



ASIA CEMENT CORPORATION
Handbook For
The 2017 Regular Shareholders' Meeting

Meeting Time: 9:00 A.M., June 27, 2017

**Meeting Venue: The Banquet Hall In Taipei Hero House
No. 20, Sec. 1, Changsha St., Zhongzheng Dist., Taipei City**

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I Meeting Agenda

Asia Cement Corporation

**Meeting Agenda of
The 2017 Regular Shareholders' Meeting**

Call the Meeting to Order

Chairperson Takes Chair

Chairperson Remarks

Guest Remarks

Reporting Events

Recognizing Events

Discussing Events and Election

Questions and Motions

Adjournment

II Reporting Events

Report 1: 2016 Business Report

Explanation:

The 2016 business report is attached as the following pages.

2016 Business Report

1. A Review of 2016 Economic Performance

A review of 2016 global economy

In 2016, global economy was continuing to recover, however, the strength of growth was weak and the recovery in various countries was not in the same pace. Most countries adopted money policy to support economic activities. According to the “Economic Outlook” issued by OECD, although the year of 2016 was kept at an environment of low interest rate, somehow the global economic growth was still staying at low level. It reflected the difficult situation encountered by the supply side and the weakening of the demand side. The reports from both IMF and GI indicated that the growth rate of global economy in 2016 was slightly lower than that of 2015.

A review of 2016 domestic economy

The foreign trade of Taiwan was continuing to decline due to the slowing down of international economy. In addition, the overall domestic environment was not in a promising condition, especially the impact caused by environmental evaluations and improper laws, as a result, the intention of investment by manufacturers was low. Furthermore, the cross-strait economic and trade relationship was getting poorer, plus the cool down of the real estate market, which had added more salt to the wound. Hence, the trend of economic growth in 2016 was in downturn, the annual economic growth rate was only 1.50%.

According to 2016 IMD World Competition Yearbook of Lausanne, Swiss, among 61 countries evaluated, Taiwan ranked 14th place and was 3 places down. Among Asia-Pacific countries, Taiwan maintained No. 3, next to Hong Kong and Singapore. In the IMD Evaluation, among 4 groups of competitiveness, Government Efficacy ranked the best and is No. 9 among countries all over the world, Business Efficacy and Infrastructure ranked 1 and 2 places backward than last year and Economic Performance dropped 4 places. It indicates that economic growth performance is in fact short of expectation.

The Company's business performance

A. In 2016, the overall cement consumption in China amounted to about 2.403 billion MT, compared with 2.348 billion MT in 2015, about 2.34% increase. In the same period, the clinker production volume of the Company in China is 24.29 million MT, increasing 1.2% compared with 2015. The total sales of cement, clinker and slag powder are 30.87 million MT, increasing 1.61% compared with 2015.

In 2016, the net income of Asia Cement (China) Holdings Corp. is NT\$ 647,579 thousand. The Company and its subsidiaries recognized a total investment profit of NT \$466,257 thousand.

B. For domestic cement industry, according to a statistics conducted by the Taiwan Cement Manufacturers' Association, the 2016 total cement production volume in Taiwan was 12,126,206 MT, decreased 9.81% compared to 2015. Among them, the domestic cement sales was 8,811,395 MT, and exported cement was 3,231,869 MT. Compared with those in 2015, domestic sales decreased by 13.74%, exports decreased by 0.88%. In 2016, due to Taiwan Government policy and the economy, the domestic real estate continued to show decline both in volume and price. The cement consumption decreased slightly to 10,245,815 MT, decreased by 12.07%. The 2016 per capita average cement consumption is about 435 kg, decreased 12.30% from 496kg in 2015. As a result, the cement market in Taiwan is still showing oversupply.

C. The 2016 consolidated operating revenue of the Company is NT \$60,946,190 thousand, decreased 8.06% from 2015. The consolidated profit from operations was NT \$6,233,048 thousand, increased 54.29% from 2015. From the Company's affiliates, Far Eastern New Century Corp., and U-Ming Marine Transport Corp., the Company recognized NT \$1,349,719 thousand investment income from equity method. The consolidated net profit after tax reached NT \$4,683,297 thousand. The net profit rate after tax was 7.68%. Consolidated net profit attributable to the Company is 3,945,769 thousand. The 12th meeting of the 25th Board of Directors proposed to distribute cash dividend NT \$0.9 per share.

2. Operating Performance of 2016

A. Production:

Unit: 1000 MT

Item Region	Cement	Difference Compared to 2015	%	Clinker (MT)	Difference Compared to 2015	%
ACC (Taiwan)	4,042	(407)	(9.15)	3,832	(468)	(10.88)

*key performance indicator:

Actual aggregate cement output amounted to 4,042 thousand MT. Compared to estimated output 4,530 thousand MT, the achievement rate is 89.23%.

Actual aggregate clinker output amounted to 3,832 thousand MT. Compared to estimated output 4,360 thousand MT, the achievement rate is 87.89%.

Unit: 1000 MT

Item Region	Cement	Difference Compared to 2015	%	Clinker (MT)	Difference Compared to 2015	%
ACC (China)	29,501	678	2.35	24,287	289	1.20

*key performance indicator:

Actual aggregate cement output amounted to 29,501 thousand MT. Compared to estimated output 30,971 thousand MT, the achievement rate is 95.25%.

Actual aggregate clinker output amounted to 24,287 thousand MT. Compared to estimated output 24,705 thousand MT, the achievement rate is 98.31%.

B. Sales

i. Taiwan area:

Unit: 1000 MT; NT\$1,000

Volume & Value Product	2016				Difference Compared to 2015			
	Domestic Sales		Export Sales					
	Volume	Value	Volume	Value	Volume	%	Value	%
Cement & Clinker	2,698	6,108,114	1,455	2,550,765	(391)	(8.60)	(1,161,565)	(11.83)

*Key Performance Indicator:

Actual aggregate sales of cement and clinker produced by ACC amounted to 4,153 thousand MT. Compared to the estimated sales 4,670 thousand MT, achievement rate is 88.93%.

ii. China area:

Unit: 1000 MT; NT\$1,000

Volume & Value Product	2016				Difference Compared to 2015			
	Domestic Sales		Export Sales		Volume	%	Value	%
	Volume	Value	Volume	Value				
Cement & Clinker	30,673	27,224,759	207	200,571	367	1.21	(2,309,939)	(7.77)

*** Key Performance Indicator:**

Actual aggregate sales of cement and clinker produced by ACC (China) amounted to 30,880 thousand MT. Compared to the estimated sales 32,176 thousand MT, achievement rate is 95.97%.

3. The Company's Layout Strategy in China

Asia Cement Corporation pioneered all domestic rivals to invest in cement business in China with Taiwan government's permission since 1997.

On May 20, 2008, the subsidiary of the Company, Asia Cement (China) Holdings Corporation {ACC (China) thereafter} was listed on the main board of Hong Kong Exchanges and Clearing Limited. Total assets reach RMB 16 billion.

Currently, the investments of ACC (China) are mainly based along the Yangtze River in Jiangxi, Sichuan, Hubei, Yangzhou and Shanghai areas. The overall operating strategies are deployed through Jiangxi Yadong Cement (Southeast China), Sichuan Yadong Cement (Southwest China), Hubei Yadong Cement (Middle China), and Yangzhou Yadong Cement (East China) as core production bases. In addition to Sichuan Lanfeng Cement Corp., Huanggang Yadong Cement, and Wuhan Yaxin Cement, there are two grinding factories, six cement products companies, three transportation companies, newly established Tai Zhou Oriental Construction Co., Ltd., four terminals, and eight sale offices. These constitute an efficient and solid network for production, transportation and sales.

4. Overview of The Company's Investments in China

A. Jiangxi Yadong Cement Co., Ltd

The company originally has four kilns, each with annual capacity of 1.65 million MT clinker. Currently, the annual output of clinker reaches 6.6 million MT which can produce 8 million MT cement.

The subsequent 5th and 6th production line for cement and clinker of the company

have been completed in September 2013 and January 2014. With these two production lines, the total production capacity can reach 11 million MT of clinker annually, which can produce 14 million MT cement. Jiangxi Yadong has become one of the largest cement plants in China.

In addition, the waste heat recycling generators of the #1, #2, #3, and #4 kilns can produce 193 million kWh electricity annually. While, the waste heat recycling generators of the #5 and #6 kilns can produce 145 million kWh electricity annually. This substantially reduces electricity costs and minimizes the dependence on external power supply.

B. Sichuan Yadong Cement Co., Ltd

The company has three kilns with annual clinker capacity of 1.65 million MT respectively. Currently, the annual output of clinker reaches 4.95 million MT which can produce 6 million MT cement. In addition, the waste heat recycling generators of the #1, #2, and #3 kilns can produce 145 million kWh electricity annually. This substantially reduces electricity costs and minimizes the dependence on external power supply.

The conveyor belt transporting the limestone from quarry directly to the plant has been completed on April 2016. This will enhance the transportation efficiency and lower raw-material cost and also completely prevent interfering with surrounding environments, roads, and living of residents (such as noise, dust).

C. Hubei Yadong Cement Co., Ltd

The company has two kilns with annual clinker capacity of 1.65 million MT respectively. The annual output of clinker is amounted to 3.3 million MT which can produce 4 million MT cement. In addition, the waste heat recycling generators of the #1 and #2 kilns can produce 105 million kWh electricity annually. This substantially reduces electricity costs and minimizes the dependence on external power supply.

D. Huanggang Yadong Cement Co., Ltd

The company has one kiln. The annual output of clinker amounts to 1.65 million MT which can produce 2 million MT cement.

E. Wuhan Yaxin Cement Co., Ltd

To enhance the market position and market share of the “Skyscraper” cement in Wuhan areas, Hubei Yadong Cement Co., Ltd acquired 70% share of Wuhan Xinlingyun

Engineering Co., Ltd on July 2010 (90% by the end of 2013). The annual output of cement amounts to 1.2 million MT.

F. Sichuan Lanfeng Cement Corp.

To enhance the market position and market share in Chengdu area, Sichuan Yadong Cement Co., Ltd acquired 100% shares of Sichuan Lanfeng Cement Corp. Lanfeng located in Pengzhou City, Sichuan, China and owned two new dry process clinker production lines with total annual cement production capacity of 5 million MT. The waste heat recycling generators can produce 130 million kWh electricity annually.

G. Yangzhou Yadong Cement Co., Ltd

The grinding factory can produce 2.7 million MT cement annually to supply the market in Yangzhou area. Besides, the mixer station can produce ready-mixed concrete for the market.

H. Wuhan Yadong Cement Co., Ltd

The company can produce 1.7 million MT cement and 0.6 million MT slag powder annually to supply the market in Wuhan area.

I. Nanchang Yadong Cement Co., Ltd

The company can produce 0.6 million MT slag powder and 1.2 million MT slag cement annually to supply the market in Nanchang area.

5. The Outlook of 2017 International and Domestic Economy

A. The outlook of 2017 international economy

The major international institutes forecasted that in 2017, global economic growth rate will be better than last year. But the trend of US economic and trade policies, after President Trump took over the power, will be the most important factor in influencing global economic development. Other uncertainties such as the international protectionism, the stimulation effects of financial policies adopted by various countries, the wave of European anti-tradition political systems, the tension of geopolitics, the economic development of Mainland China and the trend of international crude oil and raw material prices, will all affect the international economic performance of this year.

B. The outlook of 2017 domestic economy

The new regulation “One day off per week” enforced by the government originally with good intention, had ended up with no winners among workers, business owners and the government, due to the poor communication before passing the regulation and the rush amendment of the regulation. The expected Pension Reform Act also created a serious opposition between the side reforming the Act and the vested interest side, again due to the poor communication between both parties. The Infrastructure Plan, pending the completion of the special regulation review and the budgeting procedure by Legislative Yuan, has already consumed a lot of resources from both the ruling and the opposition parties in Legislative Yuan. Hence, it lies on the wisdom of all parties to find proper ways to reduce the negative impact caused by “One day off per week” regulation, to resolve the opposition to the pension reform, to practically formulate the Infrastructure Plan, to eliminate the general suspect that the ruling political party is trying to capture election votes by using this Plan.

In view of this year, if the international uncertainties are excluded, we can see that global economy shows a trend of recovery since the beginning of 2017, it is helpful to the bouncing back of the export from Taiwan. The major domestic and international institutions all predict that the economic growth of Taiwan in this year will be higher than that of last year, indicating that the economy will continue to recover. Recently, the government is accelerating the promotion of structural adjustment and transformation, the overall enlargement of infrastructure investment, the aggressive improvement of investment environment, and the realization of five plus two innovative industrial development plans. Thus, they will be helpful to the growth of the investment, the domestic economy will then be energized.

