

Systemx Corporation
Minutes Of 2017 Annual Shareholders' Meeting
(Translation)

The translation is intended for reference only and nothing else. The Chinese text of the Minutes of 2017 Annual Shareholders' Meeting shall govern any and all matters related to the interpretation of the subject matter stated herein.

Time: 9:00 a.m., Friday, June 16, 2017

Place: Liberty Square Convention Center

(2F, 399, Rueiguang Rd., Neihu District, Taipei City.)

Total outstanding shares of Systemx (excluding the shares which had no voting right stipulated in Article 179 of Company Law): 256,411,828 shares

Total shares represented by shareholders present (including 51,703,789 shares represented by shareholders executing voting rights through e-voting):192,255,001 shares

Percentage of shares held by shareholders present: 74.97%

Directors present: Lin, Lung-Fen; Cheng, Deng-Yuan; Lu, Ta-Wei; Huang, Ting-Rong; Huang, Chi-Rong; Huang, Yi-Shiung; Lin, Chih-Min and Independent Director Cheng, Huang-Yen(The member of Audit Committee).

Chairman: Huang, Tsong-Jen, Chairman of the Board of Directors

Recorder: Chen, Yi-Ming

I. Chairman's Address: Omitted

II. Report Items

1. 2016 Business report and Financial statements

Explanatory Note:

(1)Please refer to Attachment 1 for the Business Report.

(2)Please refer to Attachment 2 for the Financial statements.

2. Audit Committee's review report on 2016 Financial Statements.

Explanatory Note: Please refer to Attachment 3.

3. To report 2016 directors' and employees' compensation.

Explanatory Note:

The Company's 2016 employees' remuneration of NT\$1,101,742 and Directors remuneration of NT\$22,034,836 are issued entirely in cash in accordance with Article 235-1 of the Company Act and related regulations in the Company's "Articles of Incorporation."

4. To report 2016 execution status of Endorsements and Guarantees.

Explanatory Note:

(1)The Company's balance amount of endorsements and guarantees for subsidiaries as of December 31, 2016 is NT\$2,581,308,000.

(2)The report on endorsements and guarantees is hereby submitted to the shareholders' meeting in accordance with the Company's Procedures for Making Endorsements and Guarantees.

III. Ratification Items

1. Ratification of the 2016 Business report and Financial Statements. (Proposed by the Board of Directors)

Explanatory Note:

The Company's 2016 financial statements have been formulated in accordance with regulations. The statements have been audited by the CPA and reviewed by the Audit Committee; no inconsistencies have been found. Related information has been provided in Attachments 1-3.

Resolution:

Voting Results*:

In favor		Against	Invalid	Abstained
Votes	%			
182,311,789	94.82	4,341	0	9,935,447
(42,196,472)		(4,341)		(9,502,976)

*including votes casted by e-voting (numbers in brackets)

RESOLVED, the above proposal was accepted as submitted.

2. Ratification of 2016 retained earnings distribution proposal.(Proposed by the Board of Directors)

Explanatory Note:

(1)The Company's net income after taxes in 2016 of NT\$1,108,267,790 (denomination same below), plus undistributed earnings from the previous year of \$1,587,221,713, minus the retained earnings for long-term share investment adjustment of \$7,497,500 and the actuarial (loss) gains listed in retained earnings of \$6,678,000 equals the amount available for distribution of \$2,681,314,003. Excluding the legal reserve of \$110,826,779 and special reserve of 64,493,835, the proposed cash dividend is \$3.5 per share. Calculated on the basis of the total number of 269,393,304 shares issued by the Company, the dividends total \$942,876,564.

(2)In compliance with the calculation of the tax deduction ratio provided in Article 66-6 of the Income Tax Act, the earnings from 1998 and later years are prioritized for distribution.

(3)In compliance with the calculation of the undistributed surplus earnings provided in Article 66-9 of the Income Tax Act, the earnings from 2016 are prioritized for distribution.

(4)The shareholders' meeting is requested to authorize the Chairman to process related matters regarding the baseline date for cash dividends and the issuance of cash dividends following resolution in the general shareholders' meeting.

(5)With regard to the preceding distribution proposal, the Chairman is authorized to process related matters if the Company transfers (or repurchases) the Company's shares or transfers, converts, or cancels the Company's treasury stocks and causes changes to the number of shares in external circulation and changes in the distributable dividends per share before the baseline date of the distribution of dividends in accordance with Article 28-2 of the Securities and Exchange Act.

(6)The 2016 earning distribution table has been provided in Attachment 4.

Resolution:

Voting Results*:

In favor		Against	Invalid	Abstained
Votes	%			
182,557,789 (42,442,472)	94.95	4,341 (4,341)	0	9,689,447 (9,256,976)

*including votes casted by e-voting (numbers in brackets)

RESOLVED, the above proposal was accepted as submitted.

IV. Discussion Items

1. Discussion of the distributing cash dividends from the Capital Surplus. (Proposed by the Board of Directors)

Explanatory Note:

(1)The value of the capital reserve in the Company's 2016 Financial Report exceeding the income on premiums of stocks issued at values exceeding their nominal value was NT\$6,042,331,683 (denomination same below). The proposal, in accordance with Article 241 of the Company Act, includes setting aside cash of \$404,089,956 to be distributed to shareholders from the income on premiums of stocks issued at values exceeding their nominal value.

(2)The Company has issued a total of 269,393,304 shares. The dividend from the capital reserve is proposed at \$1.5 per share for a total of \$404,089,956, which shall be distributed based on the number of shares held by each shareholder in accordance with the Company's shareholders list on the baseline date. The shareholders' meeting is requested to authorize the Chairman to process related matters regarding the baseline date for issuing the capital reserve and the issuance of capital reserve following resolution in the shareholders' meeting.

(3)The Chairman is authorized to process related matters if the Company hereafter transfers (or repurchases) the Company's shares or transfers, converts, or cancels the Company's treasury stocks and causes changes to the number of shares in external circulation and changes the distribution of capital reserve before the baseline date of the distribution of capital reserve in accordance with Article 28-2 of the Securities and Exchange Act.

