Far Eastern New Century Corporation(FENC)

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)
- 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.

Extemporary 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 ans 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:

- 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.

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

	2016		2015	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS		_	¢ 40.070.044	-
Cash and cash equivalents Financial assets at fair value through profit or loss - current	\$ 35,675,422 3,835,959	7 1	\$ 40,878,814 3,997,895	8 1
Available-for-sale financial assets - current	656,773	-	727,557	-
Derivative financial assets for hedging - current Debt investments with no active market - current	2,073 1,797,697	-	6,015 3,350,990	-
Notes and accounts receivable, net	24,830,649	5	23,370,506	4
Amounts due from customers for construction contracts Other receivables	1,202,624 7,811,376	- 2	973,888 5,789,282	- 1
Current tax assets	60,895	-	23,615	-
Inventories	22,103,308	4	24,558,575	5 1
Prepayments Other financial assets - current	3,399,270 4,402,953	1 1	3,257,852 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>	21	113,653,244	22
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 Property, plant and equipment	53,421,270 148,316,398	11 29	58,658,951 148,141,804	11 29
Investment properties, net	124,758,539	29	124,190,706	29
Concession	41,422,996	8	35,151,640	7
Goodwill Other intangible assets	11,865,515 3,676,776	2 1	11,865,515 3,465,545	2 1
Deferred tax assets	2,361,276	1	2,317,146	1
Prepayments for equipment Refundable deposits	1,612,960 806,289	-	2,280,180 822,052	-
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 Other non-current assets	6,716,440 <u>357,983</u>	1	7,000,124 <u>1,258,013</u>	1
Total non-current assets	405,920,842	79	405,111,878	78
TOTAL	<u>\$513,460,158</u>	100	<u>\$518,765,122</u>	100
IABILITIES 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 Notes and accounts payable	47,767 15,910,920	- 3	11,016 15,622,902	- 3
Notes and accounts payable to related parties	418,751	-	381,383	-
Amounts due to customers for construction contracts Payables to suppliers of machinery and equipment	1,428 2,615,378	- 1	120,696 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 Guarantee deposits received - current	270,831 298,281	-	258,638 287,280	-
Receipts in advance	1,174,563	-	1,047,226	-
Unearned revenue Current portion of long-term liabilities	2,585,723 20,057,220	1 4	2,581,177 22,012,363	1 4
Other current liabilities	2,544,731		1,992,912	
Total current liabilities	107,183,432	21	94,848,512	18
NON-CURRENT LIABILITIES	171,366		338,020	
Derivative financial liabilities for hedging - non-current Bonds payable	62,518,046	12	63,363,036	12
Long-term borrowings	68,837,916	14	77,004,892	15
Provisions - non-current Deferred tax liabilities	859,586 17,014,677	- 3	811,094 16,822,397	- 4
Net defined benefit liabilities - non-current	3,610,061	1	3,941,868	1
Guarantee deposits received Deferred credit - gains on related - party transactions	607,007 124,192	-	695,895 149,074	-
Other non-current liabilities	341,223		393,331	
Total non-current liabilities	154,084,074	30	163,519,607	32
Total liabilities	_261,267,506	<u> </u>	258,368,119	50
QUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital stock Common stock	53,528,751	10	53,528,751	10
Capital surplus	2,859,588	<u>10</u> <u>1</u>	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	<u>11,785,464</u>	2	13,706,389	2
	<u>137,393,384</u> (2,870,205)	<u>27</u> (1)	<u>136,939,498</u> <u>4,000,696</u>	<u>26</u> 1
Total retained earnings Other equity		-	(25,063)	
Total retained earnings	(25,063)			
Total retained earnings Other equity	<u>(25,063</u>) 190,886,455	37	197,251,565	38
Total retained earnings Other equity Treasury shares Total equity attributable to owners of the Company NON-CONTROLLING INTERESTS	190,886,455 <u>61,306,197</u>	12	63,145,438	12
Total retained earnings Other equity Treasury shares Total equity attributable to owners of the Company	190,886,455			

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

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

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	¢100 100 670	61	¢122 062 252	61
Telecommunications service income	\$132,422,673	31	\$132,962,253	32
	67,315,200	31	69,655,393	32
Gain on disposal of investments, net Construction income	33,462	- 3	653,893 5 004 212	- 2
	5,178,983	ა 5	5,094,212	
Other operating revenue	10,905,603		9,582,451	5
Total operating revenues	215,855,921	<u>100</u>	217,948,202	<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	5,702,151	3	4,585,014	2
	0,702,101		4,000,014	
Total operating costs	164,684,799	<u> 76</u>	167,464,920	77
GROSS PROFIT	51,171,122	24	50,483,282	23
REALIZED CONSTRUCTION INCOME	555		555	
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	868,947	1	785,112	-
	000,011	.	100,112	
Total operating expenses	36,634,868	17	35,970,309	<u> 16</u>
OPERATING INCOME	14,536,809	7	14,513,528	7
NONOPERATING INCOME AND EXPENSES	1 972 026	1	0 704 774	1
Share of the profit or loss of associates	1,873,936	1	2,721,771	I
Interest income	440,904 1,304,074	-	483,727 1,049,313	-
Other income Gain on disposal of investment properties	313,100	-		-
	,	-	941,564	-
Exchange loss, net (Loss) gain on financial (liabilities) assets at fair	(792,420)	-	(916,502)	-
value through profit or loss, net	(62,755)	-	433,436	-
Gain on change in fair value of investment	(02,700)		100,400	
properties	3,269,052	1	4,658,509	2
Interest expense	(2,486,885)	(1)	(2,450,149)	(1)
	(_,	(.)	(,	itinued)
			(301)	