6. The Outlook of Cross-strait Cement Industry Operation

A. Cement industry in China

The year of 2017 is a critical year of planning “13-5” in China, also the year of deepening the supply side structural reform. The global economy is still facing a bigger downward pressure, the economy of China is still insisted on adopting the concept of “moving forward with stability” as the overall basis of development, that is, the economic operation shall keep within a reasonable range, the speed of GDP growing will not be less than 6.5%, it is expected to be kept within a range between 6.5% to 6.7%, the economy is still maintained at a stable growth. Hence, it indicates that the economic development is still at the period of transformation and adjustment. With respect to the demand of cement,

it will be maintained the same in 2017 as that of 2016, the fluctuation will be between 2.38 billion to 2.46 billion metric-ton. The following is the overall outlook of the cement industry of Mainland China in 2017:

i. More stringent environmental protection standards:

Enhancing the power of managing industrial pollution sources, strictly controlling the smog in the atmosphere and the water pollution, comprehensively implementing on-line monitoring the discharge of contaminated material by factories, strengthening the inspection of environmental protection measures, enforcing newly amended environmental protection law, realizing the reduction of at least 15% energy consumed by the unit GDP in the 13th five-year period (energy consumed per NT\$10,000 GDP produced). The small clinker production line of new dry process and the powder grinding station will be phased out step by step, large cement enterprise groups will be benefited.

ii. Effectively controlling the supply of cement:

- a. Tightly control the approval of production capacity increase: tightly control the increase of production capacity, firmly close the door of adding production lines, including adopting the ways of equal volume phase-out, alternative location replacement and reshaping the technology of adding capacity. It is estimated that in 2017 the production capacity of clinker will be increased by 30 million metric-ton, the speed of increase is further controlled.
- b. Accelerating the phase-out of under-produced capacity: reforming the supply side, orderly phasing out the excessive capacity, adopting the measures of merger and reorganizing, debt consolidation or liquidation, aggressively and properly disposing “zombie companies”. The State Department further requested companies to take the initiative to stop the production of 32.5-class cement products.
- c. Normalizing the limitation and the stopping of kiln production: In the northern China regions, all kilns are either limited or stopped their production in the winter period until spring. This has become an important measure in the industry to balance supply and demand as well as profitability. This measure is applied to production, shipping and sales. One of the key tasks of Cement Association in 2017 is to continuously expand the scope of this measure and to further promote the coordination and governance of regional markets, in order to ensure the stability of cement prices and efficiency. For example, the cement industry of Si

Chuan Province took this measure in 2017 and requested all cement production lines to adopt this measure no less than 120 days per year.

iii. Accelerate overseas layout to ease overcapacity:

Due to the excessive cement production capacity, the government of Mainland China has adopted a policy to transfer the excessive capacity to overseas. Hence, all large cement groups are aggressively expanding to overseas markets to effectively ease the pressure of extra production capacity.

iv. Increasing the demand of cement from domestic investments:

- a. The investment to infrastructure will still be the key factor of stable economic growth, as well as the important support to cement demand. In 2016, the investment to infrastructure was growing faster than before. It is expected that in 2017, the investment to infrastructure will also keep at a growth rate of around 20%, the growth of the west China region is hopefully to keep at high speed. In 2017, it is expected that an investment of over 800 billion RMB to railroad, 1.8 trillion RMB to highway and water transportation will be completed, additional 500 billion RMB investment will be added from the central government budget, 15 large hydraulic constructions, hydropower and nuclear power generators, super high voltage transmission, smart power network, oil and gas pipe network and city rail transportation system will all be initiated.
 - b. The project of “One belt one road” will be deepened, the plan of integrating Beijing, Tienjing and Hebei Province, the building of Long River Economic Belt, the developing of free trade zones and the construction of sponge cities have been kicked off, the constructive investment will be steadily growing.
- v. More opportunities for mergers and acquisitions to increase the consolidation of markets:
- a. The policy of Mainland China government is clearly supporting mergers and acquisitions among big enterprises, plus new financial policies, more stringent environmental protection laws, enhanced government execution power and excessive production capacity have forced medium and small cement companies difficult to survive, more opportunities to be merged and acquired by large cement companies. Hence, the consolidation of cement industry will be effectively strengthened.

- b. Attaining shareholding is a way used by enterprises for investments, it will be the mainstream for merger and acquisition.
- vi. The prices of coal will be weakened to downward trend and back to a reasonable range:

The Development and Reform Committee proposed that: adopting comprehensive measures to drive the coal prices back to a reasonable range and aggressively leading coal and related enterprises to establish a long-term stable, mutual benefit and cooperative relationship, in order to effectively control the strength and pace of reducing the production capacity. The supply of coal is effectively increased through the adopting of 276 working-day system by many provincial coal enterprises. The effective coal production capacity is steadily increased resulting from the above-mentioned policy. However, the coal market begins to show an emotion of observation at present time, the aggressiveness of coal delivery is reduced, the coal market price in the later period will be maintained at a weak and downward trend.

- vii. The oil prices slightly fluctuate and drop:

The OPEC and non-OPEC oil producing countries successfully extended the production reduction agreement during the meeting of May. Crude oil market will then be expected to return to the balance condition between demand and supply by the year end. But the production volume of US crude oil has always caused negative impact to oil prices, plus two large oil fields in Lybia were restarted the production recently, which had increased the worry of the market to the excessive supply, the international oil prices were slightly dropped. The prices of finished oil products in Taiwan are maintained at a flat condition and the average price of diesel oil is slightly dropped.

- viii. Industrial Associations will still enhance the coordination for regional markets, the large enterprises have strengthened their awareness of cooperation and mutual wins, hence, the situation of dumping by lower prices will be further eased. Self-discipline, limited production and price controlling will still be an important measure in easing the unbalanced supply and demand caused by excessive industrial production capacity. It is expected that in 2017 the overall cement market prices will still be in the trend of upwards in a stable pace, the industrial performance is expected to keep improving and the annual profit margin will be 30% higher than that of last year.

B. Cement industry in Taiwan

In 2017, the government budget for public construction projects is 186.9 billion NT dollars, an increase of 5.7 billion NT dollars comparing to last year, a rather limited increase of around 3.1%. According to the survey of economic forecast conducted by Taiwan Institute of Economic Research, the construction industry is slightly recovered due to the expanded investment by the government into public constructions. With respect to the real estate market, it was rapidly frozen in 2016, the new construction projects and the overall transactions were largely shrunk with only 240 thousand houses being sold, a new low in 26 years. The gap between the buying and selling prices offered by buyers and sellers is still wide. It still needs to have a period of time for making the adjustment. Hence, how the real estate status will be developed is yet to be observed. It is expected that the demand to cement products in this year will be continuously decreased, but the level of drop may be shortened.

7 Business Goals For 2017

In highly competitive environment of both Taiwan and China, the Company will respond with its “three highs and one low” strategy which stands for “high quality, high efficiency, high environmental protection, and low cost” and exert the Company’s persistent principle, “fully sell out the estimated production volume”.

The Company has set the following goals for 2017. The estimated production volume in Taiwan is 3,800 thousand MT clinker and 3,950 thousand MT cement. The estimated sales volume in Taiwan is 3,940 thousand MT clinker and cement. The estimated production volume in China is 24,430 thousand MT clinker and 31,070 thousand MT cement. The estimated sales volume in China is 31,320 thousand MT clinker and cement.

Report 2: 2016 Financial Statements

Explanation:

The 2016 financial statements are attached as the following pages.

1. Consolidated Balance Sheets (December 31, 2016)
2. Consolidated Statements of Comprehensive Income (Years Ended December 31, 2016)
3. Consolidated Statements of Changes in Equity (Years Ended December 31, 2016)
4. Consolidated Statements of Cash Flows (Years Ended December 31, 2016)
5. Balance Sheets (December 31, 2016)
6. Statements of Comprehensive Income (Years Ended December 31, 2016)
7. Statements of Changes in Equity (Years Ended December 31, 2016)
8. Statements of Cash Flows (Years Ended December 31, 2016)

Independent auditor's report by Li Wen Kuo and Yu Wei Fan of Deloitte & Touche is attached as page 20-23 and 30-34.

Complete financial reports can be downloaded at <http://emops.twse.com.tw>.

ASIA CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 37)	\$ 7,450,006	3	\$ 11,024,089	4
Financial assets at fair value through profit or loss - current (Notes 7 and 37)	327,875	-	1,030,970	-
Available-for-sale financial assets - current (Note 8)	6,346,839	3	5,283,052	2
Debt investments with no active market - current (Notes 6, 10, 37 and 39)	2,507,290	1	5,383,861	2
Notes receivable				
Third parties	4,155,701	2	6,268,468	2
Related parties (Note 37)	24,029	-	12,537	-
Trade receivables				
Third parties (Notes 11 and 12)	9,812,374	4	10,384,455	4
Related parties (Notes 11 and 37)	532,754	-	481,581	-
Other receivables (Notes 13 and 37)	2,740,861	1	2,924,090	1
Current tax assets (Note 33)	25,222	-	3,922	-
Inventories (Note 14)	6,920,598	3	7,318,610	3
Prepayments (Note 21)	841,858	1	1,146,914	1
Other current assets (Note 29)	463,161	-	1,581,736	1
Total current assets	42,148,568	18	52,844,285	20
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 16 and 39)	65,435,100	27	68,784,137	25
Available-for-sale financial assets - non-current (Notes 8 and 39)	13,800,282	6	22,717,179	8
Financial assets measured at cost - non-current (Note 9)	1,310,918	-	1,367,517	1
Debt investment with no active market - non-current (Notes 6, 10, 37 and 39)	151,846	-	165,949	-
Property, plant and equipment (Notes 17 and 39)	58,832,486	25	67,264,573	25
Investment properties (Notes 18 and 39)	35,281,745	15	34,629,764	13
Intangible assets (Notes 19 and 20)	4,866,642	2	5,304,367	2
Deferred tax assets (Note 33)	861,406	-	750,251	-
Long-term notes receivables and other receivables (Notes 12 and 22)	10,303,904	4	10,918,197	4
Long-term prepayments for lease (Note 21)	3,911,856	2	3,737,647	1
Other non-current assets (Notes 23, 29 and 37)	1,566,032	1	1,593,343	1
Total non-current assets	196,322,217	82	217,232,924	80
TOTAL	\$ 238,470,785	100	\$ 270,077,209	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 24 and 37)	\$ 18,900,622	8	\$ 18,677,761	7
Short-term bills payable (Notes 25 and 37)	12,032,043	5	13,445,051	5
Accounts payable and accrued expenses				
Third parties	7,074,962	3	8,199,549	3
Related parties (Note 37)	253,303	-	254,636	-
Dividends and bonuses payable	208,063	-	212,423	-
Other payable - other (Note 26)	337,635	-	547,033	-
Current tax liabilities (Note 33)	429,732	-	466,164	-
Provisions - current (Note 28)	9,655	-	9,419	-
Customers' deposits and advances (Note 28)	785,952	-	692,442	-
Current portion of long-term liabilities (Notes 27 and 37)	825,563	1	22,719,449	9
Total current liabilities	40,857,530	17	65,223,927	24
NON-CURRENT LIABILITIES				
Bonds payable (Note 27)	14,094,681	6	8,000,000	3
Long-term borrowings (Notes 27 and 37)	32,842,810	14	32,164,684	12
Provisions - non-current (Notes 28 and 40)	327,662	-	322,268	-
Deferred tax liabilities (Note 33)	8,137,817	4	7,817,183	3
Net defined benefit liabilities (Note 29)	167,129	-	195,835	-
Long-term deferred revenue (Note 28)	926,923	-	995,008	1
Other non-current liabilities	453,012	-	504,112	-
Total non-current liabilities	56,950,034	24	49,999,090	19
Total liabilities	97,807,564	41	115,223,017	43
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 30 and 33)				
Share capital	33,614,472	14	33,614,472	12
Capital surplus	1,167,881	1	1,155,643	-
Retained earnings				
Legal reserve	14,673,903	6	14,187,878	5
Special reserve	62,119,922	26	61,112,646	23
Unappropriated earnings	14,805,588	6	16,251,812	6
Total retained earnings	91,599,413	38	91,552,336	34
Other equity	(3,718,689)	(2)	9,576,422	4
Total equity attributable to owners of the Corporation	122,663,077	51	135,898,873	50
NON-CONTROLLING INTERESTS (Note 30)	18,000,144	8	18,955,319	7
Total equity	140,663,221	59	154,854,192	57
TOTAL	\$ 238,470,785	100	\$ 270,077,209	100

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

ASIA CEMENT 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 REVENUE (Notes 31 and 37)	\$ 60,946,190	100	\$ 66,287,480	100
OPERATING COSTS (Notes 14, 31, 32 and 37)	<u>52,358,957</u>	<u>86</u>	<u>59,228,641</u>	<u>89</u>
GROSS PROFIT	8,587,233	14	7,058,839	11
UNREALIZED GROSS PROFIT	-	-	(92)	-
REALIZED GROSS PROFIT	<u>1,041</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	8,588,274	14	7,058,747	11
OPERATING EXPENSES (Notes 32 and 37)	<u>2,355,226</u>	<u>4</u>	<u>3,018,802</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>6,233,048</u>	<u>10</u>	<u>4,039,945</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 32)	1,058,684	2	1,502,671	2
Other gains and losses (Note 32)	(526,644)	(1)	(66,725)	-
Finance costs (Note 32)	(1,638,218)	(2)	(1,647,870)	(2)
Share of profit or loss of associates and joint ventures	<u>1,349,719</u>	<u>2</u>	<u>2,986,137</u>	<u>5</u>
Total non-operating income and expenses	<u>243,541</u>	<u>1</u>	<u>2,774,213</u>	<u>5</u>
INCOME BEFORE INCOME TAX	6,476,589	11	6,814,158	11
INCOME TAX EXPENSE (Note 33)	<u>1,793,292</u>	<u>3</u>	<u>1,879,675</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>4,683,297</u>	<u>8</u>	<u>4,934,483</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(59,867)	-	(468,796)	(1)
Share of the other comprehensive loss of associates and joint ventures	<u>(140,079)</u>	<u>-</u>	<u>(285,305)</u>	<u>-</u>
	<u>(199,946)</u>	<u>-</u>	<u>(754,101)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(4,016,914)	(7)	(1,184,681)	(2)

(Continued)

ASIA CEMENT 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	%
Unrealized loss on available-for-sale financial assets	\$ (7,989,160)	(13)	\$ (1,216,565)	(2)
Cash flow hedges	-	-	17,718	-
Share of other comprehensive loss of associates and joint ventures	<u>(2,482,376)</u>	<u>(4)</u>	<u>(722,900)</u>	<u>(1)</u>
	<u>(14,488,450)</u>	<u>(24)</u>	<u>(3,106,428)</u>	<u>(5)</u>
Other comprehensive loss for the year, net of income tax	<u>(14,688,396)</u>	<u>(24)</u>	<u>(3,860,529)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u><u>\$ (10,005,099)</u></u>	<u><u>(16)</u></u>	<u><u>\$ 1,073,954</u></u>	<u><u>2</u></u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,945,769	7	\$ 4,860,241	7
Non-controlling interests	<u>737,528</u>	<u>1</u>	<u>74,242</u>	<u>-</u>
	<u><u>\$ 4,683,297</u></u>	<u><u>8</u></u>	<u><u>\$ 4,934,483</u></u>	<u><u>7</u></u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ (9,550,011)	(15)	\$ 1,343,662	2
Non-controlling interests	<u>(455,088)</u>	<u>(1)</u>	<u>(269,708)</u>	<u>-</u>
	<u><u>\$ (10,005,099)</u></u>	<u><u>(16)</u></u>	<u><u>\$ 1,073,954</u></u>	<u><u>2</u></u>
EARNINGS PER SHARE (Note 34)				
Basic	<u>\$1.26</u>		<u>\$1.55</u>	
Diluted	<u>\$1.24</u>		<u>\$1.32</u>	