(4)Regarding the current proposal to distribute cash dividend from the Company's capital reserve, income on premiums of stocks issued at values exceeding their nominal value in the capital reserve from before January 1, 2007 shall be prioritized for distribution.

Resolution:

Voting Results*:

In favor		Against	Invalid	Abstained
Votes	%			
182,555,407 (42,434,090)	94.95	12,727 (12,727)	0	9,683,443 (9,256,972)

*including votes casted by e-voting (numbers in brackets)

RESOLVED, the above proposal was accepted as submitted.

2. Discussion of the amendment to "Procedures for the Acquisition and Disposal of Assets". (Proposed by the Board of Directors)

Explanatory Note:

Amendments on the Procedures content and the Company's actual operations were made in response to the Financial Supervisory Commission order Jin-Guan-Zheng-Fa-Zi No. 1060001296 dated February 9, 2017. The comparison table of amended articles has been included in Attachment 5.

Resolution:

Voting Results*:

In favor		Against	Invalid	Abstained
Votes	%			
182,550,997 (42,429,680)	94.95	14,850 (14,850)	0	9,685,730 (9,259,259)

*including votes casted by e-voting (numbers in brackets)

RESOLVED, the above proposal was accepted as submitted.

V. Extemporary Motions: None.

VI. Meeting Adjourned: 9:40 a.m., Friday, June 16, 2017

Attachment 1

System Corporation 2016 Business report

I. Foreword

The overall economy and domestic elections in 2016 resulted in a challenging year for SYSTEX. As the digital transformation of the new economy continues to accelerate, the hardware products become commodity, and software licensing procurement becomes increasingly cloud-based, it was inevitable that our profit margins in hardware and software procurement as well as maintenance services were affected. The overall financial market remains inactive as securities firms continue to consolidate their service locations. The deferral of public sector and telecommunication client budgets also pressured our business performance in 2016.

II. Summary of 2016 Operational Outcomes

In 2016, SYSTEX achieved an operating revenue of NT\$ (denomination) 5,733,038,000, a 6.03% decline from 2015. The net profit after tax in 2016 was \$1,108,268,000. The consolidated revenue in 2016 was \$16,210,380,000, a slight decrease of 0.63% from 2015. The consolidated net profit after tax in 2016 (excluding non-controlling equities) was \$1,108,268,000 and earnings per share were \$4.50.

III. Summary of 2016 Business Operations and Services

Despite mounting challenges, SYSTEX still achieved significant growth for the year 2016 in the new retail and multiple payment options market segments including one-stop services for e-commerce brands, government cloud services, digital voucher services, customer relationship management (CRM) for e-commerce platforms and multiple payment billing services etc. Intelligent financing, SYSTEX also helped clients in the financial industry such as online account opening platforms, online loan applications, Shenzhen-Hong Kong Stock Connect, FundRich Securities, cloud services for securities firms, cross-border foreign exchange platforms, and other projects acquire absolute leading positions in digital transformation and development. The Company moreover achieved substantial results in Telco Media Technology (TMT) market operations, including mobile video and audio services/e-commerce/payment, commercial platforms, and cybersecurity solutions. Other achievements include expansion in data processing for the

insurance industry, insurance agencies, and financing operations. In the healthcare industry, the Company also expanded from public and veterans' hospital systems to private medical systems, whereas smart manufacturing and large scale cross-industry and cross-border APP projects in the Central and Southern Regions of Taiwan are also listed among our major achievements for 2016.

In terms of business investment collaborations undertaken in 2016, SYSTEX invested in the leading electronic ticketing firm in Taiwan, intensified the Group's market share and influence in retail stores, and attained a leading position in the O2O electronic tickets market. In addition, the Company also continued to expand overseas collaboration and alliances including investment in Taiwan's first FinTech brand on the international market – INSTOMENT Inc., a service platform that provides C2C payment by installments, launched operations in the cross-border e-commerce market, and engaged in the development of cross-border APPs. All of these achievements demonstrate SYSTEX's success in advancing beyond traditional businesses and exploring new sectors of development.

In addition to Taiwan market, SYSTEX also achieved substantial progress in the Greater China market. Revenue from the China market already makes up 20% of SYSTEX Group's revenue. Among them, the strategic investment in shares of Shenzhen Forms Syntron Information began to bear fruit last year and has generated NT\$4 billion in profits for SYSTEX since the beginning of investment, a source of income that can be utilized as strong support for future business expansion. Investment in the smart hotel convergence platform has been gradually exhibiting positive outcomes and continues to grow at a steady pace. The number of partner hotels has reached 1,000, enabling our platform to become China's largest smart hotel services provider. The platform also obtained China's first video on demand (VOD) license and owns 30,000 hours of content, advantages that are anticipated to widen the gap with competitors as revenue from advertisement show substantial growth. Continuous expansion to overseas markets including Taiwan and Japan will be the next steps taken. The Company teamed up with the founder of Splunk to establish Gemini, which had started out from the Silicon Valley and obtained international channels. It now has clients all over the world and succeeded in expansion into the European and American markets.

IV. The effect of external competition, the legal environment, and the overall business environment

Global political and economic changes have led to four major variables in the outlook of the 2017 global economy. These include US policy changes, Brexit developments, the rise of trade protectionism, and shifting political and economic trends in the European Union. In terms of domestic policies, lively discussions on the development of FinTech and third-party payment in 2016 continued as related strategies and solutions become major development operations for both public and private sectors in 2017. Rapid developments in the Internet of Things (IoT) and artificial intelligence (AI) will moreover become important factors in the driving of corporate growth. In conclusion, 2017 will be a year of both challenges and opportunities.

