger or acquisition. Without prejudice to the aforesaid, it shall not apply where pursuant to other laws and regulations, shareholders' resolutions are not required in respect of mergers, demergers or mergers.</p> <p>c) Where there is insufficient quorum, votes or other legal restrictions for convening shareholders' meetings of any of the companies involved in the merger, demerger or acquisition, such that the shareholders' meeting or resolutions cannot be convened or passed or where the proposal has been voted against, the said companies shall immediately publicly disclose the occurrence, reasons, subsequent measures and projected dates for shareholders' meetings.</p> <p>2) Other Issues of Note</p> <p>a) Dates of Board of Directors' meeting and shareholders' meeting: A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. When participating in a</p>	<p>issues including experts' opinions abovementioned as reference, forwarded to their shareholders along with the notices of shareholders' meeting to vote for or against the said merger, demerger or acquisition. Without prejudice to the aforesaid, it shall not apply where pursuant to other laws and regulations, shareholders' resolutions are not required in respect of mergers, demergers or mergers.</p> <p>c) Where there is insufficient quorum, votes or other legal restrictions for convening shareholders' meetings of any of the companies involved in the merger, demerger or acquisition, such that the shareholders' meeting or resolutions cannot be convened or passed or where the proposal has been voted against, the said companies shall immediately publicly disclose the occurrence, reasons, subsequent measures and projected dates for shareholders' meetings.</p> <p>2) Other Issues of Note</p> <p>a) Dates of Board of Directors' meeting and shareholders' meeting: A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. When participating in a</p>	

Section	Proposed Changes	Current Articles	Description
	<p>merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for five (5) years for reference:</p> <ol style="list-style-type: none"> 1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information. 2. Date of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting. 3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings. <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, within two (2) days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out at preceding paragraph "basic identification data for personnel" and "date of material events" to the FSC for recordation.</p> <p>Where any of the companies participating in a</p>	<p>merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for five (5) years for reference:</p> <ol style="list-style-type: none"> 1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information. 2. Date of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting. 3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings. <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, within two (2) days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out at preceding paragraph "basic identification data for personnel" and "date of material events" to the FSC for recordation.</p> <p>Where any of the companies participating in a</p>	

Section	Proposed Changes	Current Articles	Description
	<p>merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the later is required to abide by the previous provisions.</p> <p>b) Undertaking to maintain confidentiality prior to public disclosure: All persons involved in or aware of the proposals relating to the merger, demerger or acquisition of their companies or transfer of shareholding shall furnish in writing their undertaking to maintain confidentiality, and shall not, prior to the information being publicly disclosed, not disclose the contents of the said proposal, or on their own names or in the names of other persons, trade in the shares and other securities of an equity nature, of all the companies involved in the said merger, demerger, acquisition or transfer of shareholding.</p> <p>c) Principles regarding determination of and amendment to share-swap ratio or acquisition price: Except under the following circumstances, which circumstances shall be also stipulated in the contracts for merger, demerger, acquisition or shareholding transfer for the purposes of variations to the terms therein, the Company shall not change the share swap ratio or acquisition price:</p> <p>i) Increase in share capital by way of new issues; issuance of convertible bonds; distribution of stock dividends without consideration; issuance of corporate bonds attached with warrants; issuance of special shares attached with warrants; issuance of warrants or other securities of equity nature;</p>	<p>merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the later is required to abide by the previous provisions.</p> <p>b) Undertaking to maintain confidentiality prior to public disclosure: All persons involved in or aware of the proposals relating to the merger, demerger or acquisition of their companies or transfer of shareholding shall furnish in writing their undertaking to maintain confidentiality, and shall not, prior to the information being publicly disclosed, not disclose the contents of the said proposal, or on their own names or in the names of other persons, trade in the shares and other securities of an equity nature, of all the companies involved in the said merger, demerger, acquisition or transfer of shareholding.</p> <p>c) Principles regarding determination of and amendment to share-swap ratio or acquisition price: Except under the following circumstances, which circumstances shall be also stipulated in the contracts for merger, demerger, acquisition or shareholding transfer for the purposes of variations to the terms therein, the Company shall not change the share swap ratio or acquisition price:</p> <p>i) Increase in share capital by way of new issues; issuance of convertible bonds; distribution of stock dividends without consideration; issuance of corporate bonds attached with warrants; issuance of special shares attached with warrants; issuance of warrants or other securities of equity nature;</p>	