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

(Concluded)

ASIA CEMENT CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation											Non-controlling Interests	Total Equity	
	Capital Stock Issued		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity		Total			
	Shares	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Gain on Revaluation	Cash Flow Hedge				Total Other Equity
BALANCE, JANUARY 1, 2015	3,361,447	\$ 33,614,472	\$ 1,073,920	\$ 13,251,715	\$ 59,505,623	\$ 22,106,583	\$ 4,188,509	\$ 7,856,945	\$ 249,466	\$ (13,669)	\$ 12,281,251	\$ 141,833,564	\$ 19,893,662	\$ 161,727,226
Appropriation of 2014 earnings														
Legal reserve	-	-	-	936,163	-	(936,163)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	2,001,317	(2,001,317)	-	-	-	-	-	-	-	-
Cash dividends - \$2.2 per share	-	-	-	-	-	(7,395,184)	-	-	-	-	-	(7,395,184)	-	(7,395,184)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(668,142)	(668,142)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	81,723	-	-	-	-	-	-	-	-	81,723	-	81,723
Net profit for the year ended December 31, 2015	-	-	-	-	-	4,860,241	-	-	-	-	-	4,860,241	74,242	4,934,483
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(811,750)	20,725	(2,843,706)	58,257	59,895	(2,704,829)	(3,516,579)	(343,950)	(3,860,529)
Other change in equity from investments in associates accounted for by using equity method	-	-	-	-	(9)	35,117	-	-	-	-	-	35,108	(493)	34,615
Special reserve reversed	-	-	-	-	(394,285)	394,285	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2015	3,361,447	33,614,472	1,155,643	14,187,878	61,112,646	16,251,812	4,209,234	5,013,239	307,723	46,226	9,576,422	135,898,873	18,955,319	154,854,192
Appropriation of 2015 earnings														
Legal reserve	-	-	-	486,025	-	(486,025)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,159,506	(1,159,506)	-	-	-	-	-	-	-	-
Cash dividends - \$1.1 per share	-	-	-	-	-	(3,697,592)	-	-	-	-	-	(3,697,592)	-	(3,697,592)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(500,037)	(500,037)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	12,238	-	-	-	-	-	-	-	-	12,238	-	12,238
Acquisition of additional shares in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(41)	(41)
Net profit for the year ended December 31, 2016	-	-	-	-	-	3,945,769	-	-	-	-	-	3,945,769	737,528	4,683,297
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(200,669)	(4,253,547)	(9,036,793)	5	(4,776)	(13,295,111)	(13,495,780)	(1,192,616)	(14,688,396)
Other change in equity from investments in associates accounted for by using equity method	-	-	-	-	(1,326)	895	-	-	-	-	-	(431)	(9)	(440)
Special reserve reversed	-	-	-	-	(150,904)	150,904	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2016	<u>3,361,447</u>	<u>\$ 33,614,472</u>	<u>\$ 1,167,881</u>	<u>\$ 14,673,903</u>	<u>\$ 62,119,922</u>	<u>\$ 14,805,588</u>	<u>\$ (44,313)</u>	<u>\$ (4,023,554)</u>	<u>\$ 307,728</u>	<u>\$ 41,450</u>	<u>\$ (3,718,689)</u>	<u>\$ 122,663,077</u>	<u>\$ 18,000,144</u>	<u>\$ 140,663,221</u>

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

ASIA CEMENT 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	\$ 6,476,589	\$ 6,814,158
Adjustments for:		
Depreciation expenses	5,241,445	5,400,304
Finance cost	1,638,218	1,647,870
Share of profit or loss of associates and joint ventures	(1,349,719)	(2,986,137)
Dividend income	(787,459)	(678,148)
Gain on change in fair value of investment properties	(647,946)	(1,278,760)
Loss on redemption of bonds payable	298,893	-
Interest income	(207,661)	(397,031)
Amortization expenses (including amortization of prepayments for lease)	202,093	242,047
Gain on disposal of investments	(198,564)	(599,049)
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	174,920	(826,151)
Effect of exchange rate of bonds payable	(159,295)	503,840
Impairment loss recognized on financial assets	109,055	65,374
Impairment loss on property, plant and equipment	104,772	-
Impairment loss recognized on trade receivables	77,457	216,598
Reversal of impairment loss on inventory	(47,745)	(33,645)
Gain on disposal of property, plant and equipment	(8,422)	(7,151)
Loss on disposal of associates	-	283
Unrealized foreign exchange loss	2,620	139,145
Other items	3,368	4,502
Changes in operating assets and liabilities:		
Financial assets held for trading	(28,212)	(20,720)
Notes receivable	1,738,330	1,217,938
Trade receivables	559,433	1,815,562
Other receivables	(33,852)	(191,261)
Inventories	135,714	2,035,814
Prepayments	224,401	88,709
Other current assets	24,357	354,728
Accounts payable and accrued expenses	(1,040,880)	(1,362,084)
Provisions	751	11,390
Customers' deposits and advances	139,454	29,594
Net defined benefit liabilities	(22,939)	(4,452)
Deferred revenue	(68,085)	(68,085)
Cash generated from operations	12,551,091	12,135,182
Interests received	216,152	366,274
Dividends received	2,808,990	3,798,693
Interests paid	(1,508,280)	(1,491,715)
Income tax expenses paid	(1,250,522)	(1,216,131)
Net cash generated from operating activities	<u>12,817,431</u>	<u>13,592,303</u>

(Continued)

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

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	\$ (3,252,940)	\$ (2,046,066)
Proceeds from sale of available-for-sale financial assets	2,904,802	3,719,317
Decrease in debt investments with no active market	2,885,375	511,376
Acquisition of property, plant and equipment	(1,250,087)	(3,479,729)
Decrease (increase) in refundable deposits	1,085,701	(1,127,478)
Increase in prepayments for lease	(577,914)	(19,694)
Proceeds from sale of derivative instruments not held for trading	555,733	-
Proceeds from disposal of property, plant and equipment	90,775	78,816
Acquisition of intangible assets	(63,358)	(51,689)
Acquisition of associates and joint ventures	(32,581)	(129,379)
Acquisition of investment properties	(8,214)	(2,126)
(Increase) decrease in other non-current assets	(6,308)	95,928
Net cash inflow on disposal of associate	-	58,716
Cash capital reduction from financial assets	-	31,765
	<u>2,330,984</u>	<u>(2,360,243)</u>
Net cash generated from (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	(41,250,977)	(33,553,827)
Proceeds from long-term borrowings	35,487,417	34,512,584
Repayments of bonds	(13,894,347)	(2,500,000)
Proceeds from issue of bonds	6,000,000	-
Dividends paid	(3,697,567)	(7,395,159)
(Decrease) increase in short-term bills payable	(1,414,200)	202,100
Increase (decrease) in short-term borrowings	972,525	(3,571,459)
Change of non-controlling interests	(500,078)	(668,142)
Decrease in other non-current liabilities	(30,825)	(12,428)
Increase (decrease) in guarantee deposits received	2,516	(911)
	<u>(18,325,536)</u>	<u>(12,987,242)</u>
Net cash used in financing activities		
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(396,962)</u>	<u>39,437</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,574,083)	(1,715,745)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>11,024,089</u>	<u>12,739,834</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,450,006</u>	<u>\$ 11,024,089</u>

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

(Concluded)

Independent Auditors' Report

The Board of Directors and Stockholders
Asia Cement Corporation

Opinion

We have audited the accompanying consolidated financial statements of Asia Cement Corporation and its subsidiaries (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 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 for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Estimated impairment of trade receivables of subsidiaries

In the process of estimating impairment of trade receivables, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to Notes 5 and 11. Because the recoverability of trade receivables represents an area of significant judgement and uncertainty, we believe that the estimated impairment of trade receivables is one of key audit matters.

Corresponding audit procedures:

1. We obtained an understanding and performed tests of the management's estimation of impairment of trade receivables and of the design and execution of relevant internal controls.

2. We evaluated the reasonableness of allowance for impairment loss by testing the ageing of trade receivables and by quantifying the potential risk on overdue balances at the balance sheet date.
3. We tested recoverability of receivables by vouching cash receipts after the balance sheet date.
4. For amounts that were past due and not yet recovered, we evaluated the adequacy of allowance for impairment loss by understanding the customers' historical payment performance, any collateral pledged, and other abilities to repay the bills.

Fair value measurement of investment properties

The Group's investment properties are subsequently measured using the fair value model and valued by independent qualified professional valuer, a member of the ROC certified real estate appraisers. Please refer to Notes 5 and 18. Because the valuation of investment properties represents an area of significant judgement and uncertainty, we believe that the fair value measurement of investment properties is one of key audit matters.

Corresponding audit procedures:

1. We assessed the competencies and independence of the valuer engaged by the management and obtained an understanding of the scope of work and the process of engagement acceptance to evaluate the risk that the valuer's independence might be impaired and the scope of the valuer's work was limited.
2. We obtained an understanding of and assessed the reasonableness of management's assumptions and methods used in valuation.
3. We tested samples of items from management's supporting documentation, including the reasonableness of effective gross income, expenses, and ownerships of land and buildings used in valuation process and reperformed the calculation of fair value.

Fair value measurement of financial instruments with no active market

The Group owned equity interests in China Shanshui Cement Group Limited (CSCGL). CSCGL's prescribed percentage of securities held by the public has fallen below the minimum requirement of 25% according to the Main Board Listing Rules 8.08 of Hong Kong Exchanges and Clearing Limited (the Exchange). Therefore, the Exchange suspended the trading of CSCGL's securities until the percentage of securities in public hands satisfies the minimum requirement. As of December 31, 2016, the trading of CSCGL's securities was still suspended and there was no quoted price in active markets. The Group engaged third party qualified valuers for fair value measurement of CSCGL's securities. Please refer to Notes 5 and 8. Because the fair value measurement of CSCGL's securities represents an area of significant judgement and uncertainty, we believe that the fair value measurement of financial instruments with no active market is one of key audit matters.

Corresponding audit procedures:

1. We assessed the competencies and independence of the valuer engaged by the management and obtained an understanding of the scope of work and the process of engagement acceptance to evaluate the risk that the valuer's independence might be impaired and the scope of the valuer's work was limited.
2. We obtained an understanding of and assessed the reasonableness of management's assumptions and methods used in valuation.
3. We reviewed management's relevant quoted price data, including verifying the reasonableness of enterprise value/sales, enterprise value/earnings before interest, taxes, and amortization, value of equity securities/net equity and price-to-book ratio of other comparable listed companies used in the valuation process and reperformed the calculation of fair value.

Other Matter

We have also audited the parent company only financial statements of Asia Cement Corporation as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified report.

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 IFRS, IAS, IFRIC, and 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 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 the independent auditors' report are Kuo, Li Wen and Fan, Yu Wei.

Deloitte & Touche
Taipei, Taiwan
The 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.

ASIA CEMENT CORPORATION

BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 31)	\$ 2,119,151	1	\$ 4,876,146	3
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	160,600	-	838,797	-
Available-for-sale financial assets - current (Note 8)	3,175,297	2	3,194,851	2
Debt investments with no active market - current (Notes 10 and 31)	798,602	1	1,792,459	1
Notes receivable				
Third parties	111,084	-	134,080	-
Related parties (Note 31)	24,029	-	12,537	-
Trade receivables				
Third parties (Note 11)	361,852	-	380,527	-
Related parties (Notes 11 and 31)	382,855	-	380,282	-
Other receivables (Note 31)	20,279	-	29,600	-
Current tax assets (Note 27)	3,397	-	-	-
Inventories (Note 12)	1,278,584	1	1,564,101	1
Prepayments (Note 17)	116,830	-	201,463	-
Other current assets (Note 18)	8,104	-	1,156,155	1
Total current assets	8,560,664	5	14,560,998	8
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 13 and 33)	106,904,196	63	116,888,348	62
Available-for-sale financial assets - non-current (Note 8)	6,341,274	4	9,592,886	5
Financial assets measured at cost - non-current (Note 9)	133,202	-	177,126	-
Property, plant and equipment (Notes 14 and 33)	5,142,099	3	5,220,819	3
Investment properties (Notes 15, 31 and 33)	41,557,622	24	40,610,918	21
Intangible assets (Note 16)	10,287	-	8,639	-
Deferred tax assets (Note 27)	368,164	-	238,934	-
Long-term prepayments for lease (Note 17)	299,887	-	317,932	-
Other non-current assets (Notes 18, 23 and 31)	2,025,511	1	2,062,205	1
Total non-current assets	162,782,242	95	175,117,807	92
TOTAL	\$ 171,342,906	100	\$ 189,678,805	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 33)	\$ -	-	\$ 50,000	-
Short-term bills payable (Notes 20 and 33)	6,139,093	3	7,750,831	4
Accounts payable and accrued expenses				
Third parties	1,303,039	1	1,557,629	1
Related parties (Note 31)	238,549	-	156,825	-
Dividends and bonuses payable	201,956	-	201,931	-
Current tax liabilities (Note 27)	3,879	-	189,396	-
Customers' deposits and advances (Note 22)	129,932	-	134,015	-
Current portion of long-term liabilities (Notes 21 and 33)	-	-	13,739,937	7
Total current liabilities	8,016,448	4	23,780,564	12
NON-CURRENT LIABILITIES				
Bonds payable (Note 21)	14,094,681	8	8,000,000	4
Long-term borrowings (Notes 21 and 33)	17,681,007	10	13,429,484	7
Deferred income tax liabilities (Note 27)	7,928,785	5	7,545,491	4
Deferred revenue - non-current (Note 22)	926,923	1	995,008	1
Other non-current liabilities	31,985	-	29,385	-
Total non-current liabilities	40,663,381	24	29,999,368	16
Total liabilities	48,679,829	28	53,779,932	28
EQUITY (Note 24)				
Ordinary shares	33,614,472	20	33,614,472	18
Capital surplus	1,167,881	1	1,155,643	1
Retained earnings				
Legal reserve	14,673,903	8	14,187,878	7
Special reserve	62,119,922	36	61,112,646	32
Unappropriated earnings	14,805,588	9	16,251,812	9
Total retained earnings	91,599,413	53	91,552,336	48
Other equity	(3,718,689)	(2)	9,576,422	5
Total equity	122,663,077	72	135,898,873	72
TOTAL	\$ 171,342,906	100	\$ 189,678,805	100