V. The summary of the business plan for 2017

SYSTEX's goal this year is to become the "optimal partner in corporate digital transformation." To this end, the Company will focus on three major sectors, including "new retail - omni-channel multiple payment options," "intelligent finance," and "TMT" The Company shall continue to engage in innovative applications and increase the value of its services, lead the integration of the digital ecosystem, endeavor to acquire maximum client budgets in digital transformation and data value-added services, and increase profitability in digital transformation leadership and integration. To accomplish the goal of becoming the "optimal partner in corporate digital transformation," SYSTEX plans to reorganize the Group in 2017 and redefine the strategies of its three major business units:

- **FBI(Financial Business Integration)** : As leader of FinTech, the Company shall develop intelligent financing centered on FinTech so as to accommodate the digital transformation plans of customers in the finance sector. It shall also adequately maintain relationships with large-scale FinTech customers and focus on major aspects of business such as mobile APP transition services, integrated investor services, and upgraded wealth management services etc.
- **CBI(Consumer-Facing Business Integration)** : As leader in omni-channel multiple payment options services, the Company shall focus on the new retail sector and the provision of omni-channel multiple payment options services. It shall also focus on digital e-commerce and offer clients assistance with O2O operations for the realization of digital transformation.
- **DBI(Data Technology Business Integration)** : As leader in data technologies, the Company shall provide comprehensive data technology product combinations and

solutions and utilize data knowledge to play the role of the Data Enabler that drives corporate smart growth.

In addition to obtaining stable profits in the China market, the Company shall also partner with local companies to expand independent operations. It shall also develop its own products by acquiring products and teams with forward-looking technologies that are compatible with market demands. The Company is also actively seeking investment opportunities in Internet +, IoT, and the cloud service sectors or participation in collaborative businesses with new industries in China to drive momentum for growth.

VI. Future development strategy

The world is undergoing changes at increasing speeds and intensities. With the prevalence of the new digital economy, all companies will require digital transformation because "data profits" can only be achieved through the continued accumulation of "data capital" and "data assets."

SYSTEX will remain committed to investments in the five major strategic capabilities of digital transformation: Cloud, Mobile, Social, Analytics, and Cybersecurity. It shall also cultivate talents in related sectors, develop innovative applications, maintain leading positions among digital transformation competitors, and continue to extend its scopes of data-based alliances, investments, and acquisitions. SYSTEX will be increasing investments in FinTech (including RegTech, InsurTech, MarTech), Omni-channel, Social 2.0: Live Streaming, EC 2.0: AR/VR/MR, Retail 4.0: IoT + AI, Hybrid Cloud, Cybersecurity, AI, and other key growth sectors and leading the integration of the digital ecosystem through cross-sector collaboration. The Company shall also focus on the development of its three major core capabilities including software, data, and AI. With data technologies as its core capability and AI as the driving force for software application developments, SYSTEX will persist in creating new life experiences and increasing its value of services, thereby becoming the optimal partner for corporations seeking digital transformation.

Chairman	Huang, Tsong-Jen
President	Lin, Lung-Fen
Accounting Manager	Cheng, Yuan-Yih

Attachment 2

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

We have audited the accompanying consolidated financial statements of Systex Corporation and its subsidiaries (collectively, 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, based on our audits and the reports of the other independent auditors (refer to paragraph of Other Matter), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its 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.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2016 are addressed as follows:

Valuation of Inventory Write-down

As of December 31, 2016, the inventories amounted to \$2,422,283 thousand, significant to the Group. The valuation of inventory write-down involves subjective judgements, including identification of slow-moving and obsolete inventories, estimation of net realizable value, and provision for already-identified issues. Therefore, we consider the valuation of inventory write-down as a key audit matter in 2016. For the disclosure related to inventories, refer to Notes 5 and 11.

Our audit procedures for the abovementioned key audit matter included:

1. We obtained and assessed the report of lower of cost or net realizable value prepared by management. We examined the amounts and categories in the aging analysis report of inventories. We assessed the reasonableness of net realizable value by sampling the latest and post year-end sales.
2. We attended year-end inventory counts and assessed the condition of inventories to evaluate the completeness of inventory provisions for obsolete and damaged goods.

Valuation of Accounts Receivable Impairment

As of December 31, 2016, the accounts receivables amounted to \$3,304,915 thousand, significant to the Group. The decision of the determinant of the recoverability of accounts receivable involves subjective judgements, including the assumptions of credit risk to clients, the impairment rates based on historical experiences, and the provision for already-identified issues. Therefore, we consider the valuation of accounts receivable impairment as a key audit matter in 2016. For the disclosure related to accounts receivable, refer to Notes 5 and 10.

Our audit procedures for the abovementioned key matter included:

1. We obtained the reports of accounts receivable impairment and assessed the reasonableness of the methodology and data used in the reports. In order to evaluate the adequacy of the allowance for doubtful accounts, we reviewed the related calculation and validated the aging amounts as of the balance sheet date to understand, judge, and measure the potential risk in overdue balances.
2. We tested recoverability of accounts receivables by verifying cash receipts in the subsequent period. For a receivable that was past due and not yet received, we assessed the reasonableness of the allowance for the doubtful accounts based on the customer's payment history, the bank's guarantee provided, and our understanding of macro-economic environment.

Investments Accounted for Using Equity Method

The Group disposed of the investment (partial ownership of Shenzhen Forms Syntron Information Co., Ltd.) accounted for by the equity method, resulting in a gain of \$1,168,277 thousand, an amount that is material to the 2016 consolidated financial statements of the Group. The calculation for the gain on sale of the investments accounted for using the equity method was complicated and involved in tax computation, which affected the ending balance of the investment accounted for using the equity method and the recognized gain on the sale of the investments. For the disclosure related to the investment under the equity method, refer to Note 15.

Our audit procedures for the abovementioned key matter included:

1. We obtained and verified the documents regarding the disposal of the investment in Shenzhen Forms Syntron Information Co., Ltd., which was accounted for using the equity method, and regarding the transfer of the shares in order to confirm the completion of the transaction.
2. We reviewed and verified the movements of the investment accounted for using the equity method and the related gain on sale of investments according to related regulations. We verified the tax payment receipts related to this transaction in order to assess the appropriateness of the recognition for related income, expense, and tax.