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

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

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 Attrib	outable to Owners o							
				Retained Earnings		Exchange Differences on Translating Foreign	Other I Unrealized Gain (Loss) on Available-for-sale	Cash Flow	Gains on Property				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Operations	Financial Assets	Hedges	Revaluation	Treasury Shares	Total	Non-controlling Interests	Total Equity
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 Special reserve Cash dividends - NT\$1.2 per share	-	-	1,103,342	4,348,583	(1,103,342) (4,348,583) (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		<u> </u>	<u> </u>	<u> </u>	(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		<u> </u>	<u> </u>	<u> </u>	6,553,158	(597,177)	(2,509,725)	77,107	189,423	<u> </u>	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			<u> </u>	(1,538,965)	1,538,965	<u> </u>	<u> </u>			<u> </u>		<u> </u>	. <u> </u>
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 Special reserve	-	-	803,469	2,165,513	(803,469) (2,165,513)		-	-		:	-	:	-
Cash dividends - NT\$1.0 per share Cash dividends distributed by subsidiaries	-	-	-	-	(5,352,875)	-	-	-	-	-	(5,352,875)	- (7,710,107)	(5,352,875) (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	<u> </u>	<u>-</u>		<u> </u>	(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	<u> </u>	<u>-</u>	<u> </u>	<u>-</u>	5,821,066	(3.852.495)	(3.067,584)	48,430	748	<u>-</u>	<u>(1.049.835</u>)	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	<u> </u>	<u> </u>	<u> </u>	(592,975)	592,975	<u> </u>	<u> </u>		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BALANCE AT DECEMBER 31, 2016	<u>\$ 53,528,751</u>	<u>\$ 2,859,588</u>	<u>\$ 15,315,028</u>	<u>\$110,292,892</u>	<u>\$ 11,785,464</u>	<u>\$ (1,577,812</u>)	<u>\$ (1,947,657</u>)	<u>\$ (47,514</u>)	<u>\$ 702,778</u>	<u>\$ (25,063</u>)	<u>\$190,886,455</u>	<u>\$ 61,306,197</u>	<u>\$252,192,652</u>

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

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 Adjustments for:	\$ 15,960,110	\$ 19,700,673
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	36,017,812	36,143,068
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	(2,566,581)	(4,374,190)
Net cash generated from operating activities	34,572,226	34,038,033
Not out generated nom operating detrition	01,012,220	(Continued)

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	(102,628)	(820,629)
Net cash used in investing activities	<u>(28,634,926</u>)	(28,080,172)
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	(7,710,107)	(7,933,927)
Net cash generated from financing activities	(11,065,311)	8,553,893

(Continued)

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	(75,381)	381,641
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,203,392)	14,893,395
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	40,878,814	25,985,419
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 recognization 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 Subsudiaries' Equity-Method Investee

The Company's subsudiaries' 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 subsudiaries' equity-method investee is considered as a key audit matter.

For evaluation of impairment loss of related asset from the Company's subsudiaries' 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.

<u>Recognition of Telecommunications Service Revenue from the Company's Subsudiaries'</u> <u>Equity-Method Investee</u>

The Company's subsudiaries' 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 recognization 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:

- 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.

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

	2016		2015		
ASSETS	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	27,827,747	10	32,296,066	11	
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 Other financial assets - non-current	91,479 41,174	-	53,776	-	
Other non-current assets	<u> </u>		48,205 <u>62,165</u>		
Total non-current assets	257,942,201	90	262,871,547	89	
TOTAL	\$285,769,948	_100	\$295,167,613	100	
	<u>\\200,700,040</u>		<u> </u>	<u>0</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 Other current liabilities	9,696,741	3	13,575,460	5	
Other current liabilities	864,260		775,790		
Total current liabilities	19,840,968	7	20,970,190	7	
NON-CURRENT LIABILITIES		10		10	
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	Ĩ	
Guarantee deposits received Deferred credit - gain on related-party transactions	3,144 35,828	-	3,043 35,913	-	
Other non-current liabilities	35,626 23,760				
Total non-current liabilities	75,042,525	26	76,945,858	26	
Total liabilities	94,883,493	33	97,916,048	33	
EQUITY					
Capital stock					
Common stock	53,528,751	19	53,528,751	<u>18</u>	
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	<u>11,785,464</u>	4	13,706,389	5	
Total retained earnings	<u>137,393,384</u>	48	136,939,498	<u>5</u> <u>47</u> 1	
Other equity	(2,870,205)	<u>(1</u>)	4,000,696	1	
Treasury shares	<u>(25,063</u>)		<u>(25,063</u>)		
		07		07	

Total equity	190,886,455	67	197,251,565	67
TOTAL	<u>\$285,769,948</u>	_100	<u>\$295,167,613</u>	_100

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

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

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

(Continued)