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

ASIA CEMENT CORPORATION

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 25 and 31)	\$ 9,917,334	100	\$ 12,012,770	100
OPERATING COSTS (Notes 12, 25, 26 and 31)	<u>8,626,794</u>	<u>87</u>	<u>10,466,846</u>	<u>87</u>
GROSS PROFIT	1,290,540	13	1,545,924	13
UNREALIZED GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(1,545)	-	-	-
REALIZED GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>-</u>	<u>-</u>	<u>1,884</u>	<u>-</u>
REALIZED GROSS PROFIT	1,288,995	13	1,547,808	13
OPERATING EXPENSES (Notes 26, 31 and 32)	<u>530,080</u>	<u>5</u>	<u>570,075</u>	<u>5</u>
OPERATING INCOME	<u>758,915</u>	<u>8</u>	<u>977,733</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	680,961	7	723,662	6
Other gains and losses (Note 26)	216,108	2	2,395,943	20
Finance costs (Note 26)	(368,940)	(4)	(520,478)	(5)
Share of the profit or loss of subsidiaries and associates	<u>3,263,937</u>	<u>33</u>	<u>2,731,173</u>	<u>23</u>
Total non-operating income and expenses	<u>3,792,066</u>	<u>38</u>	<u>5,330,300</u>	<u>44</u>
INCOME BEFORE INCOME TAX	4,550,981	46	6,308,033	52
INCOME TAX EXPENSE (Note 27)	<u>605,212</u>	<u>6</u>	<u>1,447,792</u>	<u>12</u>
NET INCOME	<u>3,945,769</u>	<u>40</u>	<u>4,860,241</u>	<u>40</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(62,582)	(1)	(455,887)	(4)
Share of the other comprehensive loss of subsidiaries and associates	<u>(138,082)</u>	<u>(1)</u>	<u>(297,606)</u>	<u>(2)</u>
	<u>(200,664)</u>	<u>(2)</u>	<u>(753,493)</u>	<u>(6)</u>

(Continued)

ASIA CEMENT CORPORATION

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

	2016		2015	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	\$ (2,914,758)	(29)	\$ (1,082,453)	(9)
Share of the other comprehensive loss of subsidiaries and associates	<u>(10,380,358)</u>	<u>(105)</u>	<u>(1,680,633)</u>	<u>(14)</u>
	<u>(13,295,116)</u>	<u>(134)</u>	<u>(2,763,086)</u>	<u>(23)</u>
Other comprehensive loss for the year, net of income tax	<u>(13,495,780)</u>	<u>(136)</u>	<u>(3,516,579)</u>	<u>(29)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (9,550,011)</u>	<u>(96)</u>	<u>\$ 1,343,662</u>	<u>11</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 1.26</u>		<u>\$ 1.55</u>	
Diluted	<u>\$ 1.24</u>		<u>\$ 1.32</u>	

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

(Concluded)

ASIA CEMENT CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	Capital Stock Issued		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity			Total	Total Equity
	Shares	Share Capital		Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Gain on Revaluation	Cash Flow Hedge			
BALANCE AT JANUARY 1, 2015	3,361,447	\$ 33,614,472	\$ 1,073,920	\$ 13,251,715	\$ 59,505,623	\$ 22,106,583	\$ 4,188,509	\$ 7,856,945	\$ 249,466	\$ (13,669)	\$ 12,281,251	\$ 141,833,564	
Appropriation of 2014 earnings													
Legal reserve	-	-	-	936,163	-	(936,163)	-	-	-	-	-	-	
Special reserve	-	-	-	-	2,001,317	(2,001,317)	-	-	-	-	-	-	
Cash dividends - \$2.2 per share	-	-	-	-	-	(7,395,184)	-	-	-	-	-	(7,395,184)	
Change in capital surplus from investments in subsidiaries and associates accounted for by using equity method	-	-	81,723	-	-	-	-	-	-	-	-	81,723	
Net income in 2015	-	-	-	-	-	4,860,241	-	-	-	-	-	4,860,241	
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(811,750)	20,725	(2,843,706)	58,257	59,895	(2,704,829)	(3,516,579)	
Other change in equity from investments in subsidiaries and associates accounted for by using equity method	-	-	-	-	(9)	35,117	-	-	-	-	-	35,108	
Special reserve reversed	-	-	-	-	(394,285)	394,285	-	-	-	-	-	-	
BALANCE AT DECEMBER 31, 2015	3,361,447	33,614,472	1,155,643	14,187,878	61,112,646	16,251,812	4,209,234	5,013,239	307,723	46,226	9,576,422	135,898,873	
Appropriation of 2015 earnings													
Legal reserve	-	-	-	486,025	-	(486,025)	-	-	-	-	-	-	
Special reserve	-	-	-	-	1,159,506	(1,159,506)	-	-	-	-	-	-	
Cash dividends - \$1.1 per share	-	-	-	-	-	(3,697,592)	-	-	-	-	-	(3,697,592)	
Change in capital surplus from investments in subsidiaries and associates accounted for by using equity method	-	-	12,238	-	-	-	-	-	-	-	-	12,238	
Net income in 2016	-	-	-	-	-	3,945,769	-	-	-	-	-	3,945,769	
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(200,669)	(4,253,547)	(9,036,793)	5	(4,776)	(13,295,111)	(13,495,780)	
Other change in equity from investments in subsidiaries and associates accounted for by using equity method	-	-	-	-	(1,326)	895	-	-	-	-	-	(431)	
Special reserve reversed	-	-	-	-	(150,904)	150,904	-	-	-	-	-	-	
BALANCE AT DECEMBER 31, 2016	<u>3,361,447</u>	<u>\$ 33,614,472</u>	<u>\$ 1,167,881</u>	<u>\$ 14,673,903</u>	<u>\$ 62,119,922</u>	<u>\$ 14,805,588</u>	<u>\$ (44,313)</u>	<u>\$ (4,023,554)</u>	<u>\$ 307,728</u>	<u>\$ 41,450</u>	<u>\$ (3,718,689)</u>	<u>\$ 122,663,077</u>	

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

ASIA CEMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,550,981	\$ 6,308,033
Adjustments for:		
Share of profit of subsidiaries and associates	(3,263,937)	(2,731,173)
Gain on change in fair value of investment properties	(899,748)	(1,712,194)
Depreciation expenses	636,521	484,409
Finance cost	368,940	520,478
Dividend income	(362,946)	(414,397)
Loss on redemption of bonds payable	298,893	-
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	188,997	(857,746)
Unrealized loss (gain) on foreign currency exchange	177,432	(252,059)
Effect of exchange rate of bonds payable	(159,295)	503,840
Interest income	(57,613)	(86,887)
Impairment loss recognized on financial assets	39,515	42,000
Amortization expenses	3,786	6,449
Unrealized (realized) gain from inter-affiliate	1,545	(1,884)
Reversal of impairment loss on trade receivables	(465)	(1,341)
Loss on disposal of property, plant and equipment	32	304
Gain on disposal of available-for-sale financial assets	-	(255,448)
Other items	4,409	4,410
Changes in operating assets and liabilities:		
Notes receivable	11,504	26,776
Trade receivables	13,285	279,198
Other receivables	10,568	(2,943)
Inventories	285,517	18,146
Prepayments	102,678	23,338
Other current assets	866	(1,829)
Net defined benefit assets	(49,247)	(66,633)
Accounts payable and accrued expenses	(196,395)	(75,186)
Customers' deposits and advances	(4,083)	21,276
Deferred revenue	(68,085)	(68,085)
Cash generated from operations	1,633,655	1,710,852
Interest received	56,366	85,020
Interest paid	(257,163)	(282,350)
Dividend received	3,102,857	4,905,872
Income tax paid	(170,836)	(282,799)
Net cash generated from operating activities	<u>4,364,879</u>	<u>6,136,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in refundable deposits	1,128,727	(1,103,610)
Decrease in debt investments with no active market	927,183	780,250
Acquisition of property, plant and equipment	(557,953)	(865,619)
Proceeds from sale of derivative instruments not held for trading	489,200	-

(Continued)

ASIA CEMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
Acquisition of investment properties	\$ (44,241)	\$ (1,855)
Proceeds from disposal of property, plant and equipment	8,435	9
Acquisition of intangible assets	(5,434)	(5,280)
Proceeds from disposal of available-for-sale financial assets	<u>-</u>	<u>556,788</u>
Net cash generated from (used in) investing activities	<u>1,945,917</u>	<u>(639,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	17,700,000	21,847,000
Repayments of bonds payable	(13,894,347)	(2,500,000)
Repayments of long-term borrowings	(13,437,000)	(13,140,000)
Proceeds from issue of bonds	6,000,000	-
Cash dividends paid	(3,697,567)	(7,395,159)
(Decrease) increase in short-term bills payable	(1,613,000)	503,000
Decrease in short-term borrowings	(50,000)	(350,000)
Increase (decrease) in guarantee deposits received	<u>2,600</u>	<u>(1,000)</u>
Net cash used in financing activities	<u>(8,989,314)</u>	<u>(1,036,159)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(78,477)</u>	<u>151,461</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,756,995)	4,612,580
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,876,146</u>	<u>263,566</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,119,151</u>	<u>\$ 4,876,146</u>

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

(Concluded)

Independent Auditors' Report

The Board of Directors and Stockholders
Asia Cement Corporation

Opinion

We have audited the accompanying financial statements of Asia Cement Corporation (the "Corporation"), 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, the financial position of the Corporation as of December 31, 2016 and 2015, and its financial performance and its 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 Corporation 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.

Key audit matters for the Corporation's financial statements for the year ended December 31, 2016 are stated as follows:

Estimated impairment of trade receivables of subsidiaries

In the process of estimating impairment of trade receivables, the Corporation's subsidiaries take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Because the recoverability of trade receivables represents an area of significant judgement and uncertainty, we believe that the estimated impairment of trade receivables is one of key audit matters.

Corresponding audit procedures:

1. We obtained an understanding and performed tests of the management's estimation of trade receivables and of the design and execution of relevant internal controls.

2. We evaluated the reasonableness of allowance for impairment loss by testing the ageing of trade receivables and by quantifying the potential risk on overdue balances at the balance sheet date.
3. We tested recoverability of receivables by vouching cash receipts after the balance sheet date.
4. For amounts that were past due and not yet recovered, we evaluated the adequacy of allowance for impairment loss by understanding the customers' historical payment performance, any collateral pledged, and other abilities to repay the bills.

Fair value measurement of investment properties

The Corporation's and its subsidiaries' investment properties are subsequently measured using the fair value model and valued by independent qualified professional valuer, a member of the ROC certified real estate appraisers. Because the valuation of investment properties represents an area of significant judgement and uncertainty, we believe that the fair value measurement of investment properties is one of key audit matters.

Corresponding audit procedures:

1. We assessed the competencies and independence of the valuer engaged by the management and obtained an understanding of the scope of work and the process of engagement acceptance to evaluate the risk that the valuer's independence might be impaired and the scope of the valuer's work was limited.
2. We obtained an understanding of and assessed the reasonableness of management's assumptions and methods used in valuation.
3. We tested samples of items from management's supporting documentation, including the reasonableness of effective gross income, expenses, and ownerships of land and buildings used in valuation process and reperformed the calculation of fair value.

Fair value measurement of financial instruments with no active market

The Corporation and its subsidiaries owned equity interests in China Shanshui Cement Group Limited (CSCGL). CSCGL's prescribed percentage of securities held by the public has fallen below the minimum requirement of 25% according to the Main Board Listing Rules 8.08 of Hong Kong Exchanges and Clearing Limited (the Exchange). Therefore, the Exchange suspended the trading of CSCGL's securities until the percentage of securities in public hands satisfies the minimum requirement. As of December 31, 2016, the trading of CSCGL's securities was still suspended and there was no quoted price in active markets. The Corporation engaged third party qualified valuers for fair value measurement of CSCGL's securities. Because the fair value measurement of CSCGL's securities represents an area of significant judgement and uncertainty, we believe that the fair value

measurement of financial instruments with no active market is one of key audit matters.

Corresponding audit procedures:

1. We assessed the competencies and independence of the valuer engaged by the management and obtained an understanding of the scope of work and the process of engagement acceptance to evaluate the risk that the valuer's independence might be impaired and the scope of the valuer's work was limited.
2. We obtained an understanding of and assessed the reasonableness of management's assumptions and methods used in valuation.
3. We reviewed management's relevant quoted price data, including verifying the reasonableness of enterprise value/sales, enterprise value/earnings before interest, taxes, and amortization, value of equity securities/net equity and price-to-book ratio of other comparable listed companies used in the valuation process and reperformed the calculation of fair value.

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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the

Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 Corporation 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 Corporation to express an opinion on the 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 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 the independent auditors' report are Kuo, Li Wen and Fan, Yu Wei.

Deloitte & Touche
Taipei, Taiwan
The 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.

Report 3: Supervisor's Review Report on the 2016 Financial Statements

To: The 2017 Regular Shareholders' Meeting

The undersigned has duly audited the business report, financial statements certified by CPA Ms. Li Wen Kuo and Mr. Yu Wei Fan of the Deloitte & Touche, together with the schedule of earnings distribution prepared by the Board of Directors for the year of 2016, and found the same to be true and correct.

Therefore, in accordance with article 219 of the Company Act of the Republic of China, the undersigned takes pleasure in submitting this report for your perusal and acceptance.