Section	Proposed Changes	Current Articles	Description
	<ul style="list-style-type: none"> ii) Disposal of the Company's major assets such that the Company's finances and businesses will be affected; iii) Occurrence of major disasters and major transformation in technology such that the shareholders' equity or the price of its stock will be affected; iv) Adjustments by any of the companies involved in the said merger, demerger, acquisition or shareholding transfer resulting from treasury stock in accordance with law; v) Changes in the corporate entity or number of companies involved in the said merger, demerger, acquisition or shareholding transfer; and vi) Other terms stipulated in the contracts as being variable, and which have already been publicly disclosed. <p>d) Items to be stipulated in the contracts: Other than in conformity with Article 317-1 of the Company Act and Article 22 of Corporate Merger and Acquisition Act, the contracts for merger, demerger, acquisition or shareholding transfer shall stipulate the following items:</p> <ul style="list-style-type: none"> i) Measures for breach of contract; ii) Principles for handling shares or securities of an equity nature that have been issued by extinguished companies as a result of merger or companies prior to their demerger or shares that have been acquired following a buyback program; iii) The principles for handling treasury stock by the companies involved and the quantity associated therewith in accordance with law subsequent to the record date on which the share-swap ratio is set; 	<ul style="list-style-type: none"> ii) Disposal of the Company's major assets such that the Company's finances and businesses will be affected; iii) Occurrence of major disasters and major transformation in technology such that the shareholders' equity or the price of its stock will be affected; iv) Adjustments by any of the companies involved in the said merger, demerger, acquisition or shareholding transfer resulting from treasury stock in accordance with law; v) Changes in the corporate entity or number of companies involved in the said merger, demerger, acquisition or shareholding transfer; and vi) Other terms stipulated in the contracts as being variable, and which have already been publicly disclosed. <p>d) Items to be stipulated in the contracts: Other than in conformity with Article 317-1 of the Company Act and Article 22 of Corporate Merger and Acquisition Act, the contracts for merger, demerger, acquisition or shareholding transfer shall stipulate the following items:</p> <ul style="list-style-type: none"> i) Measures for breach of contract; ii) Principles for handling shares or securities of an equity nature that have been issued by extinguished companies as a result of merger or companies prior to their demerger or shares that have been acquired following a buyback program; iii) The principles for handling treasury stock by the companies involved and the quantity associated therewith in accordance with law subsequent to the record date on which the share-swap ratio is set; 	

Section	Proposed Changes	Current Articles	Description
	<p>iv) Measures to be taken where there are changes in the corporate entity or number of companies involved;</p> <p>v) Projected progress of implementation of proposal and projected completion date;</p> <p>vi) Where the proposal could not be completed in time, the relevant measures to be taken such as the date of shareholders' meeting to be convened in accordance with law.</p> <p>e) Where, following the public disclosure of information relating to the merger, demerger, acquisition or shareholding transfer, any of the companies involved proposes to undergo merger, demerger, acquisition or shareholding transfer with other companies, the completed processes or legal proceeding relating to the original merger, demerger, acquisition or shareholding transfer shall be re-instituted by all of the companies involved (re-acted upon), except where there is a reduction in the number of companies involved, and the shareholders' meeting had resolved and authorized the Board of Directors to undertake variations, in which case the companies involved shall not be required to convene another shareholders' meeting for new resolutions.</p> <p>f) Where the companies involved in the merger, demerger, acquisition or shareholding transfer are not public companies, the Company shall execute contracts with the same, and shall furthermore be in compliance with items a), b) and e) herein.</p>	<p>iv) Measures to be taken where there are changes in the corporate entity or number of companies involved;</p> <p>v) Projected progress of implementation of proposal and projected completion date;</p> <p>vi) Where the proposal could not be completed in time, the relevant measures to be taken such as the date of shareholders' meeting to be convened in accordance with law.</p> <p>e) Where, following the public disclosure of information relating to the merger, demerger, acquisition or shareholding transfer, any of the companies involved proposes to undergo merger, demerger, acquisition or shareholding transfer with other companies, the completed processes or legal proceeding relating to the original merger, demerger, acquisition or shareholding transfer shall be re-instituted by all of the companies involved (re-acted upon), except where there is a reduction in the number of companies involved, and the shareholders' meeting had resolved and authorized the Board of Directors to undertake variations, in which case the companies involved shall not be required to convene another shareholders' meeting for new resolutions.</p> <p>f) Where the companies involved in the merger, demerger, acquisition or shareholding transfer are not public companies, the Company shall execute contracts with the same, and shall furthermore be in compliance with items a), b) and e) herein.</p>	
Article 12	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p>	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p>	<p>1. Amend the item numbers of paragraph 1, the</p>