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	6,858,197	<u> 15</u>	8,709,062	<u> 19</u>
INCOME BEFORE INCOME TAX	5,991,834	13	8,255,758	18
INCOME TAX EXPENSE (BENEFIT)	315,952	1	(221,067)	<u>(1</u>)
NET INCOME	6,307,786	_14	8,034,691	17
OTHER COMPREHENSIVE INCOME (LOSS) Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans Share of other comprehensive loss of	(404,822)	(1)	(1,381,087)	(3)
subsidiaries and associates	(89,970)	-	(145,808)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u> </u>	<u> </u>	<u>234,785</u> (1,292,110)	<u>-</u> (3)
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>(6,871,649</u>)	<u>(15</u>) <u>(15</u>)	<u>(3,015,844</u>) <u>(3,029,795</u>)	<u>(6</u>) (6)
Total other comprehensive loss	(7,357,621)	<u>(16</u>)	(4,321,905)	<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 Diluted	<u>\$ 1.26</u> <u>\$ 1.26</u>		<u>\$ 1.61</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)

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

							Other I	Equity			
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Cash Flow Hedges	Gain on Property Revaluation	Treasury Shares	Total Equity
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 Special reserve Cash dividends - NT\$1.2 per share	-	- - -	1,103,342 - -	- 4,348,583 -	(1,103,342) (4,348,583) (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	<u> </u>	<u> </u>	<u> </u>	<u>-</u>	(1,481,533)	(597,177)	(2,509,725)	77,107	189,423	<u> </u>	(4,321,905)
Total comprehensive income (loss) for the year ended December 31, 2015	<u> </u>	<u> </u>	<u> </u>	<u>-</u>	6,553,158	(597,177)	(2,509,725)	77,107	189,423	<u> </u>	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		<u> </u>		(1,538,965)	1,538,965	<u> </u>	<u> </u>		<u> </u>	<u> </u>	<u>-</u>
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 Special reserve Cash dividends - NT\$1.0 per share			803,469 - -	- 2,165,513 -	(803,469) (2,165,513) (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	<u> </u>	<u> </u>	<u> </u>	<u>-</u>	(486,720)	(3,852,495)	(3,067,584)	48,430	748	<u> </u>	(7,357,621)
Total comprehensive income (loss) for the year ended December 31, 2016	<u> </u>		<u> </u>	<u> </u>	5,821,066	(3,852,495)	(3,067,584)	48,430	748	<u> </u>	<u>(1,049,835</u>)
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	<u> </u>	<u> </u>		<u>(592,975</u>)	592,975						
BALANCE, DECEMBER 31, 2016	<u>\$ 53,528,751</u>	<u>\$2,859,588</u>	<u>\$ 15,315,028</u>	<u>\$110,292,892</u>	<u>\$ 11,785,464</u>	<u>\$ (1,577,812</u>)	<u>\$ (1,947,657</u>)	<u>\$ (47,514</u>)	<u>\$ 702,778</u>	<u>\$ (25,063</u>)	<u>\$190,886,455</u>

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

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 doutful 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	- (0 522)	(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)	<u>(178,932</u>)
Cash generated from operations	1,344,295	3,268,137
Interest received	154,034	137,577
Dividend received	7,361,053	7,628,632
Interest paid	(986,009)	(985,952)
Income tax received	2,651	1,412
Net cash generated from operating activities	7,876,024	10,049,806
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)

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 Proceeds from disposal of property, plant and equipment Decrease in refundable deposits Decrease in other receivables Payments for intangible assets Decrease in other financial assets (Increase) decrease in other non-current assets 	(2,504,427) 10,443 (37,703) 3,957,500 (14,268) 7,031 (4,351)	(2,389,653) 15,113 7,473 120,750 (9,532) - 45,766
Net cash generated from (used in) investing activities	708,302	(3,135,215)
CASH FLOWS FROM FINANCING ACTIVITIES Increase (Decrease) in short-term borrowings Proceeds from issue of bonds Repayments of bonds payable Proceeds from long-term borrowings Repayment of long-term borrowings Increase (Decrease) in guarantee deposits received Dividends paid	1,993,212 11,800,000 (13,679,500) 138,643,485 (142,269,865) 101 (5,352,875)	(2,189,056) 18,600,000 (8,750,000) 164,439,396 (168,133,779) (16) (6,297,468)
Net cash used in financing activities	(8,865,442)	<u>(2,330,923</u>)
INCREASE IN CASH AND CASH EQUIVALENTS	(281,116)	4,583,668
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	14,213,766	9,630,098
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	Acquisition or Disposition of Real	Acquisition or Disposition of Real	-
7		Property or Equipment	
	1) Evaluation Process	1) Evaluation Process	
	a) For investments in real	a) For investments in real	
	property and equipment, the	property and equipment, the	
	Accounting Department or	Accounting Department or	
	other relevant units shall	other relevant units shall	
	undertake the projection of	undertake the projection of	
	potential returns as well as	potential returns as well as	
	evaluation of potential investment risks in relation to	evaluation of potential investment risks in relation to	
	the said investment based on	the said investment based on	
	the current operation and	the current operation and	
	financial conditions and future	financial conditions and future	
	development plan.	development plan.	
	b) The proposed acquisition or	b) The proposed acquisition or	
	disposition of real property	disposition of real property	
	shall require analysis reports	shall require analysis reports	
	taking reference to their	taking reference to their	
	current published value,	current published value,	
	appraised values and	appraised values and	
	transactions prices for	transactions prices for	
	neighboring real properties,	neighboring real properties,	
	etc., along with suggested transaction conditions and	etc., along with suggested transaction conditions and	
	prices.	prices.	
	c) The proposed acquisition or	c) The proposed acquisition or	
	disposition of equipment shall	disposition of equipment shall	
	be carried out by way of any of		
	the following: price inquiry;	the following: price inquiry;	
	price comparison; negotiated	price comparison; negotiated	
	prices or tender.	prices or tender.	
	2) Valuation Reports for Real	, ,	In accordance with
	Property or Equipment		Article 9 of
	In the case of real property or	In the case of real property or	"Regulations
	equipment acquired or disposed by the Company other than as a		Governing the Acquisition and
	result of transactions with the		Disposal of Assets by
	government, entrusted		Public Companies"
	construction on the Company's		(the Regulations), the
	own property, entrusted		Chinese wordings
	construction on land leased by the		
	Company, or acquisition or	Company, or acquisition or	
	disposition of equipments for	disposition of equipments for	
	business operation purposes,	business operation purposes,	
	where their transaction value is	where their transaction value is	
	the amount equivalent to twenty	the amount equivalent to twenty	
	per cent (20%) of the Company's	per cent (20%) of the Company's	
	paid-in capital or NT\$ 300 million or above, the Company shall, prior	paid-in capital or NT\$ 300 million or above, the Company shall, prior	
	to the date of the transaction	to the date of the transaction	
	occurred, require professional	occurred, require professional	
	appraiser to furnish their valuation	appraiser to furnish their valuation	