Other Matter

We did not audit the financial statements for the years ended December 31, 2016 and 2015 of SoftMobile Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., which are all consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2016 and 2015 amounted to \$505,825 thousand and \$466,037 thousand, respectively, or 2.65% and 2.50% of the respective consolidated assets. The aggregate net operating revenues of these subsidiaries in 2016 and 2015 were \$1,126,067 thousand and \$866,911 thousand, respectively, or 6.95% and 5.31% of the respective consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2016 of Sanfran Technologies and Forms Syntron Information (Shenzhen) Limited, and the financial statements for the year ended December 31, 2015 of AFE Solutions Limited, Bisnews International Limited, Sanfran Technologies Inc., Yankey Information Co., Ltd. and Forms Syntron Information (Shenzhen) Limited, the investments in which were accounted by the equity method, shown in the accompanying consolidated financial statements. The aggregate carrying amounts of these investments accounted by equity method as of December 31, 2016 and 2015, including those reclassified to noncurrent assets held for sale, were \$838,453 thousand and \$1,227,632 thousand, respectively, or 4.39% and 6.58% of the respective consolidated assets. The aggregate amounts of share of their profit and other comprehensive income in 2016 and 2015 were \$4,339 thousand and \$(13,636) thousand, respectively, or 0.5% and (2.52%) of the respective consolidated comprehensive income. The subsidiaries and investees' financial statements were audited by other auditors whose reports have been provided to us and, our opinion, insofar as it relates to the amounts included for these subsidiaries and investees, is based solely on the reports of the other auditors.

We have also audited the parent company only financial statements of Systex Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified report with other matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shu-Wan Lin and Shiow-Ming Shue.

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. Also, as stated in Note X to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

SYSTEX CORPORATION AND SUBSIDIARIES

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

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,245,282	22	\$ 2,805,641	15
Financial assets at fair value through profit or loss (Notes 4 and 7)	2,879,956	15	3,848,283	21
Available-for-sale financial assets (Notes 4 and 8)	18,984	-	40,607	-
Debt investments with no active market (Notes 4 and 9)	102,339	1	16,736	-
Notes receivable, net (Notes 4 and 10)	67,579	-	75,005	-
Accounts receivable, net (Notes 4, 5, 10 and 26)	3,304,915	17	3,448,823	18
Other receivables (Notes 21 and 27)	217,270	1	288,273	2
Inventories (Notes 4, 5 and 11)	2,422,283	13	1,975,011	11
Prepayments	850,922	5	863,508	5
Non-current assets held for sale (Notes 4 and 15)	890,095	5	-	-
Refundable deposits - current	210,691	1	186,948	1
Other current assets	53,754	-	43,813	-
Total current assets	<u>15,264,070</u>	<u>80</u>	<u>13,592,648</u>	<u>73</u>
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Notes 4 and 12)	-	-	62,079	-
Financial assets measured at cost - non-current (Notes 4 and 13)	432,971	2	458,967	2
Debt investments with no active market-non-current (Notes 4 and 9)	548,375	3	-	-
Investments accounted for using equity method (Notes 4 and 15)	397,656	2	1,652,940	9
Property, plant and equipment (Notes 4, 16 and 27)	2,009,673	11	2,089,497	11
Computer software (Note 4)	79,585	1	51,531	-
Goodwill (Note 4)	-	-	315,967	2
Technological expertise (Note 4)	25,951	-	31,935	-
Other intangible assets (Note 4)	7,215	-	51,577	-
Deferred tax assets (Notes 4 and 21)	66,702	-	49,335	-
Refundable deposits - non-current (Note 28)	116,676	1	119,004	1
Long-term receivables (Note 10)	54,195	-	92,604	1
Other non-current assets (Notes 19 and 27)	79,559	-	94,773	1
Total non-current assets	<u>3,818,558</u>	<u>20</u>	<u>5,070,209</u>	<u>27</u>
TOTAL	<u>\$ 19,082,628</u>	<u>100</u>	<u>\$ 18,662,857</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 17 and 27)	\$ 1,046,022	5	\$ 589,821	3
Notes and accounts payable (Note 26)	2,953,992	15	2,833,633	15
Other payables	901,816	5	754,534	4
Current tax liabilities (Notes 4 and 21)	168,439	1	99,871	1
Receipts in advance	882,226	5	841,304	4
Other current liabilities	112,090	1	120,867	1
Total current liabilities	<u>6,064,585</u>	<u>32</u>	<u>5,240,030</u>	<u>28</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	5,894	-	17,719	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	246,379	1	240,113	2
Other non-current liabilities	6,575	-	7,292	-
Total non-current liabilities	<u>258,848</u>	<u>1</u>	<u>265,124</u>	<u>2</u>
Total liabilities	<u>6,323,433</u>	<u>33</u>	<u>5,505,154</u>	<u>30</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 19)				
Share capital				
Common shares	2,693,933	14	2,687,733	14
Advance receipts for common shares	-	-	650	-
Total share capital	<u>2,693,933</u>	<u>14</u>	<u>2,688,383</u>	<u>14</u>
Capital surplus	<u>7,634,980</u>	<u>40</u>	<u>8,197,220</u>	<u>44</u>
Retained earnings				
Legal reserve	786,087	4	729,659	4
Unappropriated earnings	2,681,315	14	2,317,133	12
Total retained earnings	<u>3,467,402</u>	<u>18</u>	<u>3,046,792</u>	<u>16</u>
Other equity	(64,494)	-	136,780	1
Treasury shares	(1,003,629)	(5)	(967,498)	(5)
Total equity attributable to owners of the Corporation	12,728,192	67	13,101,677	70
NON-CONTROLLING INTERESTS	<u>31,003</u>	<u>-</u>	<u>56,026</u>	<u>-</u>
Total equity	<u>12,759,195</u>	<u>67</u>	<u>13,157,703</u>	<u>70</u>
TOTAL	<u>\$ 19,082,628</u>	<u>100</u>	<u>\$ 18,662,857</u>	<u>100</u>