Section	Proposed Changes	Current Articles	Description
	<p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds, bonds under repurchase and resale agreements, or subscription or <u>repurchase</u> of money market funds <u>issued by domestic securities investment trust enterprises</u>;</p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p><u>d)</u> The assets so acquired or disposed are equipments for business purposes and in which the counterparties are not related parties, <u>and that the transaction amounts reach 1 billion.</u></p> <p><u>e)</u> Real property obtained by way of entrusted construction on own land, engaging others to construct on rented land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction reaches NT\$500 million.</p> <p><u>f)</u> Transactions relating to assets other than those stipulated hereinabove, or undertaking investments in Mainland, where their transaction amounts reach twenty percent (20%) of the Company's paid-in capital or equal or greater than NT\$300 million, with the following exceptions</p> <p>i) Sale and purchase of government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options, or subscription or <u>repurchase</u> of money</p>	<p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds, bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic</u> money market funds;</p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p>d) Transactions relating to assets ^{2.} other than those stipulated hereinabove, or undertaking investments in Mainland, where their transaction amounts reach twenty per cent (20%) of the Company's paid-in capital or equal or greater than NT\$300 million, with the following exceptions:</p> <p>i) Sale and purchase of government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options, or subscription or redemption of domestic money market funds;</p> <p>iii) The assets so acquired or disposed are equipments for business purposes and in which the counterparties are not related parties, and that the transaction amount <u>less</u> than NT\$ 500 million;</p> <p>iv) Real property obtained by way of entrusted construction on own land, engaging others to construct on rented land, division of property or profits deriving from sale of property following joint-development, where</p>	<p>wordings of subparagraph 1, and item 2 under subparagraph 6 in accordance with Article 30 of the Regulations.</p> <p>2. To a large-scale company, the acquisition or disposal of the asset for business purposes is a necessary matter for a company to operate its daily business. So if the standard for public disclosure is too low, it will lead to disclose too frequently, and reduce the importance references of information disclosure. According to Article 30 of the Regulations, for a public company whose paid-in capital is more than 10 billion, the said standard shall be increased to 1 billion. Therefore amend subparagraph 4 of paragraph 1.</p>

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	<p>market funds issued by domestic <u>securities investment trust enterprises</u>.</p> <p>g) The calculation of transaction amount for g) above as follows:</p> <p>i) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>ii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>h) "Within one (1) year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>2) Time Limit for Public Announcement and Reports Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to f) above shall be undertaken within two (2) days of the occurrence of the event.</p> <p>3) Procedure for Public Announcement</p> <p>a) The Company shall undertake public announcement and report at the web-site appointed by the FSC;</p> <p>b) The Company shall on a monthly basis, and before the 10th day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative</p>	<p>the projected amount to be invested in the transaction <u>less</u> than NT\$500 million;</p> <p>e) The calculation of transaction amount for e) above as follows:</p> <p>i) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>ii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>f) "Within one (1) year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>2) Time Limit for Public Announcement and Reports Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to d) above shall be undertaken within two (2) days of the occurrence of the event.</p> <p>3) Procedure for Public Announcement</p> <p>a) The Company shall undertake public announcement and report at the web-site appointed by the FSC;</p> <p>b) The Company shall on a monthly basis, and before the 10th day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative</p>	<p>3. Amend paragraph 2 to conform to the changes in paragraph 1.</p>