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

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

Section	Proposed Changes		Current Articles	Description
	whether the other party to the		whether the other party to the	
	transaction is a related party, in		transaction is a related party, in	
	addition to the forms as provided		addition to the forms as provided	
	by law, the Company shall also		by law, the Company shall also	
	consider the substantive		consider the substantive	
	relationship.	2)	relationship.	The terms "democatio
	2) Evaluation and Procedures	2)	Evaluation and Procedures	The term "domestic monov market funds"
	The Company shall, if it acquires or disposes real property from or			money market funds" shall mean the money
	to related parties, or if it acquires			market funds issued
	or disposes other assets except			by the institution that
	real property from or to related			operates the
	parties and the said transaction			securities investment
	amount is twenty per cent (20%)		amount is twenty per cent (20%)	trust with the
	of the paid-in capital of the			permission of
	Company, or ten per cent (10%) of		Company, or ten per cent (10%) of	Financial Supervisory
	the total assets of the Company,		the total assets of the Company,	Commission R.O.C.
	or NT\$300 million or more, except		or NT\$300 million or more, except	
	in trading of government bonds or		in trading of government bonds or	
	bonds under repurchase and		bonds under repurchase and	"Securities
	resale agreements, or subscription		resale agreements, or subscription	
	or <u>repurchase</u> of money market		or <u>redemption</u> of <u>domestic</u> money	
	funds issued by domestic securities investment trust			Therefore, amend paragraph 2 in
	enterprises, submit to the Audit			accordance with
	Committee and the Board of			Article 14 of the
	Directors for approval of the		signing of the transaction contract	
	following information prior to the		and making payments:	5
	signing of the transaction contract			
	and making payments:			
	 a) Purpose of acquiring or 		a) Purpose of acquiring or	
	disposing the said assets, its		disposing the said assets, its	
	necessity and projected		necessity and projected	
	benefits;		benefits;	
	b) Reasons for transacting with related parties;		b) Reasons for transacting with related parties;	
	c) Information relating to the		c) Information relating to the	
	appraisal of the fairness of the		appraisal of the fairness of the	
	proposed transaction		proposed transaction	
	conditions pursuant to items 3)		conditions pursuant to items 3)	
	a) and d) herein, when		a) and d) herein, when	
	acquiring real property from		acquiring real property from	
	related parties;		related parties;	
	d) Date and price of acquisition		d) Date and price of acquisition	
	by the related party, party to		by the related party, party to	
	the transaction and		the transaction and	
	relationship between the said party and the Company and		relationship between the said party and the Company and	
	related party;		related party;	
	e) Forecast of monthly cash		e) Forecast of monthly cash	
	income within one (1) year		income within one (1) year	
	from the date of the contract;		from the date of the contract;	
	furthermore evaluation shall		furthermore evaluation shall	
	be conducted in respect of the		be conducted in respect of the	
	necessity of the transaction		necessity of the transaction	
	and the fairness of the use of		and the fairness of the use of	
	fund; and		fund; and	
	f) Pursuant to the paragraph 1 of		f) Pursuant to the paragraph 1 of	
	this Article, the appraisal		this Article, the appraisal	
	reports made by the		reports made by the	