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

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

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 26)				
Sales	\$ 11,761,268	73	\$ 12,072,818	74
Less: Sales returns and allowances	<u>131,563</u>	<u>1</u>	<u>59,692</u>	<u>1</u>
Net sales	11,629,705	72	12,013,126	73
Service revenue	4,514,543	28	4,185,430	26
Other operating revenue	<u>66,132</u>	<u>-</u>	<u>114,532</u>	<u>1</u>
Total operating revenues	<u>16,210,380</u>	<u>100</u>	<u>16,313,088</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 20 and 26)				
Cost of goods sold	9,961,443	61	10,188,147	63
Service cost	1,895,107	12	1,769,840	11
Other operating cost	<u>21,770</u>	<u>-</u>	<u>54,615</u>	<u>-</u>
Total operating costs	<u>11,878,320</u>	<u>73</u>	<u>12,012,602</u>	<u>74</u>
GROSS PROFIT	4,332,060	27	4,300,486	26
OPERATING EXPENSES (Notes 18, 20 and 26)				
Selling expenses	3,172,663	19	2,999,706	18
General and administrative expenses	420,986	3	474,660	3
Research and development expenses	<u>459,143</u>	<u>3</u>	<u>406,758</u>	<u>3</u>
Total operating expenses	<u>4,052,792</u>	<u>25</u>	<u>3,881,124</u>	<u>24</u>
PROFIT FROM OPERATIONS	<u>279,268</u>	<u>2</u>	<u>419,362</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates (Notes 4 and 15)	84,102	-	66,178	-
Interest income (Note 4)	29,965	-	22,594	-
Dividend income (Note 4)	42,918	-	45,696	-
Other income, net	62,455	-	89,728	1
Gain on sale of investments, net (Note 20)	1,227,033	8	159,122	1
Foreign exchange loss, net (Note 4)	(69,545)	-	(35,007)	-
Gain (loss) on financial assets at fair value through profit or loss, net (Note 4)	115,052	1	(50,257)	-
Interest expense	(24,823)	-	(14,805)	-
Other expenses	(29,095)	-	(8,943)	-
Gain on disposal of property, plant and equipment, net (Note 4)	17,804	-	147,685	1
Impairment loss on assets (Notes 4 and 20)	<u>(489,274)</u>	<u>(3)</u>	<u>(136,134)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>966,592</u>	<u>6</u>	<u>285,857</u>	<u>2</u>

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,245,860	8	\$ 705,219	4
INCOME TAX EXPENSE (Notes 4 and 21)	<u>155,532</u>	<u>1</u>	<u>141,892</u>	<u>1</u>
NET INCOME	<u>1,090,328</u>	<u>7</u>	<u>563,327</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	(15,384)	-	(61,989)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 21)	<u>437</u>	<u>-</u>	<u>874</u>	<u>-</u>
	<u>(14,947)</u>	<u>-</u>	<u>(61,115)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(129,765)	(1)	133,545	1
Unrealized gain (loss) on available-for-sale financial assets	10,428	-	(2,720)	-
Share of the other comprehensive loss of associates accounted for using the equity method	<u>(81,450)</u>	<u>(1)</u>	<u>(91,278)</u>	<u>(1)</u>
	<u>(200,787)</u>	<u>(2)</u>	<u>39,547</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(215,734)</u>	<u>(2)</u>	<u>(21,568)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 874,594</u>	<u>5</u>	<u>\$ 541,759</u>	<u>3</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,108,268	7	\$ 564,274	3
Non-controlling interests	<u>(17,940)</u>	<u>-</u>	<u>(947)</u>	<u>-</u>
	<u>\$ 1,090,328</u>	<u>7</u>	<u>\$ 563,327</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 892,819	5	\$ 542,237	3
Non-controlling interests	<u>(18,225)</u>	<u>-</u>	<u>(478)</u>	<u>-</u>
	<u>\$ 874,594</u>	<u>5</u>	<u>\$ 541,759</u>	<u>3</u>

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2016		2015	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$4.50</u>		<u>\$2.29</u>	
Diluted	<u>\$4.50</u>		<u>\$2.29</u>	