Section	Proposed Changes	Current Articles	Description
	<p>trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>c) Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published <u>within two days after becoming aware of these errors and omission</u>;</p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall within two (2) days, commencing immediately from the date of the occurrence of the said events, undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p>iii) Change to the originally publicly announced and reported information</p> <p>4) Format of Public Announcement The necessary items and contents of public announcement which the Company shall comply with are referred to the appendixes of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>	<p>trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>c) Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published;</p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall within two (2) days, commencing immediately from the date of the occurrence of the said events, undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p>iii) Change to the originally publicly announced and reported information</p> <p>4) Format of Public Announcement The necessary items and contents of public announcement which the Company shall comply with are referred to the appendixes of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>	<p>4. According to Article 30 of the Regulations, where there are errors and omissions for which corrections are required in the company's public announcement and reports in conformity with regulations, the company shall cause all of the items to be re-published within two days after becoming aware of these errors and omission. Therefore, amend subparagraph 3 of paragraph 3.</p>
Article 14	<p>Subsidiaries of the Company shall comply with the following:</p> <p>1) The subsidiaries shall also formulate and implement their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition and Disposition of Assets by Public</p>	<p>Subsidiaries of the Company shall comply with the following:</p> <p>1) The subsidiaries shall also formulate and implement their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition and Disposition of Assets by Public</p>	<p>Whether to submit the "Procedures for Acquisition and Disposition of Assets" of the subsidiary companies to the board of directors of the parent company</p>

Section	Proposed Changes	Current Articles	Description
	<p>Companies", after the approval of their respective Board of Directors and shareholders' meeting, a copy of the said procedures shall be submitted to the accounting department of the Company <u>for supervision</u>. The aforesaid shall also apply to amendments to the said procedures.</p> <p>2) The Board of Directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries' acquisition of real property that are not for business use or the aggregate amount of securities or individual securities it may invest.</p> <p>3) Where the subsidiaries are not local public companies, the Company shall undertake the public announcement and report in respect of the said subsidiaries' acquisition or disposal of assets, where the same are required to be disclosed pursuant to the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies".</p> <p>4) For public announcement and reports of subsidiaries, "twenty per cent (20%) of the companies' paid-in capital, or ten per cent (10%) of the total assets" shall mean the paid-in capital and the total assets of the Company.</p> <p>5) Subsidiaries of the Company shall on their own evaluation whether their procedures in relation to Acquisition and Disposition of Assets are in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and whether acquisition and disposition of assets are in compliance with their procedures. The Company's internal audit department shall review the self-evaluation reports of the said subsidiaries.</p>	<p>Companies", after the approval of their respective Board of Directors and shareholders' meeting, a copy of the said procedures shall be submitted to the accounting department of the Company <u>and the subsidiary shall be listed and summarized by the accounting department of the Company to the Company's Board of Directors for approval</u>. The aforesaid shall also apply to amendments to the said procedures.</p> <p>2) The Board of Directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries' acquisition of real property that are not for business use or the aggregate amount of securities or individual securities it may invest.</p> <p>3) Where the subsidiaries are not local public companies, the Company shall undertake the public announcement and report in respect of the said subsidiaries' acquisition or disposal of assets, where the same are required to be disclosed pursuant to the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies".</p> <p>4) For public announcement and reports of subsidiaries, "twenty per cent (20%) of the companies' paid-in capital, or ten per cent (10%) of the total assets" shall mean the paid-in capital and the total assets of the Company.</p> <p>5) Subsidiaries of the Company shall on their own evaluation whether their procedures in relation to Acquisition and Disposition of Assets are in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and whether acquisition and disposition of assets are in compliance with their procedures. The Company's internal audit department shall review the self-evaluation reports of the said subsidiaries.</p>	<p>after its formulation is a self-governing matter of company. Therefore, to simplify the aforesaid procedure, amend paragraph 1.</p>