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

Section		Proposed Changes		Current Articles	Description
		value of such subject		value of such subject	
		matter and that the loan		matter and that the loan	
		period was for a period of		period was for a period of	
		one (1) year or more. The		one (1) year or more. The	
		aforesaid shall not apply		aforesaid shall not apply	
		where the said financial		where the said financial	
		institution and the party to		institution and the party to	
		the transaction are		the transaction are	
		themselves related parties.		themselves related parties.	
	b)	Where both the land and the	b)		
		buildings on it are purchased		buildings on it are purchased	
		<i>in toto</i> , the transaction costs		<i>in toto</i> , the transaction costs	
		for both the land and the		for both the land and the	
		buildings shall be separately evaluated using either of the		buildings shall be separately evaluated using either of the	
		abovementioned methods.		abovementioned methods.	
	c)	In the case of the Company	c)		
	0)	acquiring real property from	0)	acquiring real property from	
		related parties, in addition to		related parties, in addition to	
		the appraisal of the costs of		the appraisal of the costs of	
		the said real property in the		the said real property in the	
		manner provided above, the		manner provided above, the	
		Company shall furthermore		Company shall furthermore	
		engage accountants to review		engage accountants to review	
		and provide their opinions in		and provide their opinions in	
		respect of the same.		respect of the same.	
	d)	Under any one of the following	d)	Under any one of the following	
		circumstances in which the		circumstances in which the	
		Company acquires real		Company acquires real	
		property from related parties, it		property from related parties, it	
		need only undertake items 1)		need only undertake items 1)	
		and 2) herein; the evaluation		and 2) herein; the evaluation	
		of fairness of transaction cost		of fairness of transaction cost	
		as provided for in items a), b)		as provided for in items a), b)	
		and c) hereunder shall not		and c) hereunder shall not	
		apply:		apply: i) The related party having	
		i) The related party having			
		obtained the real property by way of inheritance or		obtained the real property by way of inheritance or	
		gift;		gift;	
		ii) The time lapse between		ii) The time lapse between	
		the related party's contract		the related party's contract	
		for acquisition of the real		for acquisition of the real	
		property and this		property and this	
		transaction exceeds five		transaction exceeds five	
		(5) years; or		(5) years; or	
		iii) The Company obtaining		iii) The Company obtaining	
		the real property by way of		the real property by way of	
		joint-development contract		joint-development contract	
		entered with the related		entered with the related	
		party, or through engaging		party, or through engaging	
		a related party to build real		a related party to build real	
		property, either on the		property, either on the	
		Company's own land or on		Company's own land or on	
	`	rented land.	,	rented land.	
	e)	Where the evaluated results	e)		
		pursuant to items a) and b)		pursuant to items a) and b)	
		hereinabove are lower than		hereinabove are lower than	
		the transaction price, the Company shall follow items f)		the transaction price, the Company shall follow items f)	

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

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

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

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

Section	Proposed Changes		Current Articles	Description
	shall be submitted to the		shall be submitted to the	
	General Manager for approval		General Manager for approval	
	before submitting to the Board		before submitting to the Board	
	of Directors at the immediate		of Directors at the immediate	
	following meeting for review.		following meeting for review.	
	Where the transaction is		Where the transaction is	
	above NT\$ 3 million, the		above NT\$ 3 million, the	
	approval of the Board of		approval of the Board of	
	Directors shall be required		Directors shall be required	
	before proceeding with the		before proceeding with the	
	same.		same.	
	Expert's Valuation Report on Club	2)	Expert's Valuation Report on Club	
	Membership or Intangible Assets		Membership or Intangible Assets	
	a) Expert's valuation report shall		a) Expert's valuation report shall	
	be required in the case of		be required in the case of	
	acquisition or disposition of		acquisition or disposition of	
	intangible assets.		intangible assets.	
	b) Where the transaction amount		b) Where the transaction amount	
	for acquisition or disposition of		for acquisition or disposition of	
	club membership or intangible		club membership or intangible	0
	assets exceeds twenty per			subparagraph 2 under
	cent (20%) of the Company's			paragraph 2 change.
	paid-in capital or NT\$300		paid-in capital or NT\$300	
	million, except in transaction		million, except in transaction	
	with <u>government</u> agency,		with <u>government</u> agency,	
	accountants shall be engaged,		accountants shall be engaged,	
	prior to the date of occurrence,		prior to the date of occurrence,	
	to provide an opinion with		to provide an opinion with	
	respect to the fairness of the transaction price; the said		respect to the fairness of the transaction price; the said	
	accountants shall undertake		accountants shall undertake	
	the same in conformity with		the same in conformity with	
	Auditing Standards No. 20		Auditing Standards No. 20	
	promulgated by the ARDF.		promulgated by the ARDF.	
	c) Where the club membership		c) Where the club membership	
	or intangible assets are		or intangible assets are	
	acquired or disposed by way		acquired or disposed by way	
	of judicial auctions,		of judicial auctions,	
	documentary proof furnished		documentary proof furnished	
	by the courts may replace		by the courts may replace	
	valuation reports or		valuation reports or	
	accountants' opinions.		accountants' opinions.	
	3) Implementation	3)	Implementation	
	The Company may only proceed		The Company may only proceed	
	with the acquisition or disposition		with the acquisition or disposition	
	of club membership or intangible		of club membership or intangible	
	assets after the Accounting		assets after the Accounting	
	Department has submitted its		Department has submitted its	
	application for approval in		application for approval in	
	accordance with item 1)		accordance with item 1)	
	hereunder.	<u> </u>	hereunder.	
			isition or Disposition of Derivative	
10		Prod		
	1) Principles and Policies for	1)	Principles and Policies for	
	Transactions		Transactions	
	a) Types of Transaction		a) Types of Transaction	
	i) Derivative products the		i) Derivative products the	
	Company is permitted to undertake shall be those		Company is permitted to undertake shall be those	
	contracts as defined in		contracts as defined in	