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

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

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Corporation (Notes 4 and 19)												Non-controlling Interests (Note 19)	Total Equity
	Share Capital			Capital Surplus	Retained Earnings				Other Equity					
	Common Shares	Advance Receipts for Common Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Instruments	Treasury Shares	Total		
BALANCE, JANUARY 1, 2015	\$ 2,669,163	\$ 1,950	\$ 2,671,113	\$ 8,685,259	\$ 655,188	\$ 114,116	\$ 2,175,281	\$ 2,944,585	\$ 86,276	\$ 11,561	\$ (953,252)	\$ 13,445,542	\$ 78,224	\$ 13,523,766
Appropriation of 2014 earnings														
Legal reserve	-	-	-	-	74,471	-	(74,471)	-	-	-	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	-	-	(401,087)	(401,087)	-	-	-	(401,087)	-	(401,087)
Reversal of special reserve	-	-	-	-	-	(114,116)	114,116	-	-	-	-	-	-	-
Change in capital surplus from investments in associates accounted for by using equity method	-	-	-	280,377	-	-	-	-	-	-	-	280,377	-	280,377
Distribution in cash of the capital surplus - NT\$3.5 per share	-	-	-	(935,870)	-	-	-	-	-	-	-	(935,870)	-	(935,870)
Issuance of common shares for exercised employee stock options	18,570	(1,300)	17,270	37,744	-	-	-	-	-	-	-	55,014	-	55,014
Net income (loss) for 2015	-	-	-	-	-	-	564,274	564,274	-	-	-	564,274	(947)	563,327
Other comprehensive income (loss) for 2015	-	-	-	-	-	-	(60,980)	(60,980)	41,663	(2,720)	-	(22,037)	469	(21,568)
Total comprehensive income (loss) for 2015	-	-	-	-	-	-	503,294	503,294	41,663	(2,720)	-	542,237	(478)	541,759
Acquisition of the Corporation's shares by subsidiaries regarded as treasury share transaction	-	-	-	-	-	-	-	-	-	-	(47,091)	(47,091)	(49,168)	(96,259)
Disposal of the Corporation's shares by subsidiaries regarded as treasury share transaction	-	-	-	21,188	-	-	-	-	-	-	32,845	54,033	56,417	110,450
Cash dividends received by subsidiaries from the Corporation	-	-	-	108,522	-	-	-	-	-	-	-	108,522	-	108,522
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(28,969)	(28,969)
BALANCE, DECEMBER 31, 2015	2,687,733	650	2,688,383	8,197,220	729,659	-	2,317,133	3,046,792	127,939	8,841	(967,498)	13,101,677	56,026	13,157,703
Appropriation of 2015 earnings														
Legal reserve	-	-	-	-	56,428	-	(56,428)	-	-	-	-	-	-	-
Cash dividends - NT\$2.5 per share	-	-	-	-	-	-	(673,483)	(673,483)	-	-	-	(673,483)	-	(673,483)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	-	58,753	-	-	-	-	-	-	-	58,753	-	58,753
Distribution in cash of the capital surplus - NT\$2.5 per share	-	-	-	(673,483)	-	-	-	-	-	-	-	(673,483)	-	(673,483)
Issuance of common shares for exercised employee stock options	6,200	(650)	5,550	11,045	-	-	-	-	-	-	-	16,595	-	16,595
Net income (loss) for 2016	-	-	-	-	-	-	1,108,268	1,108,268	-	-	-	1,108,268	(17,940)	1,090,328
Other comprehensive income (loss) for 2016	-	-	-	-	-	-	(14,175)	(14,175)	(211,225)	9,951	-	(215,449)	(285)	(215,734)
Total comprehensive income (loss) for 2016	-	-	-	-	-	-	1,094,093	1,094,093	(211,225)	9,951	-	892,819	(18,225)	874,594
Acquisition of the Corporation's shares by subsidiaries regarded as treasury share transaction	-	-	-	-	-	-	-	-	-	-	(36,131)	(36,131)	(37,728)	(73,859)
Cash dividends received by subsidiaries from the Corporation	-	-	-	116,457	-	-	-	-	-	-	-	116,457	-	116,457
Disposal of investments accounted for by using equity method	-	-	-	(83,588)	-	-	-	-	-	-	-	(83,588)	-	(83,588)
Changes in percentage of ownership interest in subsidiaries (Note 23)	-	-	-	8,576	-	-	-	-	-	-	-	8,576	(8,576)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	39,506	39,506
BALANCE, DECEMBER 31, 2016	\$ 2,693,933	\$ -	\$ 2,693,933	\$ 7,634,980	\$ 786,087	\$ -	\$ 2,681,315	\$ 3,467,402	\$ (83,286)	\$ 18,792	\$ (1,003,629)	\$ 12,728,192	\$ 31,003	\$ 12,759,195

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

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

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,245,860	\$ 705,219
Adjustments for		
Depreciation expenses	130,915	147,297
Amortization expenses	61,760	51,639
Provision for allowance for doubtful accounts	18,811	22,446
(Gain) loss on financial assets at fair value through profit or loss, net	(115,052)	50,257
Interest expense	24,823	14,805
Interest income	(29,965)	(22,594)
Dividend income	(42,918)	(45,696)
Share of profit of associates	(84,102)	(66,178)
Gain on disposal of property, plant and equipment, net	(17,804)	(147,685)
Gain on sale of investment, net	(859)	(142,864)
Gain on sale of investments accounted for using equity method	(1,168,277)	-
Impairment loss on financial assets	174,051	54,943
Impairment loss on non-financial assets	315,223	81,191
Write-down of inventories	78,285	13,900
Unrealized gain on foreign currency exchange, net	(5)	(6,763)
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	1,078,598	949,416
Decrease (increase) in notes receivable	7,426	(6)
Decrease (increase) in accounts receivable	86,031	(296,694)
Decrease (increase) in other receivables	93,565	(3,505)
Increase in inventories	(527,021)	(37,460)
Decrease (increase) in prepayments	10,187	(145,872)
(Increase) decrease in other current assets	(10,024)	15,461
Increase (decrease) in notes and accounts payable	148,228	(150,095)
Increase (decrease) in other payables	148,269	(94)
Increase in receipts in advance	42,695	156,483
(Decrease) increase in other current liabilities	(8,285)	5,925
Decrease in net defined benefit liabilities	(9,118)	(4,012)
Cash generated from operations	1,651,297	1,199,464
Interest paid	(24,089)	(14,871)
Income tax paid	(132,989)	(156,816)
Net cash generated from operating activities	<u>1,494,219</u>	<u>1,027,777</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	-	150,032
Acquisition of debt investments with no active market	(548,836)	-
Acquisition of held-to-maturity financial assets	-	(60,025)
Proceeds on sale of held-to-maturity financial assets	52,112	-
Acquisition of financial assets measured at cost	(43,212)	(18,000)
Proceeds on sale of financial assets measured at cost	2,478	91,064
Return of capital from capital reduction and liquidation of financial assets investees measured at cost	671	1,303

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2016	2015
Acquisition of investments accounted for using equity method	\$ -	\$ (238,729)
Proceeds on sale of investments accounted for using equity method	1,361,442	-
Payments for property, plant and equipment	(93,448)	(111,948)
Proceeds on disposal of property, plant and equipment	36,039	309,208
Increase in refundable deposits	(21,704)	(26,118)
Payments for intangible assets	(41,179)	(44,943)
Proceeds on disposal of intangible assets	160	-
Decrease in long-term receivables	38,409	17,761
Decrease in pledged time deposits	17,893	3,759
(Increase) decrease in time deposits with original maturity of more than 3 months	(85,931)	440
(Increase) decrease in other non-current assets	(2,692)	14,213
Interest received	24,136	21,083
Dividends received	42,949	45,696
Dividends received from associates	42,430	108,437
Distribution in cash of the capital surplus received from financial assets measured at cost	<u>75</u>	<u>13,401</u>
Net cash generated from investing activities	<u>781,792</u>	<u>276,634</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	462,229	338,406
Decrease in guarantee deposits received	(684)	(1,555)
Dividends paid	(673,483)	(401,087)
Proceeds from exercise of employee stock options	16,595	55,014
Payments for buy-back of common shares	(73,859)	(96,259)
Proceeds on sale of the Corporation's shares by subsidiaries	-	110,450
Increase (decrease) in non-controlling interests	39,506	(28,969)
Cash dividends received by subsidiaries from the Corporation	116,457	108,522
Distribution in cash from the capital surplus	<u>(673,483)</u>	<u>(935,870)</u>
Net cash used in financing activities	<u>(786,722)</u>	<u>(851,348)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(49,648)</u>	<u>42,595</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,439,641	495,658
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>2,805,641</u>	<u>2,309,983</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,245,282</u>	<u>\$ 2,805,641</u>