Asia Cement Corporation

Supervisor: Shaw Yi Wang

Champion Lee

Kwan-Tao Li

Ting Yu Tung

Ou Chin-der

March 29, 2017

Report 4: Report on the 2016 Employees' Compensation and Directors' and Supervisors' Remuneration

Explanation:

Pursuant to the amended Article 25 of the "Articles of Incorporation of Asia Cement Corporation", 2% to 3.5% of profit of the current year should be distributed as employees' compensation and not more than 2.5% of profit of the current year should be distributed as directors' and supervisors' remuneration in the case where there are profits for the current year.

The 2016 employees' compensation is NT\$ 97,237,631 (2.054%). The 2016 directors' and supervisors' remuneration are NT\$ 86,747,024 (1.832%). The aforesaid items will be paid in cash.

The 12th meeting of 25th Board of Directors approved 2016 employees' compensation and directors' and supervisors' remuneration.

Report 5: Report on Issued Corporate Bond

Explanation:

The Company issued the unsecured corporate bonds in Sep. 27, 2016. This report on issued corporate bonds is made in compliance with the Article 246 of the Company Act.

Type of bond issued		1st Unsecured Corporate Bond Issued in 2016
Item		
Nominal amount		NT \$ 6 billion.
Interest rate		0.8%
Term		Five years
Issuing reasons		Debt repayment
Repayment Method		Interest paid annually since issued, 50% principal installed separately after the 4 th and 5 th anniversary of the issue date
Guaranty/guarantor		None
Approval date of Board of Directors		May 10, 2016
Approval authority	Agency	Financial Supervisory Commission
	Date	Sep. 20, 2016
Status		Issued

Report 6: Report on the Amendments to “Codes of Ethical Conduct of Asia Cement Corporation” and “Principles for Ethical Management of Asia Cement Corporation”

Explanation:

Pursuant to the Company’s establishment of an Audit Committee to replace the Supervisors, it is proposed to amend “1.Codes of Ethical Conduct” and “Principles for Ethical Management” of the Company. Please refer to the following pages for details.

1. Codes of Ethical Conduct of Asia Cement Corporation

Article 1	For the purpose of encouraging directors, managerial officers, and all employees of Asia Cement Corporation (“the Company”) to act in line with ethical standards, and to help stakeholders better understand the ethical standards of the Company, the Company hereby enacted this “Code of Ethical Conduct of Asia Cement Corporation” (“The Codes”) with reference to the “Guidelines for the Adoption of Codes of Ethical Conduct” set by TWSE.
Article 2	The Codes applies to directors, managerial officers, and all employees of the Company (“All Personnel”).
Article 3	The Company and all personnel shall follow the code of ethics, uphold motivated and responsible attitude, get rid of selfishness, and abide by the principle of team-oriented and good faith when conducting business and duties.
Article 4	<p>All personnel shall perform his duties in an objective and efficient manner, and shall not take advantage of his position in the Company to obtain improper benefits for himself or his spouse, parents, children, or relatives within the third degree of kinship.</p> <p>The Company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving foresaid personnel. Such personnel shall immediately explain whether there is any potential conflict of interest between them and the Company and act in accordance to the Codes to prevent such conflicts.</p>

Article 5	<p>All personnel shall not engage in any of the following activities:</p> <p>(1) obtaining personal gain by using company property or information or taking advantage of their positions,</p> <p>(2) competing with the Company (unless otherwise released by Shareholders' Meeting), and</p> <p>(3) actions prohibited by the Codes and other rules.</p>
Article 6	<p>All Personnel shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.</p>
Article 7	<p>All Personnel shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.</p> <p>Unless fulfill social practice or allowed by the Company, All Personnel shall not require, give, or take any improper benefits for the interests of himself, company, or third party when performing his duties.</p>
Article 8	<p>All Personnel shall have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes.</p>
Article 9	<p>All Personnel shall abide by the Company Act, Securities and Exchange Act and other applicable laws and regulations.</p>
Article 10	<p>The Company shall raise awareness of the Codes for All Personnel internally.</p> <p>All personnel shall report to independent directors, managerial officers, chief internal auditor, or any other appropriate individual upon suspicion or discovery of any activity in violation of a law, regulation, or the Codes with sufficient information.</p> <p>The Company shall handle and investigate reported cases in confidential way and protect such personnel from reprisals.</p>
Article 11	<p>When All Personnel violate the Codes, the Company shall handle the matter in accordance with the disciplinary measures prescribed in laws or the</p>

	<p>Company's regulations. The Company shall immediately disclose on the Market Observation Post System (MOPS) the name and title of the violator, the date of the violation, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken.</p> <p>The Company shall establish a relevant appeal system to provide the violator with remedies.</p>
Article 12	<p>In case any exemption from compliance with the Codes for All Personnel is needed, it shall be adopted by a resolution of the Board of Directors, and that information on the name and title of the person entitled to such exemption, the date on which the Board of Directors adopted the resolution for exemption, and the period of, reasons for, and principles behind the application of the exemption be disclosed immediately on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the Codes, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.</p>
Article 13	<p>The Company shall disclose the Codes and any amendments to it, in its annual reports and prospectuses and on the MOPS.</p>
Article 14	<p>The Codes and any amendment to it shall enter into force after it has been adopted by the Board of Directors and submitted to the shareholders meeting.</p>

*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

2. Principles for Ethical Management of Asia Cement Corporation

<p>Article 1</p>	<p>For the purpose of developing a corporate culture of ethical management and sound development, Asia Cement Corporation (“the Company”) hereby enacted this “Principles for Ethical Management of Asia Cement Corporation” (“The Principles”) with reference to the “Ethical Corporate Management Best Practice Principles” set by TWSE.</p> <p>The Principles shall be abided by directors, managers, employees, mandataries, and other entities with actual ability to control the Company (hereinafter referred to as the “Actual Controllers”). The aforementioned individuals and entities hereinafter are referred collectively to as the “All Personnel”.</p> <p>The Principles is applicable to the business groups and organizations of the Company, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company ("Business Group").</p>
<p>Article 2</p>	<p>When engaging in commercial activities, All Personnel shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, or commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("Unethical Conduct") for purposes of acquiring or maintaining benefits.</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other interested parties.</p>
<p>Article 3</p>	<p>"Benefits" in the Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.</p>
<p>Article 4</p>	<p>The Company and All Personnel shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM-listing rules, or other laws or regulations regarding</p>

	commercial activities, as the underlying basic premise to facilitate ethical corporate management.
Article 5	The Company shall abide by the management philosophy of honesty, transparency and responsibilities, set up policies based on the principle of good faith, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
Article 6	The Company shall establish its own ethical best practice principle to forestall unethical conduct which includes matters All Personnel should pay attention to and complies with relevant laws and regulations.
Article 7	When establishing ethical best practice principle, the Company shall analyze which business activities within its business scope which may be at a higher risk of being involved in an unethical conduct. Ethical best practice principle shall at least include preventive measures against the following: <ol style="list-style-type: none"> 1. offering and acceptance of bribes, 2. illegal political donations, 3. improper charitable donations or sponsorship, and 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
Article 8	The Company and its Business Group shall clearly specify ethical corporate management policies in their rules and external documents. The Board of Directors and the management level shall undertake to rigorously and thoroughly enforce such policies for internal management and external commercial activities.
Article 9	All Personnel shall comply with applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights, such as management secrets, trademarks, patents, or publications, without the prior consent of the intellectual property rights holder.
Article 10	The Company shall engage in commercial activities in a fair and transparent manner. When engaging in a commercial activity with counterparty, the Company shall act in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas,

	<p>or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.</p> <p>Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients or other trading counterparties, and their records of unethical conduct, if any. It is advisable not to have any dealings with persons who have any records of unethical conduct.</p> <p>When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance. In the event that the trading counterparties are suspected of engaging in unethical conduct, the Company may at any time terminate or cancel the contracts.</p>
Article 11	<p>All Personnel shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, including rebates, commissions, grease payments, or in the way offer improper benefits to clients, agents, contractors, suppliers, public servants, or other interested parties and vice versa, unless the laws of the territories where the Company operates permit so.</p>
Article 12	<p>When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and All Personnel shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.</p>
Article 13	<p>When making or offering donations and sponsorship, the Company and All Personnel shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.</p>
Article 14	<p>The Company prohibits All Personnel, directly or indirectly, to accept any gifts, benefits or special treatment from business partners or potential business partners, including abnormal and super luxury banquet or other hospitality in any other forms which are irrelevant to business activities and common social practices.</p> <p>All Personnel shall not accept any gifts or benefits from suppliers, distributors, and customers unless in accordance with common social practices and not exceeding NT \$3,000. Souvenirs and promotion products with a printed logo by the relevant counterparties shall also be excluded.</p>

	<p>Cash and other sorts of gifts shall be rejected in a delicate and polite way after explaining the rules of the Company.</p> <p>Unless with prior approval, All Personnel shall not accept a prize or gift in celebration or recreational activities.</p> <p>All Personnel shall not borrow money, enter payable lease or non-payable lease arrangements, or arrange borrowing/lending in any other form with the Company's suppliers, distributors, customers.</p>
Article 15	<p>All Personnel shall comply with the Securities and Exchange Act, may not use undisclosed information to engage insider trading or disclose the information to others to engage insider trading.</p> <p>Any institution or personnel take part in the Company's merger, segmentation, share purchasing or transferring, important memorandum, strategic alliance, cooperation plan or important contract, shall sign a confidentiality agreement with the Company, promise not to disclose the Company's business secrets or other important information, and may not use the information without the prior consent of the Company.</p>
Article 16	<p>The Board of Directors of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure a thorough implementation of its ethical corporate management policies.</p> <p>To achieve sound ethical corporate management, the Company appoints its Human Resource Department to be in charge of establishing and enforcing the ethical corporate management policies and prevention program and reporting to the Board of Directors on a regular basis.</p>
Article 17	<p>The Company and All Personnel shall comply with laws and regulations and the ethical best practice principle when conducting business. All Personnel shall abide by all articles, rules, bylaws, operation procedures of the Company, and follow the orders from authorized superior management.</p>
Article 18	<p>The Company shall promulgate policies for preventing conflicts of interests and offer appropriate means for All Personnel to voluntarily explain whether their interests would potentially conflict with those of the Company.</p> <p>The Company's directors shall exercise a high degree of self-discipline. A director may present his opinion and answer relevant questions but is</p>

	<p>prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company; neither shall a director vote on such proposal as a proxy of another director in such circumstances. The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>All Personnel shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>
Article 19	<p>The Company shall establish effective accounting systems and internal control systems for business activities which may at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>Internal auditors of the Company shall periodically examine the Company's compliance with the foregoing and prepare audit reports and submit the same to the Board of Directors.</p>
Article 20	<p>The Company shall establish operational procedures and guidelines containing the following matters:</p> <ol style="list-style-type: none"> 1. Standards for determining whether improper benefits have been offered or accepted, 2. Procedures for offering legitimate political donations, 3. Procedures and the standard rates for offering charitable donations or sponsorship, 4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled, 5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business, 6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct, 7. Handling procedures for violations of the Principles, and 8. Disciplinary measures on offenders.
Article 21	<p>The Company shall periodically organize training and awareness programs for All Personnel so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention program and</p>

	<p>the consequences of committing unethical conduct.</p> <p>The Company shall apply the policies of ethical corporate management when set up its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>
Article 22	<p>All Personnel shall report on any unethical conduct to supervisors, managers, chief auditor, or any other proper managers. The Company shall keep the reporter's identity and content of the report confidential.</p> <p>When any unethical conduct happened, despites of the disciplinary system of the Company, the Company shall immediately disclose on its internal website the offender's job title, name, date, the violation was committed, violating act and how the matter was handled.</p> <p>The Company has established the "measure of handling the cases of reporting illegal and unethical or dishonest conduct."</p>
Article 23	<p>The Company shall disclose the status of the enforcement of their own ethical corporate management best practice principles on their company websites, annual reports, and prospectuses.</p>
Article 24	<p>The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management, and encourage All Personnel to make suggestions so as to review and improve their ethical corporate management best practice principles and achieve better results from implementing the principles.</p>
Article 25	<p>The Principles shall be implemented after the Board of Directors grants the approval and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.</p>

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Report 7: Report on the Amendments to “Meeting Rules of Board of Directors for Asia Cement Corporation”

Explanation:

Pursuant to the Company’s establishment of an Audit Committee to replace the Supervisors and to enforce the powers of the supervisors provided in relevant laws and regulations, it is proposed to amend “Meeting Rules of Board of Directors for Asia Cement Corporation”. Please refer to following table for details.