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

Section		Proposed Changes		Current Articles	Description
		and approved by		and approved by	
		supervisors at various		supervisors at various	
		levels before forwarding		levels before forwarding	
		the same to Finance,		the same to Finance,	
		Accounting and Audit		Accounting and Audit	
		Departments.		Departments.	
		D. Designated staff at all		D. Designated staff at all	According to FSC's
		relevant departments		relevant departments	opinion, the internal
		shall be responsible for		shall be responsible for	auditors of company
		profit/loss evaluation;		profit/loss evaluation;	shall regularly review
		evaluation forms shall		evaluation forms shall	the appropriateness
		be forwarded to the		be forwarded to the	of internal controls for
		Chairman or a person		director of Audit	derivative product
		so appointed by him.		Department.	trading, thus, the
		iii) Accounting: The		iii) Accounting: The	board of directors
		Accounting Department		Accounting Department	shall not authorize the
		shall formulate record slips		shall formulate record slips	directors of audit
		and enter into accounts		and enter into accounts	department to
		based on the various		based on the various	conduct the
		receipts, and shall		receipts, and shall	management and
		complete the relevant		complete the relevant	supervision of
		accounting reports		accounting reports	derivative product
		according to the		according to the	trading. Therefore,
		accounting cycles.		accounting cycles.	amend "directors of
		iv) Audit: The Audit		iv) Audit: The Audit	Audit Department" to
		Department shall conduct		Department shall conduct	"the chairman or the
		regular and ad hoc audit		regular and ad hoc audit	person appointed by
		based on the internal audit		based on the internal audit	
		system.		system.	paragraph 1, 2 and 4.
		v) Legal: Legal counsel shall		v) Legal: Legal counsel shall	paragraph i, 2 and ii
		be responsible for review of		be responsible for review of	
		transaction contracts.		transaction contracts.	
		vi) Unless otherwise provided,		vi) Unless otherwise provided,	
		only the administrator or		only the administrator or	
		those ranking above may		those ranking above may	
		implement the transaction		implement the transaction	
		for derivative products.		for derivative products.	
	d)	Performance Appraisal	d)		
	u)	The benchmark for	u)	The benchmark for	
		performance appraisal shall		performance appraisal shall	
		be the year-end net profit or		be the year-end net profit or	
		loss.		loss.	
	e)	— —	e)		
	0,	Authorized Limit	0)	Authorized Limit	
		i) "For transaction purposes":		i) "For transaction purposes":	
		The upper limit of losses of		The upper limit of losses of	
		individual contract is less		individual contract is less	
		than 5% of that contract's		than 5% of that contract's	
		amount. The upper limit of		amount. The upper limit of	
		losses of all the contracts is		losses of all the contracts is	
		less than 5% of total		less than 5% of total	
		amount of all contracts.		amount of all contracts.	
		ii) "For non-transactional		ii) "For non-transactional	
		purposes": The upper limit		purposes": The upper limit	
		of losses of individual		of losses of individual	
		contract is less than 25% of		contract is less than 25% of	-
		that contract's amount. The		that contract's amount. The	
		upper limit of losses of all		upper limit of losses of all	
		the contracts is less than		the contracts is less than	
		25% of total amount of all		25% of total amount of all	

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

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

Section		Proposed Changes			Current Articles	Description
		immediately report to the			report to the Board of	
		Board of Directors where	1		Directors where irregularities	
		irregularities are discovered;	1		are discovered; the	
		the Independent Directors	1		Independent Directors shall	
		shall attend meetings of the	1		attend meetings of the Board	
		Board of Directors and shall	1		of Directors and shall express	
		express their opinions.	1		their opinions.	
	d)	The Company shall set up	(d)	The Company shall set up	
		accounts books in respect of	1		accounts books in respect of	
		derivative trades, which books	1		derivative trades, which books	
		shall record in details the	1		shall record in details the	
		types, amounts, the date of	1		types, amounts, the date of	
		approval by the Board of	1		approval by the Board of	
		Directors and the matters for	1		Directors and the matters for	
		due evaluation as required	1		due evaluation as required	
		under items 2) i) and 4) b) and	1		under items 2) i) and 4) b) and	
		c) herein, for ease of checking.			c) herein, for ease of checking.	
					Demergers, Acquisitions or	
11		0			of Shareholding	
	,	aluation and Process	,		aluation and Process	In the mergers
	a)	The Company shall, prior to	á	з)	The Company shall, prior to	between the
		the Board of Directors'			the Board of Directors'	Company and its
		meeting to approve propose				subsidiary company,
		mergers, demergers,	1		mergers, demergers,	whose total number of
		acquisitions or transfer of	1		acquisitions or transfer of	issued shares or total
		shareholding by way of its	1		shareholding by way of its	capital is
		resolution, require the	1		resolution, require the	100%-owned, directly
		Accounting Department to	1		Accounting Department to	or indirectly, by the
		seek opinions from	1		seek opinions from	Company, or the
		accountants, lawyers or	1		accountants, lawyers or	mergers between
		securities underwriters in	1		securities underwriters in	foregoing subsidiary
		respect of the share swap	1		respect of the share swap	companies in
		ratio, acquisition price or	1		ratio, acquisition price or	accordance with
		distribution of cash to	1		distribution of cash to	"Business Mergers
		shareholders or the propriety	1			And Acquisitions Act",
		for other assets, the said	1		,	shall be deemed as a
		opinions to be forwarded to the Board of Directors for their	1		opinions to be forwarded to the Board of Directors for their	reorganization of the
			1		discussion.	
		discussion. <u>However, in the</u> mergers between the	1			group, and will not involve the
		Company and its subsidiary	1			agreements regarding
		company, whose total number	1			share conversion
		of issued shares or total	1			rates or the
		capital is 100%-owned,	1			distribution of cash or
		directly or indirectly, by the	1			other property of the
		Company, or the mergers	1			shareholders. In such
		between foregoing subsidiary	1			mergers, the opinions
		companies, the said opinions				of experts regarding
		will not be required.				the rationality of share
	b)	Public companies involved in	ŀ	<u>)</u>		conversion rates will
	2,	the merger, demerger or		-1	the merger, demerger or	not be required,
		acquisition shall, prior to their			acquisition shall, prior to their	therefore, amend this
		respective shareholders'			respective shareholders'	provision in
		meeting, compile public			meeting, compile public	accordance with
		documents addressed to their				Article 22 of the
		shareholders, which			shareholders, which	Regulations.
		documents shall set out the			documents shall set out the	J
		key contractual terms of the			key contractual terms of the	
		said merger, demerger or			said merger, demerger or	
		acquisition as well as relevant			acquisition as well as relevant	
	L	acquionion de non de foievant	L		acquienter ac non ac relovant	