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

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

(Concluded)

Attachment 3

Audit Committee's Review Report

The Board of Directors has prepared and submitted the 2016 business report, financial statements, and earnings distribution proposal, of which the financial statements have been audited by Deloitte. These have been reviewed by the Audit Committee as correctly portraying SYSTEX's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219, 208 of the Company Act, this report is submitted for your examination.

System Corporation
Audit Committee Convener:

Huang, Jih-Tsan

March 23, 2017

Attachment 4

System Corporation
Earnings Distribution Proposal
December 31, 2016

Unit: NTD

Items	Amount	
	Subtotal	Total
Beginning unappropriated retained earnings		1,587,221,713
Adjustment for investments accounted for using equity method	(7,497,500)	
Remeasurement on net defined benefit plan	(6,678,000)	
Add: Net income of 2016	1,108,267,790	
Retained earnings available for distribution		2,681,314,003
Distribution items		
Legal reserve	(110,826,779)	
Special reserve	(64,493,835)	
Cash dividends (NT\$3.5/per share)	(942,876,564)	
Total distribution		(1,118,197,178)
Ending unappropriated retained earnings		1,563,116,825

Chairman
President
Accounting Manager

Huang, Tsong-Jen
Lin, Lung-Fen
Cheng, Yuan-Yih

Attachment 5

System Corporation

Table of Comparison of "Procedures for the Acquisition and Disposal of Assets"

Before Amendments	After Amendments	Remark
<p>[Transaction Assessment and Operating Procedures] Article 10: Special Applicable Procedures: I. Appraisal: (I) In acquiring or disposing of real estate or equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <u>agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall appoint an objective and independent professional appraiser to formulate an appraisal report prior to the date of occurrence of the event and shall further comply with the following provisions: 1.~4. omitted (II) Omitted (III) If the dollar amount of memberships or intangible assets to be acquired or disposed of by the</p>	<p>[Transaction Assessment and Operating Procedures] Article 10: Special Applicable Procedures: I. Appraisal: (I) In acquiring or disposing of real property or equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <u>authority</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall appoint an objective and independent professional appraiser to formulate an appraisal report prior to the date of occurrence of the event and shall further comply with the following provisions: 1.~4. omitted (II) Omitted (III) If the dollar amount of memberships or intangible assets to be acquired or disposed of by the</p>	<p>Revised wording.</p>

Before Amendments	After Amendments	Remark
<p>Company is 20% or more of the Company's paid-in capital or NT\$300 million or more, except in transactions with a government <u>agency</u>, the Company shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20.</p> <p>Contents below omitted.</p>	<p>Company is 20% or more of the Company's paid-in capital or NT\$300 million or more, except in transactions with a government <u>authority</u>, the Company shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20.</p> <p>Contents below omitted.</p>	
<p>Article 15: Approval by the Board of Directors: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <u>domestic</u> money market funds, the Company may not enter into a transaction contract or make a payment</p>	<p>Article 15: Approval by the Board of Directors: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds <u>issued by a domestic securities investment trust enterprise</u>, the Company may not</p>	<p>Revised wording to clarify definitions.</p>

Before Amendments	After Amendments	Remark
<p>until the following matters have been approved by the Board of Directors and recognized by the Audit Committee: Contents below omitted.</p>	<p>enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the Audit Committee: Contents below omitted.</p>	
<p>[Corporate Merger, Demerger, Acquisition, or Transfer of Shares] Article 22: Expert Opinion When engaged in mergers, demergers, acquisitions or share transfers, the Company shall, before convening a Board meeting to approve such matter, engage a CPA, attorney or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, the cash or other property to be distributed to shareholders, etc. The proposal shall be submitted to the Board of Directors for deliberation and passage.</p>	<p>[Corporate Merger, Demerger, Acquisition, or Transfer of Shares] Article 22: Expert Opinion When engaged in mergers, demergers, acquisitions or share transfers, the Company shall, before convening a Board meeting to approve such matter, engage a CPA, attorney or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, the cash or other property to be distributed to shareholders, etc. The proposal shall be submitted to the Board of Directors for deliberation and passage. <u>However, where the Company merges subsidiaries whose issued shares or total capital are wholly owned by itself directly or indirectly, or subsidiaries whose issued shares or total capital are wholly owned by the Company directly or indirectly are merged together, the Company may be exempted from obtaining the</u></p>	<p>According to the Business Mergers and Acquisitions Act, mergers of wholly owned subsidiaries or subsidiaries wholly owned through separate investments constitute reorganization within the same group. If a merger does not involve share exchange ratio agreements or issuance of cash or other properties to shareholders, expert opinion on the rationality of the share exchange</p>