Meeting Rules of Board of Directors for Asia Cement Corporation

Article 1	Unless otherwise provided by law or by the Company’s Articles of Incorporation, the meeting of Board of Directors shall be conducted according to the rules herein.
Article 2	A meeting of Board of Directors shall be convened quarterly. The Directors shall be notified with the subjects seven days before the meeting, however, in the case of emergency, the meeting may be convened at any time. A notice to convene a Board meeting shall be sent to all Directors via postal mail, email or fax.
Article 3	The meeting shall be convened and presided by the Chairman of the Board of Directors except for the first meeting of each term of the Board of Directors which shall be convened and presided by the Director who received a ballot representing the largest number of votes at the election of Directors at the shareholders’ meeting. If there are two or more person having the convening right, the chairperson of the meeting shall be elected from among themselves.
Article 4	If the Chairman of the Board of Directors is on leave or unable to exert the rights, the vice-chairman shall preside instead. If the vice-chairman is on leave or unable to exert the rights, the Chairman shall designate a Director to preside at the meeting. If no Director is so designated, one of Board members of Directors shall be chosen from among themselves to preside at the meeting.
Article 5	The secretary division shall prepare for the agendas and provide sufficient information for the meeting of Board of Directors. All the written information shall be sent along with the meeting notification to the Directors. The Director may ask for complement if considers the information received is

	insufficient. The meeting shall be postponed based on the resolution form the Board of Directors if the Directors consider the information insufficient for meeting.
Article 6	<p>The content of the periodic meeting shall include at least the following items:</p> <ol style="list-style-type: none"> 1) Items to be reported: <ol style="list-style-type: none"> a) Minutes and execution status of last meeting b) Report of important financial business (include Q1, Q2 & Q3 financial statements) c) Report of internal audit business d) Other important report items 2) Items to be discussed: <ol style="list-style-type: none"> a) Items remaining for discussion over the last meeting b) Items to be discussed at this meeting 3) Extemporaneous motions
Article 7	<p>The following items shall be submitted for discussion over the meeting of Board of Directors:</p> <ol style="list-style-type: none"> 1) Operation plans of the Company 2) Annual financial statements 3) Adoption or amendment of internal control system pursuant to Article 14-1 of the Securities and Exchange Act. 4) Adoption or amendment pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, endorsements or guarantees for others. 5) The offering, issuance or private placement of any equity-type securities. 6) Employment and discharge of a financial, accounting or internal audit officer. 7) Donation to related parties, significant donation to non-related parties, provided that public donation as relief aid due to a major natural disaster, may be submitted for ratification at the next Board meeting. 8) Pursuant to Article 14-3 of the Securities and Exchange Act, other governing laws or Articles of Incorporations, important items which shall be effected by resolutions of the shareholders' meeting, be submitted to the Board of Directors or regulated by competent authority. <p>The "related party", mentioned in the preceding 7th item, is defined as "Affiliate" based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers. "Significant donation to non-related parties" refers to the amount of each donation or an accumulative amount of donation to the same party within</p>

	<p>one year, equals to more than NT\$ 100 million or, 1% of revenue or above 5% of paid-in capital recorded in the most recent audited annual financial statements.</p> <p>The term “within one year” in the preceding paragraph means a period of one year calculated retroactively from the date on which the current Board meetings is convened. Amounts which have been submitted to and approved by a resolution of the Board meeting shall not be included in the calculation.</p> <p>With respect to the discussion of matters specified under Article 14-3 of the Securities and Exchange Act, Independent Directors shall attend Board meetings in person; if an Independent Director is unable to attend a Board meeting in person and wishes to delegate his/her rights, he/she can only delegate another Independent Director to attend on his/her behalf. Any dissenting opinion or abstention by Independent Directors shall be recorded in the Board meeting minutes. If Independent Directors are unable to attend Board meetings in person to express their dissenting opinion or abstention, except for legitimate reasons, they shall submit a written statement in advance to be recorded in the Board meetings minutes.</p> <p>All items set out in the preceding paragraph shall be listed along with meeting notification and shall not be raised as extemporary motion except in the case of emergency or with good cause shown.</p>
Article 8	<p>Except the matters which shall be discussed by the Board of Directors under paragraph one of the preceding article, with respect to the level and content of delegation by the Board of Directors in accordance with laws and regulations or the Company’s Articles of Incorporation, shall be concrete and specific.</p>
Article 9	<p>The attendance book shall be provided for signing by the attending Directors and all the related documents shall be made available for the Directors’ reference during the meeting of Board of Directors.</p>
Article 10	<p>The Director shall attend the meeting in person, a Director not able to attend in person may appoint another Director to attend in his/her behalf. The Director attending the meeting through video conference shall be deemed present in person, but the signed attendance card must be sent by fax.</p>
Article 11	<p>In case a Director appoints another Director to attend the meeting in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. Each Director is limited to accept one appointment to act as a proxy for the other Director.</p>
Article 12	<p>The Chairman may appoint personnel of relevant department and subsidiaries for attendance, based on requirements of the meeting content, to assist the Directors to</p>

	<p>understand the Company status and make appropriate decisions.</p> <p>If necessary, accountants, lawyers or other professionals may be invited to attend the meeting and to make explanatory statements but should leave during discussion and voting.</p>
Article 13	<p>Upon the designated meeting time, if the Directors present do not constitute a majority of the Directors, the chairperson may announce postponing the meeting. The postponement shall be limited to two times. If quorum is still not present after a second postponement, the chairperson shall re-convene the meeting according to the procedures set out in article 2 herein.</p>
Article 14	<p>The meeting shall proceed in accordance with the agenda set out in the meeting notification. However, the agenda may be amended by a resolution adopted by a majority vote of the attending Directors.</p> <p>Except with a resolution adopted by a majority vote of the attending Directors, the chairperson shall not declare adjourning of the meeting before the preceding designated agendas and extemporary motions are concluded.</p> <p>In the progress of the meeting, the chairperson shall announce adjournment of the meeting at the proposal of the Directors present if the number of the Directors present does not reach half the attending Directors.</p>
Article 15	<p>For proposal discussion, the chairperson may announce conclusion of the discussion and submit the proposal for voting at his/her discretion.</p>
Article 16	<p>The Directors shall uphold high discipline such that a Director shall not join discussion, vote nor exercise the voting right on behalf of another Director for matter which he/she has a personal interest or concerns interest of which he/she represents for other legal entity which may impair the interest of the Company, and shall explain the critical part of personal interest matter at the Board meeting.</p> <p>In passing a resolution at the Directors meeting, the Directors who cannot exert the voting rights pursuant to the preceding regulation, their votes shall not be counted in the number of votes of Directors present at the meeting.</p>
Article 17	<p>Each Director has one vote. Unless otherwise provided by law or by the Company's Articles of Incorporation, the resolution of Board of Directors shall be adopted by a majority of the Directors at a meeting attended by a majority of the Directors.</p>
Article 18	<p>Regarding the resolution of proposals, it will be deemed approved if the chairperson inquires and received no objection, the validity of such approval has the same effect</p>

	<p>as if the resolution has been put to vote.</p> <p>Should there be any objections after the chairperson’s inquiry, the proposal shall be submitted for voting. The chairperson can choose one of the following methods for voting. If there are any objections from the attending Directors, the method shall then be decided by the majority.</p> <ol style="list-style-type: none"> 1) Hand raising or voting devices 2) Roll call 3) Ballot casting <p>Aforementioned attending Directors do not include those who should not vote according to the paragraph one of article 16 paragraph 1.</p>
Article 19	<p>If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson with the original proposal. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.</p>
Article 20	<p>If there is necessity to set up the personnel of vote-overseeing and –counting for resolution, the chairperson shall assign the vote-counting personnel and all the attending Directors shall serve as the vote-overseeing personnel.</p>
Article 21	<p>Resolutions adopted at a Directors’ meeting shall be recorded in the minutes of the meeting and shall contain detailed description of the followings:</p> <ol style="list-style-type: none"> 1) Meeting number (or year), time and location of meeting 2) Name of chairperson 3) Attendance status of Directors (including the numbers and names of Directors that are, present, absent and on leave) 4) Names and Titles of the attendees 5) Name of record keeper 6) Items reported 7) Items discussed: including the resolution method and result of each proposal, the brief statements of the Directors, experts and others, name of Director involved in the matter regarding his/her personal interest, explanation of the critical part of personal interest matter, the reasons why the Director was required or not required to enter recusal, and the status of recusal in accordance with the first paragraph of article 16, and any records or written statement of any objection or reservation including those are submitted by Independent Directors in accordance with the fourth paragraph of article 7. 8) Extemporaneous motions: including the name of proponent, the resolution method

	<p>and result of each proposal, the brief statements of the Directors, experts and others, name of Director involved in the matter regarding his/her personal interest, explanation of the critical part of personal interest matter, the reasons why the Director was required or not required to enter recusal, the status of recusal in accordance with the first paragraph of article 16, and any records or written statement of any objection or reservation .</p> <p>9) Other items required to be recorded</p> <p>Any matter about which an Independent Director expresses an objection or reservation that has been included in records or stated in writing shall be stated in the meeting minutes and within two days of the meeting be published on an information reporting website designated by the competent authority.</p> <p>The meeting minutes shall consist of the attendance book. The minutes shall be signed or sealed by the chairperson and record keeper. The minutes shall be sent, within 20 days of meeting, to all the Directors and other attendees. The minutes shall also be kept as important files for as long as the Company remains in existence.</p> <p>The creation and distribution of the minutes can be done in the electronic format.</p>
Article 22	<p>The complete process of the meeting of Board of Directors shall be kept by video or voice recorders. The records shall be kept for at least 5 years. The preservation of such records can be done in the electronic format.</p> <p>If there is any lawsuit related to the resolution of the meeting before expiry of the preceding time period, the relevant voice or video records shall be maintained and the preceding time period shall not apply.</p> <p>If a video conference is held for the Directors' meeting, the voice and video records are part of the minutes and shall to be kept forever.</p>
Article 23	<p>For matters not governed by the rules specified herein shall be governed according to Company Act, the Company's Articles of Incorporation and the other relevant decrees and regulations.</p>
Article 24	<p>The rules herein take effect after approval at the Directors' meeting. The same apply for any amendments.</p>

*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

II Recognizing Events

Proposed by the Board

Proposal 1: Acceptance of the 2016 Business Report and Financial Statements

Explanation:

The 2016 business report and financial statements of Asia Cement Corporation, attached as page 2-34, were audited and approved by all supervisors.

The supervisor's review report on the 2016 financial statements is attached as page 35.

Resolution:

Proposed by the Board

Proposal 2: Acceptance of the Proposal for Distribution of 2016 Profits

Explanation:

1. The Board of Directors has approved the following proposal for distribution of 2016 profits in accordance with the article 26 of the articles of incorporation of Asia Cement Corporation.

1. Opening unappropriated retained earnings	\$ 10,908,688,494
Plus: Adjustment with initial adoption of TIFRS	0
Plus: Effect of retrospective application and retrospective restatement	0
Less: Special reserve recognized with initial adoption of TIFRS	0
Less: Special reserve under Rule No. 1030006415 issued by the FSC	0
Opening unappropriated retained earnings-Adjusted	<u>10,908,688,494</u>
Plus: Special reserve reversed under Rule No. 1010012865 issued by the FSC	74,926,961
Plus: Special reserve reversed under Rule No. 1030006415 issued by the FSC	75,977,322
Plus: Reissuance of treasury shares/cancelation of treasury shares	0
Plus: Effect of changes in percentage of ownership of investee	895,286
Plus: Remeasurement of defined benefit plans	(200,669,543)
Unappropriated retained earnings-Adjusted	<u>\$ 10,859,818,520</u>
Net income of 2016	\$ 3,945,769,516
Less: Legal reserve appropriation	394,576,952
Less: Special reserve appropriation	881,018,627
Subtotal	<u>\$ 2,670,173,937</u>
Plus: Unappropriated retained earnings-Adjusted	10,859,818,520
Retained earnings available for distribution	<u>13,529,992,457</u>
Retained earnings to be distributed in 2017	3,025,302,478
Closing unappropriated retained earnings	<u>\$ 10,504,689,979</u>
2. Appropriation items:	
Shareholder bonus	<u>3,025,302,478</u>
Total	<u>\$ 3,025,302,478</u>
3. Appropriation:	
Cash dividends: NT \$0.9 per share	<u>\$ 3,025,302,478</u>
Total	<u>\$ 3,025,302,478</u>

2. 2016 net profit will be distributed with priority.
3. The proposed cash dividend is distributed on the distribution record date after the approval of 2017 Annual Shareholders' Meeting. However, in the event that, before the distribution record date, in accordance with the article 28-2 of the Security Exchange Act, the proposed profit distribution is affected by a buyback of shares for transferring or a write off, it is proposed that the Board of Directors be authorized to adjust the cash to be distributed to each share based on the number of actual shares outstanding on the record date for distribution.

Resolution:

III Discussing Events and Election

Proposed by the Board

Proposal 1: Amendment to “Articles of Incorporation of Asia Cement Corporation”

Explanation:

In accordance with the Article 14-4 of the Securities Exchange Act and the FSC regulations, the Company shall set up the Audit Committee to replace the Supervisors from the expiry of the term of office of the current directors and supervisors, and to enforce the powers of the supervisors provided in relevant laws and regulations.

The Board of Directors proposed to amend “the Articles of Incorporation of Asia Cement Corporation”. Please refer to following comparison table for details.