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

Section	Proposed Changes	Current Articles	Description
	merger, demerger,	merger, demerger,	
	acquisition, or transfer of	acquisition, or transfer of	
	another company's shares,	another company's shares,	
	the Company shall prepare a	the Company shall prepare a	
	full written record of the	full written record of the	
	following information and	following information and	
	retain it for five (5) years for	retain it for five (5) years for	
	reference:	reference:	
	1. Basic identification data for	1. Basic identification data for	
	personnel: Including the	personnel: Including the	
	occupational titles, names,	occupational titles, names,	
	and national ID numbers (or	and national ID numbers (or	
	passport numbers in the	passport numbers in the	
	case of foreign nationals) of	case of foreign nationals) of	
	all persons involved in the	all persons involved in the	
	planning or implementation	planning or implementation	
	of any merger, demerger,	of any merger, demerger,	
	acquisition, or transfer of	acquisition, or transfer of	
	another company's shares	another company's shares	
	prior to disclosure of the	prior to disclosure of the	
	information.	information.	
	2. Date of material events:	2. Date of material events:	
	Including the signing of any	Including the signing of any	
	letter of intent or	letter of intent or	
	memorandum of	memorandum of	
	understanding, the hiring of	understanding, the hiring of	
	a financial or legal advisor,	a financial or legal advisor,	
	the execution of a contract,	the execution of a contract,	
	and the convening of a	and the convening of a	
	Board of Directors meeting. 3. Important documents and	Board of Directors meeting. 3. Important documents and	
	minutes: Including merger,	minutes: Including merger,	
	demerger, acquisition, and	demerger, acquisition, and	
	share transfer plans, any	share transfer plans, any	
	letter of intent or	letter of intent or	
	memorandum of	memorandum of	
	understanding, material	understanding, material	
	contracts, and minutes of	contracts, and minutes of	
	Board of Directors	Board of Directors	
	meetings.	meetings.	
	When participating in a	When participating in a	
	merger, demerger,	merger, demerger,	
	acquisition, or transfer of	acquisition, or transfer of	
	another company's shares,	another company's shares,	
	the Company shall, within	the Company shall, within	
	two (2) days commencing	two (2) days commencing	
	immediately from the date	immediately from the date	
	of passage of a resolution	of passage of a resolution	
	by the Board of Directors,	by the Board of Directors,	
	report (in the prescribed	report (in the prescribed	
	format and via the	format and via the	
	Internet-based information	Internet-based information	
	system) the information set	system) the information set	
	out at preceding paragraph	out at preceding paragraph	
	"basic identification data for	"basic identification data for	
	personnel" and "date of	personnel" and "date of	
	material events" to the FSC	material events" to the FSC	
	for recordation.	for recordation.	
	Where any of the	Where any of the	
	companies participating in a	companies participating in a	