Before Amendments	After Amendments	Remark
	<u>aforementioned expert opinion on the reasonableness of the merger.</u>	ratio may be exempted for the merger.
<p>[Information Disclosure]</p> <p>Article 29: Under any of the following circumstances, the department undertaking the acquisition or disposal of assets shall immediately notify the Shareholder Service Department which shall, within 2 days from the date of occurrence of the event, publicly announce and report relevant information on the acquisition or disposal of assets on the website designated by the competent authority using the specified format:</p> <p>I. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. This however shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p>	<p>[Information Disclosure]</p> <p>Article 29: Under any of the following circumstances, the department undertaking the acquisition or disposal of assets shall immediately notify the Shareholder Service Department which shall, within 2 days from the date of occurrence of the event, publicly announce and report relevant information on the acquisition or disposal of assets on the website designated by the competent authority using the specified format:</p> <p>I. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. This however shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds_ <u>issued by domestic securities investment trust</u></p>	<p>I. Revised wording to clarify definitions.</p> <p>II. Adjustment of paragraph sequence and descriptions.</p> <p>III. The Company is not a "professional investor" as defined in laws and regulations, therefore related clauses are duly deleted.</p> <p>IV. The content and time period for rectifications of announcements that are required to be made in the event the Company makes an error or omission in</p>

Before Amendments	After Amendments	Remark
<p>II~III: omitted.</p> <p><u>IV.</u> With the exception of the transaction of assets specified in the <u>three</u> preceding paragraphs or investment conducted in the China region, the amount of any individual transaction, the cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year, the cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year that reaches 20% of the Company's paid-in capital or NT\$300 million shall be implemented in accordance with the Procedures. This shall not apply to the following circumstances:</p> <p>(I) Trading of government bonds.</p> <p><u>(II) Where the company is a professional investor,</u></p>	<p><u>enterprises.</u></p> <p>II~III: omitted.</p> <p><u>IV. Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</u></p> <p><u>V.</u> Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is more than NT\$500 million.</p> <p><u>VI.</u> Where real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is more than NT\$500 million.</p> <p><u>VII.</u> With the exception of the transaction of assets specified in the <u>six</u> preceding paragraphs or investment conducted in the China region, the</p>	<p>an item required by regulations to be publicly disclosed at the time of public announcement are expressly stipulated.</p>

Before Amendments	After Amendments	Remark
<p><u>the securities are traded through domestic or overseas exchanges or through securities firms, or the securities are subscribed to by a securities firm in the primary market in accordance with the law.</u></p> <p>(III) Bond repurchase/resale, subscription or redemption of domestic money market funds.</p> <p><u>(IV)</u> Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not an actual related party, and the transaction amount is <u>less</u> than NT\$500 million.</p> <p><u>(V)</u> Acquisition or disposal by a public company in the construction business of real estate for construction use, where the trading counterparty is not an actual related party, and the transaction amount is <u>less</u> than NT\$500 million.</p> <p><u>(VI)</u> Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation</p>	<p>amount of any individual transaction, the cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year, the cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year that reaches 20% of the Company's paid-in capital or NT\$300 million shall be included. This shall not apply to the following circumstances:</p> <p>(I) Trading of government bonds.</p> <p>(II) Trade of bonds under repurchase and resale agreements, or subscription or repurchase of money market funds <u>issued by domestic securities investment trust enterprises.</u></p> <p>The amount of transactions specified in the preceding paragraph shall be calculated as follows:</p>	

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<p>of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is <u>less</u> than NT\$500 million.</p> <p>The amount of transactions specified in the preceding paragraph shall be calculated as follows:</p> <p>I. The amount of any individual transaction.</p> <p>II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>III. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly</p>	<p>I. The amount of any individual transaction.</p> <p>II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>III. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the provisions herein need not be counted toward the transaction amount. The Company shall compile monthly reports on the status of derivative transactions (including those conducted for transaction purposes and otherwise) conducted up to the end of the preceding month by</p>	

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<p>announced in accordance with the provisions herein need not be counted toward the transaction amount. The Company shall compile monthly reports on the status of derivative transactions (including those conducted for transaction purposes and otherwise) conducted up to the end of the preceding month by itself and any of its subsidiaries that are not publicly-listed companies in Taiwan. The information shall be disclosed along with the status of monthly operations on the information reporting website specified by the competent authority before the 10th of each month using the required format.</p> <p>When the Company makes an error or omission in an item required by regulations to be publicly announced, all the items shall be properly corrected and publicly announced in entirety of its error or omission. When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the Company headquarters, where they shall be retained for five years, except where otherwise provided by laws and regulations.</p>	<p>itself and any of its subsidiaries that are not publicly-listed companies in Taiwan. The information shall be disclosed along with the status of monthly operations on the information reporting website specified by the competent authority before the 10th of each month using the required format.</p> <p>When the Company makes an error or omission in an item required by regulations to be publicly announced, all the items shall be properly corrected and publicly announced in entirety <u>within 2 days upon knowledge</u> of its error or omission.</p> <p>When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the Company headquarters, where they shall be retained for five years, except where otherwise provided by laws and regulations.</p>	

Before Amendments	After Amendments	Remark
<p>[Other Matters]</p> <p>Article 34: Supplementary Provisions I~V. omitted.</p> <p>VI. The Procedures were established in October 1999. The 1st Amendment on Mar. 9, 2000, the 2nd Amendment on Feb. 27, 2001, the 3rd Amendment on Jan. 23, 2002, the 4th Amendment on Jan.28, 2003, the 5th Amendment on May 18, 2005, the 6th Amendment on Feb. 15, 2006,the 7th Amendment on June 15, 2006, the 8th Amendment on June 13, 2007, the 9th Amendment June 19, 2009, the 10th Amendment on June 18, 2010, the 11th Amendment on June 15, 2012, <u>and</u> the 12th Amendment on June 20, 2014.</p>	<p>[Other Matters]</p> <p>Article 34: Supplementary Provisions I~V. omitted.</p> <p>VI. The Procedures were established in October 1999. The 1st Amendment on Mar. 9, 2000, the 2nd Amendment on Feb. 27, 2001, the 3rd Amendment on Jan. 23, 2002, the 4th Amendment on Jan.28, 2003, the 5th Amendment on May 18, 2005, the 6th Amendment on Feb. 15, 2006, the 7th Amendment on June 15, 2006, the 8th Amendment on June 13, 2007, the 9th Amendment June 19, 2009, the 10th Amendment on June 18, 2010, the 11th Amendment on June 15, 2012, the 12th Amendment on June 20, 2014, <u>and the 13th Amendment on June 16, 2017.</u></p>	<p>Addition of revision dates.</p>