Resolution:

Comparison Table For “Articles of Incorporation of Asia Cement Corporation”

After the Amendment	Before the Amendment
Article 10 The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings: 1. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year. 2. Extraordinary Shareholders' Meeting shall be convened <u>in accordance with the relevant laws, rules and regulations of the Republic of China.</u>	Article 10 The shareholders' meetings shall be general or extraordinary shareholders' meetings. 1. General shareholders' meeting shall be held once a year within 6 months of the end of the Company's financial year. 2. Extraordinary shareholders' meeting shall be convened <u>by the Board of Directors where it thinks necessary, or by way of written request by shareholders who have held continuously the Company's shares for more than 1 year and whose shareholdings are greater than 3% of the Company's issued shares.</u> <u>Other than where the Board of Directors has</u>

After the Amendment	Before the Amendment
	<p>not convened or is unable to convene shareholders' meeting, <u>the Supervisor may also convene shareholders' meeting for the benefit of the Company.</u></p>
Chapter 4 Directors and Managers	Chapter 4 Directors, Supervisors and Managers
<p>Article16</p> <p>There shall be 13~19 directors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The total shares number of the registered shares of the Company held by all of the directors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".</p> <p>The term of office of directors is for a period of 3 years. They may be reappointed following their re-election.</p> <p>Independent directors shall not be less than three in number and shall not be less than one-fifth of the total number of directors.</p> <p>Directors shall be elected by adopting candidate nomination system in accordance with the Article 192-1 of Company Act. A shareholder shall elect from the nominees listed in the roster of candidates. The election of independent and non-Independent directors should be held together while elected quotas should be calculated separately.</p>	<p>Article16</p> <p>There shall be 13~19 directors <u>and 5 supervisors</u> of the Company, who are elected and appointed from the persons with legal capacity at the Shareholders' Meeting. The total number of the registered shares of the Company held by all of the directors and supervisors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".</p> <p>The term of office of directors <u>and supervisors</u> are for a period of 3 years. They may be reappointed following their re-election.</p> <p>Independent directors shall not be less than three in number and shall not be less than one-fifth of the total number of directors.</p> <p>Directors <u>and supervisors</u> shall be elected by adopting candidate nomination system in accordance with the article 192-1 of Company Act. A shareholder shall elect from the nominees listed in the roster of candidates. The election of independent directors, non-independent directors, <u>and supervisors</u> should be held together while elected quotas shall be calculated separately</p>
<p>Article16-1</p> <p>Pursuant to Article 14-4 of the Securities and Exchange Act, the Company will establish an Audit Committee. The Audit Committee shall make up of the entire number of independent directors, and it is responsible of executing powers relegated to Supervisors by the Company Act, Securities and Exchange Act and other laws and regulations.</p> <p>The organizing members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or</p>	<p>Article16-1</p> <p>Pursuant to Article 14-4 of the Securities and Exchange Act, the Company will establish an Audit Committee. The Audit Committee shall make up of the entire number of independent directors, and it is responsible of executing powers relegated to Supervisors by the Company Act, Securities and Exchange Act and other laws and regulations. <u>The Supervisors will cease to function and be ipso facto dismissed on the date of instituting of the Audit Committee.</u></p> <p>The organizing members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or</p>

After the Amendment	Before the Amendment
rules or regulation of the Company. The organization regulations of the Audit Committee shall be adopted by the Board of Director.	rules or regulation of the Company. The organization regulations of the Audit Committee shall be adopted by the Board of Director.
Article 19 (deleted)	Article 19 <u>The supervisors shall perform their duties of supervision in accordance with laws. Furthermore, supervisors may attend meetings of the Board of Directors and present their views, but may not have voting rights. Supervisors may elect from and among them a Resident Supervisor to perform the daily supervisory duty.</u>
Article 20 The salaries of executive directors might be paid as employees with reference to the standard of listed companies in cement industry. And the amount of such salaries shall be determined by the Board of Directors.	Article 20 The salaries of executive directors <u>and supervisors</u> might be paid as employees with reference to the standard of listed companies in cement industry. And the amount of such salaries shall be determined by the Board of Directors.
Article 24 The Board of Directors shall in accordance with law furnish various documents and statements and submit for approval at the General Shareholders' Meeting. The appointment, dismissal and remuneration of the accountants, who audit and review the above documents and statements, shall be resolved at the meeting of the Board of Directors.	Article 24 The Board of Directors shall in accordance with laws furnish various documents and statements <u>and forward the same to the Supervisors for review no later than 30 days prior to the general shareholders' meeting, following which the said statements reviewed by the Supervisors and their reports shall be submitted for approval at the general shareholders' meeting.</u> The appointment, dismissal and remuneration of the accountants, who audit and review the above documents and statements, shall be resolved at the meeting of the Board of Directors.
Article 25 2% to 3.5% of profit of the current year should be distributed as employees' compensation and not more than 2.5% of profit of the current year should be distributed as directors' remuneration in the case where there are profits for the current year. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, to determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as	Article 25 2% to 3.5% of profit of the current year should be distributed as employees' compensation and not more than 2.5% of profit of the current year should be distributed as directors' <u>and supervisors'</u> remuneration in the case where there are profits for the current year. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, to determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as

After the Amendment	Before the Amendment
<p>Employees' compensation; and a report of such distribution shall be submitted to the shareholders' meeting.</p> <p>The actual ratio and amount of the profit distributable as directors' remuneration shall also be determined by Board of Directors, and a report of such distribution shall be submitted to the shareholders' meeting.</p>	<p>employees' compensation; and a report of such distribution shall be submitted to the shareholders' meeting.</p> <p>The actual ratio and amount of the profit distributable as directors' <u>and supervisors'</u> remuneration shall also be determined by Board of Directors, and a report of such distribution shall be submitted to the shareholders' meeting.</p>
<p>Article 31</p> <p>These articles of incorporation were drafted on January 27, 1957, and came into effect following its approval by the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p>--</p> <p>Fifty-first Amendment on June 21, 2016.</p> <p><u>Fifty-second Amendment on June 27, 2017.</u></p>	<p>Article 31</p> <p>These articles of incorporation were drafted on January 27, 1957, and came into effect following its approval by the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p>--</p> <p>Fifty-first Amendment on June 21, 2016.</p>

*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

Proposed by the Board

Proposal 2: Amendment to “Election Rules for Directors and Supervisors”

Explanation:

Pursuant to the Company’s establishment of an Audit Committee to replace the Supervisors, it is proposed to amend “Election Rules for Directors and Supervisors” and rename as “Election Rules for Directors”, and to repeal “Rules Governing the Scope of Powers of Supervisors” of the Company. Please refer to following comparison table for details.

Resolution:

**Comparison Table For
“Election Rules for Directors”**

After the Amendment	Before the Amendment
Article 1 These rules shall apply to the election of <u>independent directors and non-independent directors</u> of the Company.	Article 1 These rules shall apply to the election of <u>directors and supervisors</u> of the Company.
Article 2 The election of the Company’s directors shall be on the basis of accumulation of votes. Ballot of the eligible voter shall be assigned with code of certificate of present voter. The ballots to be prepared by Board of Directors shall indicate serial number of present voter and the number of votes he represented.	Article 2 The election of the Company’s directors / <u>supervisors</u> shall be on the basis of accumulation of votes. Ballot of the eligible voter shall be assigned with code of certificate of present voter. The ballots to be prepared by Board of Directors shall indicate serial number of present voter and the number of votes he represented.
Article 3 The election of <u>independent directors and non-independent</u> directors shall be pursued according to the number of position required and shall be held together; provided, however, that the independent and non-independent directors elected shall be calculated separately. The candidates that obtain more number of votes shall be elected. If there are	Article 3 The election of <u>directors and supervisors</u> shall be pursued according to the number of position required and shall be held together; provided, however, that the independent and non-independent <u>directors and supervisors</u> elected shall be calculated separately. The candidates that obtain more number of votes shall be elected. If there are two or more

After the Amendment	Before the Amendment
<p>two or more candidates obtaining the same number of vote but the number of position offered is limited, a draw shall be made amongst them to determine. The chairperson shall conduct the drawing for the candidate who is absent.</p> <p>Directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of Company Act.</p> <p>The overall composition of the Board of Directors shall be taken into consideration in the selection of this Corporation's directors. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:</p> <ol style="list-style-type: none"> 1. Basic requirements and values: Gender, age, nationality, and culture. 2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience. <p>Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:</p> <ol style="list-style-type: none"> 1. The ability to make judgments about operations. 2. Accounting and financial analysis ability. 3. Business management ability. 4. Crisis management ability. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership ability. 8. Decision-making ability. <p><u>Moreover, the professional qualifications, the assessment of independence and other matters of the independent directors shall be in compliance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” or other relevant regulations.</u></p>	<p>candidates obtaining the same number of vote but the number of position offered is limited, a draw shall be made amongst them to determine. The chairperson shall conduct the drawing for the candidate who is absent.</p> <p>Directors <u>and supervisors</u> shall be elected by adopting the candidate nomination system specified in Article 192-1 of Company Act. <u>Moreover, the professional qualifications, the assessment of independence and other matters of the independent directors shall be in compliance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” or other relevant regulations.</u></p>

After the Amendment	Before the Amendment
<p>Article 8</p> <p><u>The ballot box is prepared by the Company, and examined publicly by the scrutineers before voting.</u></p>	<p>Article 8</p> <p><u>Two ballot boxes shall be provided each for the directors and supervisors, and shall be opened for ballot count separately.</u></p>
<p>Article 13</p> <p>Board of Directors shall issue notice of the elected directors.</p>	<p>Article 13</p> <p>Board of Directors shall issue notice of the elected directors <u>and supervisors.</u></p>

Proposed by the Board

Proposal 3: Amendment to “Procedure for Acquisition and Disposal of Assets”, “Procedure for Making Endorsements and Guarantees”, and “Procedure for Loan to Others”.

Explanation:

Pursuant to the Company’s establishment of an Audit Committee to replace the Supervisors and FSC regulations, it is proposed to amend “procedure for acquisition and disposal of assets”, “procedure for making endorsements and guarantees”, and “procedure for loan to others” of the Company. Please refer to following comparison table for details.

Resolution:

I. Procedure for Acquisition and Disposal of Assets

Article	After Amendment	Before Amendment
Article 4	<p>Where the acquisition and disposal of assets by the Company is required by the Procedure and other laws to be approved by the Board, any director may raise his or her objection thereto. In case the aforesaid objection has been made in written form or recorded, the same shall be delivered to <u>the Audit Committee</u>. The opinion of each independent director shall be fully taken into consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p><u>Material assets or derivative transactions shall be approved by more than half of all Audit Committee members, and approved by a resolution of the Board of Directors.</u></p> <p><u>According to these Procedures, the matters shall be approved by the Audit Committee, if the matters have not been approved by more than half members of all Audit Committee members, the matters shall be approved by the Board of Directors with two-thirds of all Directors, and the resolution of Audit Committee shall be recorded in the Board of Directors minutes. The Audit Committee members and the Board of Directors members as stated will only calculate the members in present position.</u></p>	<p>Where the acquisition and disposal of assets by the Company is required by the Procedure and other laws to be approved by the Board, any director may raise his or her objection thereto. In case the aforesaid objection has been made in written form or recorded, the same shall be delivered to <u>each supervisor</u>. <u>In the case that the Company has established the position of independent directors</u>, the opinion of each independent director shall be fully taken into consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p>
Article 7	<p>Handling procedures for acquisition and disposal of real estate or equipment</p> <p>I. (omitted)</p> <p>II. Evaluation report on real estate and equipment</p> <p>If and whenever the amount of the acquisition or disposal of real estate or equipment by the Company, unless the same is transacted with <u>government agency</u>, entrusted construction on self-owned land or leased land, or machine or equipment for business use, has reached 20% of the paid-in capital of the company or NT\$0.3 billion, the professional appraiser shall be invited to make evaluation report prior to the date of occurrence of the event (see detailed content as per appendix 1) and meanwhile the following stipulations shall be complied with:</p> <p style="padding-left: 20px;">(A)~(E)(omitted)</p> <p>III.(omitted)</p>	<p>Handling procedures for acquisition and disposal of real estate or equipment</p> <p>I. (omitted)</p> <p>II. Evaluation report on real estate and equipment</p> <p>If and whenever the amount of the acquisition or disposal of real estate or equipment by the Company, unless the same is transacted with <u>government agency</u>, entrusted construction on self-owned land or leased land, or machine or equipment for business use, has reached 20% of the paid-in capital of the company or NT\$0.3 billion, the professional appraiser shall be invited to make evaluation report prior to the date of occurrence of the event (see detailed content as per appendix 1) and meanwhile the following stipulations shall be complied with:</p> <p style="padding-left: 20px;">(A)~(E)(omitted)</p> <p>III.(omitted)</p>
Article 8	<p>Handling procedures for related party transactions</p> <p>I. (omitted)</p> <p>II. Evaluation and Operation Process</p> <p>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</p>	<p>Handling procedures for related party transactions</p> <p>I. (omitted)</p> <p>II. Evaluation and Operation Process</p> <p>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</p>

<p>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, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <u>money funds issued by domestic securities investment trust enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters <u>have first been approved by the Audit Committee and then approved by the Board of Directors</u> :</p> <p>(A) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. (B) Reasons for adopting an associate person as the dealing counterpart. (C) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the first and fourth subparagraph of the third paragraph in this article. (D) The original date, price, dealing counterpart of associated persons and the relationship between the Company and the associated person, etc. (E) Forecasted statement of cash deposit and withdraw in each month of the next one year as of the month of proposed conclusion thereof, evaluation of the necessity of dealing and the reasonableness of utilization of capital. (F) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article. (G) Constraints on and other important matters agreed of this transaction.</p> <p>When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>III. Evaluation of reasonableness of transaction cost</p> <p>(A) ~ (E) (omitted) (F) In case the results of evaluation of the real estate acquired by the associated person in accordance with the fifth subparagraph of this paragraph have been proven to be lower than dealing price, the following provisions herein below shall be applied.</p> <p>(a) The difference between the dealing prices of the real estate appraised cost</p>	<p>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, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <u>domestic money market funds</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters <u>have been approved by the Board of Directors and recognized by the supervisors</u>:</p> <p>(A) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. (B) Reasons for adopting an associate person as the dealing counterpart. (C) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the first and fourth subparagraph of the third paragraph in this article. (D) The original date, price, dealing counterpart of associated persons and the relationship between the Company and the associated person, etc. (E) Forecasted statement of cash deposit and withdraw in each month of the next one year as of the month of proposed conclusion thereof, evaluation of the necessity of dealing and the reasonableness of utilization of capital. (F) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article. (G) Constraints on and other important matters agreed of this transaction.</p> <p><u>In the case that the Company has established the position of independent directors</u>, when a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>III. Evaluation of reasonableness of transaction cost</p> <p>(A) ~ (E) (omitted) (F) In case the results of evaluation of the real estate acquired by the associated person in accordance with the fifth subparagraph of this paragraph have been proven to be lower than dealing price, the following provisions herein below shall be applied.</p> <p>(a) The difference between the dealing prices of the real estate appraised cost thereof shall</p>
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	<p>thereof shall be allocated to Appropriated Retained Earnings in accordance with Article 41.1 of Securities Exchange Act and shall not be distributed or converted into new shares. In case an investor adopting equity appraisal methods towards its investment in this company is a public company, the same shall allocate a certain percentage in proportion to its proportion of shares held to Appropriated Retained Earnings in accordance with laws.</p> <p>(b) <u>The independent director</u> shall handle the matter in accordance with Article 218 of Company Act.</p> <p>(c) The circumstances specified in 1 and 2 of this subparagraph shall be reported to the shareholders meeting and the details thereof shall be disclosed in the annual report and prospectus.</p> <p>(G) ~ (H) (omitted)</p> <p>IV.~V (omitted)</p>	<p>be allocated to Appropriated Retained Earnings in accordance with Article 41.1 of Securities Exchange Act and shall not be distributed or converted into new shares. In case an investor adopting equity appraisal methods towards its investment in this company is a public company, the same shall allocate a certain percentage in proportion to its proportion of shares held to Appropriated Retained Earnings in accordance with laws.</p> <p>(b) <u>The supervisor</u> shall handle the matter in accordance with Article 218 of Company Act.</p> <p>(c) The circumstances specified in 1 and 2 of this subparagraph shall be reported to the shareholders meeting and the details thereof shall be disclosed in the annual report and prospectus.</p> <p>(G) ~ (H) (omitted)</p> <p>IV.~V (omitted)</p>
Article 9	<p>Handling procedures on acquisition and disposal of membership or intangible assets</p> <p>I. (omitted)</p> <p>II Evaluation report on membership and intangible assets</p> <p>(A) The Company shall obtain evaluation Report prepared by professional appraisals prior to acquisition and disposal of intangible assets.</p> <p>(B) If and whenever the acquisition and disposal of membership or intangible assets by the Company has the following circumstances, or the amount thereof has reached 20% of the paid-in capital of the company or NT\$ 0.3 billion, except in transaction with <u>government agency</u>, the accountant shall be invited to give opinions on the reasonableness of the dealing price prior to the date of occurrence of the event in accordance with the Statement of Financial Audit Standards, No. 20 announced by the Accounting R&D Foundation</p> <p>(C) In case the assets acquired or disposed by the Company through the auction procedures held by a court, the certificates issued by the court may substitute the evaluation report or the opinion of an accountant.</p> <p>III (omitted)</p>	<p>Handling procedures on acquisition and disposal of membership or intangible assets</p> <p>I. (omitted)</p> <p>II Evaluation report on membership and intangible assets</p> <p>(A) The Company shall obtain evaluation Report prepared by professional appraisals prior to acquisition and disposal of intangible assets.</p> <p>(B) If and whenever the acquisition and disposal of membership or intangible assets by the Company has the following circumstances, or the amount thereof has reached 20% of the paid-in capital of the company or NT\$ 0.3 billion, except in transaction with <u>government agency</u>, the accountant shall be invited to give opinions on the reasonableness of the dealing price prior to the date of occurrence of the event in accordance with the Statement of Financial Audit Standards, No. 20 announced by the Accounting R&D Foundation</p> <p>(C) In case the assets acquired or disposed by the Company through the auction procedures held by a court, the certificates issued by the court may substitute the evaluation report or the opinion of an accountant.</p> <p>III (omitted)</p>
Article 9-1	<p>The calculation of the transaction amounts referred to in the preceding articles besides Article 8, paragraph 2 shall be done in accordance with Article 12, paragraph 1-5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>The calculation of the transaction amounts referred to in the Article 8, paragraph 2 shall be done in</p>	<p>The calculation of the transaction amounts referred to in the preceding articles besides Article 8, paragraph 2 shall be done in accordance with Article 12, paragraph 1-5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>The calculation of the transaction amounts referred to in the Article 8, paragraph 2 shall be done in</p>