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

Section		Proposed Changes		Current Articles	Description
		ii) Disposal of the Company's		ii) Disposal of the Company's	
		major assets such that the		major assets such that the	
		Company's finances and		Company's finances and	
		businesses will be affected;		businesses will be affected;	
		iii) Occurrence of major		iii) Occurrence of major	
		disasters and major		disasters and major	
		transformation in		transformation in	
		technology such that the		technology such that the	
		shareholders' equity or the price of its stock will be		shareholders' equity or the price of its stock will be	
		affected;		affected;	
		iv) Adjustments by any of the		iv) Adjustments by any of the	
		companies involved in the		companies involved in the	
		said merger, demerger,		said merger, demerger,	
		acquisition or shareholding		acquisition or shareholding	
		transfer resulting from		transfer resulting from	
		treasury stock in		treasury stock in	
		accordance with law;		accordance with law;	
		v) Changes in the corporate		v) Changes in the corporate	
		entity or number of		entity or number of	
		companies involved in the		companies involved in the	
		said merger, demerger,		said merger, demerger,	
		acquisition or shareholding		acquisition or shareholding	
		transfer; and		transfer; and	
		vi) Other terms stipulated in		vi) Other terms stipulated in	
		the contracts as being		the contracts as being	
		variable, and which have		variable, and which have	
		already been publicly		already been publicly	
	(ام	disclosed.	(ام	disclosed.	
	d)	Items to be stipulated in the contracts: Other than in	d)	Items to be stipulated in the contracts: Other than in	
		conformity with Article 317-1		conformity with Article 317-1	
		of the Company Act and		of the Company Act and	
		Article 22 of Corporate Merger		Article 22 of Corporate Merger	
		and Acquisition Act, the		and Acquisition Act, the	
		contracts for merger,		contracts for merger,	
		demerger, acquisition or		demerger, acquisition or	
		shareholding transfer shall		shareholding transfer shall	
		stipulate the following items:		stipulate the following items:	
		i) Measures for breach of		i) Measures for breach of	
		contract;		contract;	
		ii) Principles for handling		ii) Principles for handling	
		shares or securities of an		shares or securities of an	
		equity nature that have		equity nature that have	
		been issued by		been issued by	
		extinguished companies as		extinguished companies as	
		a result of merger or companies prior to their		a result of merger or companies prior to their	
		demerger or shares that		demerger or shares that	
		have been acquired		have been acquired	
		following a buyback		following a buyback	
		program;		program;	
		iii) The principles for handling		iii) The principles for handling	
		treasury stock by the		treasury stock by the	
		companies involved and		companies involved and	
		the quantity associated		the quantity associated	
		therewith in accordance		therewith in accordance	
		with law subsequent to the		with law subsequent to the	
		record date on which the		record date on which the	
		share-swap ratio is set;		share-swap ratio is set;	

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

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

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

Section		Proposed Changes			Current Articles		Description
		trades undertaken for the			trades undertaken for the		
		preceding month by the			preceding month by the		
		Company and its non-public			Company and its non-public		
		subsidiaries;			subsidiaries;		
	c)	Where there are errors and		c)	Where there are errors and	4.	According to
		omissions for which			omissions for which		Article 30 of the
		corrections are required in the			corrections are required in the		Regulations,
		Company's public			Company's public		where there are
		announcement and reports in			announcement and reports in		errors and
		conformity with regulations,			conformity with regulations,		omissions for
		the Company shall cause all of			the Company shall cause all of		which corrections
		the items to be re-published			the items to be re-published;		are required in the
		within two days after					company's public
		becoming aware of these					announcement
		errors and omission;					and reports in
	d)	Where any of the following		d)	Where any of the following		conformity with
		events has occurred following			events has occurred following		regulations, the
		the Company's public	1		the Company's public		company shall
		announcement and reports in	1		announcement and reports in		cause all of the
		respect of its transactions	1		respect of its transactions		items to be
		pursuant to regulations, the			pursuant to regulations, the		re-published within
		Company shall within two (2)	1		Company shall within two (2)		two days after
		days, commencing			days, commencing		becoming aware of
		immediately from the date of			immediately from the date of		these errors and
		the occurrence of the said			the occurrence of the said		omission.
		events, undertake public			events, undertake public		Therefore, amend
		announcement and report in			announcement and report in		subparagraph 3 of
		respect of the relevant			respect of the relevant		paragraph 3.
		information at the web-site			information at the web-site		
		appointed by FSC:			appointed by FSC:		
		i) Amendment, termination or			i) Amendment, termination or		
		cancellation of the			cancellation of the		
		contracts relating to the			contracts relating to the		
		original transaction;			original transaction;		
		ii) Failure of merger,			ii) Failure of merger,		
		demerger, acquisition or			demerger, acquisition or		
		shareholding transfer to be			shareholding transfer to be		
		completed at the			completed at the		
		prescribed dates.			prescribed dates.		
		iii) Change to the originally			iii) Change to the originally		
		publicly announced and			publicly announced and		
		reported information	1		reported information		
	,	rmat of Pubic Announcement	,		mat of Pubic Announcement		
		e necessary items and contents			e necessary items and contents		
		public announcement which the			public announcement which the		
		mpany shall comply with are			mpany shall comply with are		
		erred to the appendixes of	1		erred to the appendixes of		
		egulations Governing the	1		gulations Governing the		
		quisition and Disposal of Assets			uisition and Disposal of Assets		
		Public Companies".			Public Companies".		
					ies of the Company shall		
14				-	rith the following:		
	,	e subsidiaries shall also	,				hether to submit the
		mulate and implement their			nulate and implement their		rocedures for
		spective "Procedures for					quisition and
		quisition or Disposition of			uisition or Disposition of		sposition of Assets"
		sets" in accordance with the			sets" in accordance with the		the subsidiary
	pro	ovisions of "Regulations	ĺ	pro	visions of "Regulations		mpanies to the
	Go	overning Acquisition and	ĺ	Gov	verning Acquisition and	bo	ard of directors of
						the	

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