	accordance with Article 12, paragraph 1-5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the <u>Audit Committee and the Board of Directors</u> need not be counted toward the transaction amount.	accordance with Article 12, paragraph 1-5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the <u>Board of Directors and recognized by the supervisors</u> need not be counted toward the transaction amount.
Article 10	<p>Handling procedures for acquisition and disposal of derivative products</p> <p>I Principles and guidelines for transaction</p> <p>(A)~(B)(omitted)</p> <p>(C) Duties and Responsibilities</p> <p>(a) Signing of contracts and relevant documents for dealings: The chairman or the person designated thereof shall sign the aforesaid documents for and on behalf of the Company.</p> <p>(b) Execution of the transaction and the evaluation of losses and gains:</p> <p>(i) The Procurement Department shall be responsible for the products relating to the materials whereas the Finance Department responsible for matters relating to finance.</p> <p>(ii) Opening account, transaction, confirmation, split: The supervisor of each relevant department shall be responsible for authorization thereof.</p> <p>(iii) The certificate for transaction, request of payment and deposit of income shall be made by the operator and the supervisor at all levels shall take charge the review thereof. Meanwhile, the same shall be submitted to the Finance, Accounting, and Audit Department.</p> <p>(iv) Designed staff at all relevant department shall be responsible for profit/loss evaluation. Evaluation forms shall be forwarded to <u>the chairman or the person designated thereof</u>.</p> <p>(c) Accounting: The Accounting Department shall be responsible for reconciling various certificates to the book by making vouchers and preparing relevant statement according to the accounting periods.</p> <p>(d) Audit: The Audit Department shall be responsible for internal auditing conducted on a periodical and non-periodical basis.</p> <p>(e) Legal affairs: The personnel above the level of legal professional shall be responsible for the review of the contract for dealings.</p> <p>(f) Unless otherwise stipulated, the transactions of derivative products shall be executed by the personnel above the level of specialist.</p> <p>(D)~(F)(omitted)</p> <p>II. Measures for risk management</p> <p>(A)~(H)(omitted)</p> <p>(I) The positions held by a derivatives exchange</p>	<p>Handling procedures for acquisition and disposal of derivative products</p> <p>I Principles and guidelines for transaction</p> <p>(A)~(B)(omitted)</p> <p>(C) Duties and Responsibilities</p> <p>(a) Signing of contracts and relevant documents for dealings: The chairman or the person designated thereof shall sign the aforesaid documents for and on behalf of the Company.</p> <p>(b) Execution of the transaction and the evaluation of losses and gains:</p> <p>(i) The Procurement Department shall be responsible for the products relating to the materials whereas the Finance Department responsible for matters relating to finance.</p> <p>(ii) Opening account, transaction, confirmation, split: The supervisor of each relevant department shall be responsible for authorization thereof.</p> <p>(iii) The certificate for transaction, request of payment and deposit of income shall be made by the operator and the supervisor at all levels shall take charge the review thereof. Meanwhile, the same shall be submitted to the Finance, Accounting, and Audit Department.</p> <p>(iv) Designed staff at all relevant department shall be responsible for profit/loss evaluation. Evaluation forms shall be forwarded to <u>the director of Audit Department</u>.</p> <p>(c) Accounting: The Accounting Department shall be responsible for reconciling various certificates to the book by making vouchers and preparing relevant statement according to the accounting periods.</p> <p>(d) Audit: The Audit Department shall be responsible for internal auditing conducted on a periodical and non-periodical basis.</p> <p>(e) Legal affairs: The personnel above the level of legal professional shall be responsible for the review of the contract for dealings.</p> <p>(f) Unless otherwise stipulated, the transactions of derivative products shall be executed by the personnel above the level of specialist.</p> <p>(D)~(F)(omitted)</p> <p>II. Measures for risk management</p> <p>(A)~(H)(omitted)</p> <p>(I) The positions held by a derivatives exchange</p>

	<p>shall be assessed at least once a week except that the hedge transactions needed in the business operation shall be evaluated at least twice a month. The evaluation reports thereof shall be submitted to <u>the chairman or the person designated thereof.</u></p> <p>III. Internal audit The internal auditor of the Company shall make out the appropriateness of internal control on the derivative products on a periodical basis and the audit department shall make an audit report on the compliance of The Procedures each month. In case of any major violations, the same shall be notified in writing to <u>the Audit Committee.</u></p> <p>IV. Ways of periodical evaluation and handling of abnormal conditions (A) <u>The chairman or the person designated thereof</u> shall supervise and control of risks involved in the transactions of derivative products at any time. (B) <u>The chairman or the person designated thereof</u> specially in charge of periodical of whether the performance of transactions of derivative products is in compliance with the strategies for operation and whether the risks involved are bearable for the Company (C) <u>The chairman or the person designated thereof</u> shall conduct periodical evaluation of whether the measures on risk management is appropriate and whether the procedures set out in this Article have been complied with, and shall supervise the transaction and the profit/losses status. In case of any abnormal circumstances, the supervisor shall take necessary corresponding measures and report immediately to the Board of Directors. <u>In the case that the Company has established the position of independent directors,</u> the independent directors shall attend the Board of Directors and shall express their opinions.</p> <p>(D) The Company shall, when dealing in derivative products, establish a memorandum book, in which the type, amount of the transaction of derivative products, date of approval by board meeting, matters to be evaluated prudently in accordance with the ninth subparagraph of the second paragraph and the second and third subparagraph of this paragraph, shall be specified in detail.</p>	<p>shall be assessed at least once a week except that the hedge transactions needed in the business operation shall be evaluated at least twice a month. The evaluation reports thereof shall be submitted to the <u>senior executives authorized by the Board of Directors.</u></p> <p>III. Internal audit The internal auditor of the Company shall make out the appropriateness of internal control on the derivative products on a periodical basis and the audit department shall make an audit report on the compliance of The Procedures each month. In case of any major violations, the same shall be notified in writing to <u>each supervisor.</u></p> <p>IV. Ways of periodical evaluation and handling of abnormal conditions (A) <u>The board meeting shall designate a supervisor of the audit department</u> to see to supervision and control of risks involved in the transactions of derivative products at any time. (B) <u>The board meeting shall designate persons</u> specially in charge of periodical of whether the performance of transactions of derivative products is in compliance with the strategies for operation and whether the risks involved are bearable for the Company (C) <u>The supervisor of the audit department</u> shall conduct periodical evaluation of whether the measures on risk management is appropriate and whether the procedures set out in this Article have been complied with, and shall supervise the transaction and the profit/losses status. In case of any abnormal circumstances, the supervisor shall take necessary corresponding measures and report immediately to the Board of Directors. The independent directors shall attend the Board of Directors and shall express their opinions.</p> <p>(D) The Company shall, when dealing in derivative products, establish a memorandum book, in which the type, amount of the transaction of derivative products, date of approval by board meeting, matters to be evaluated prudently in accordance with the ninth subparagraph of the second paragraph and the second and third subparagraph of this paragraph, shall be specified in detail.</p>
Article 11	<p>Handling procedures for merger, division, acquisition or stock transfer I. Evaluation and operation process (A)The accounts, attorneys or underwriters shall be invited, before the decision of the board meeting by Accounting Department give their opinions on reasonableness of swap rate, price of purchase or cash distributed to the</p>	<p>Handling procedures for merger, division, acquisition or stock transfer I. Evaluation and operation process (A)The accounts, attorneys or underwriters shall be invited, before the decision of the board meeting by Accounting Department give their opinions on reasonableness of swap rate, price of purchase or cash distributed to the</p>

	<p>shareholders or other properties prior to the merger, division, acquisition or stock transfer by the Company. The said opinions shall be submitted to the board meeting for discussion and approval.</p> <p><u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 % of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 % of the respective subsidiaries' issued shares or authorized capital.</u></p> <p>(B)~(C)(omitted)</p> <p>II.(omitted)</p>	<p>shareholders or other properties prior to the merger, division, acquisition or stock transfer by the Company. The said opinions shall be submitted to the board meeting for discussion and approval.</p> <p>(B)~(C)(omitted)</p> <p>II.(omitted)</p>
Article 12	<p>Procedures for disclosure of information</p> <p>I. Items for public announcement and declaration and its standard</p> <p>(A) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 % or more of paid-in capital, 10 % or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption of money funds issued by domestic securities investment trust enterprises.</u></p> <p>(B) Merger, division, acquisition or stock transfer.</p> <p>(C) The loss incurred in the dealing of derivatives reach the upper limit of losses of all or individual contracts specified in Subparagraph 6 of Paragraph 1 of Article 10.</p> <p><u>(D) The assets acquired or disposed are equipment for business use and the counterparties of the transaction are not related parties and amount thereof is more than NT\$ 1 billion.</u></p> <p><u>(E) 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 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.</u></p> <p>(F)The amount of transactions other than those stated in the preceding five subparagraphs or an investment in the mainland China reach 20% of paid-in capital of the Company or NT\$0.3 billion. The following circumstances shall be excluded therein.</p> <p>(a) Trading of government bonds</p>	<p>Procedures for disclosure of information</p> <p>I. Items for public announcement and declaration and its standard</p> <p>(A) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 % or more of paid-in capital, 10 % or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic money market funds.</u></p> <p>(B) Merger, division, acquisition or stock transfer.</p> <p>(C) The loss incurred in the dealing of derivatives reach the upper limit of losses of all or individual contracts specified in Subparagraph 6 of Paragraph 1 of Article 10.</p> <p>(D) The amount of transactions other than those stated in the preceding three subparagraphs or an investment in the mainland China reach 20% of paid-in capital of the Company or NT\$0.3 billion. The following circumstances shall be excluded therein.</p> <p>(a) Trading of government bonds</p> <p>(b) Trading of bonds under repurchase and resale agreements, or subscription or <u>redemption</u> of domestic money market funds.</p> <p>(c) The assets acquired or disposed are equipment for business use and the counterparties of the transaction are not related parties and amount thereof is under NT\$ 0.5 billion.</p> <p>(d) 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 of ownership percentages, or</p>

	<p>(b) Trading of bonds under repurchase and subscription or redemption of <u>money funds issued by domestic securities investment trust enterprises.</u></p> <p>(G) The calculations for the dealing amount in the preceding <u>six</u> subparagraph</p> <p>(a) Amount of each transaction</p> <p>(b) Cumulative amount of acquisition or disposal of the objects of the same nature with the same counterpart within a year</p> <p>(c) Respective cumulative amount of acquisition or disposal of Real Estate of the same project within a year</p> <p>(d) Respective cumulative amount of acquisition and disposal of the same security within a year</p> <p>(H) "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 these Regulations need not be counted toward the transaction amount.</p> <p>II. Time for public announcement and declaration in case of any circumstances specified in Subparagraph 1 to <u>6</u> of Paragraph 1, the same shall be handled for public announcement and declaration within two days commencing immediately from the date of the event.</p> <p>III. Procedures for public announcement and declaration</p> <p>(A) The Company shall handle public announcement and declaration of relating information in the website designated by the FSC.</p> <p>(B) The Company shall, within first ten (10) days in each month, input the information about the dealings in derivatives as of the end of last month by the Company and the subsidiaries, which are not affiliated to domestic public companies, into the website designated by the FSC.</p> <p>(C) In case of any mistakes or omissions of necessary items therein, appropriate corrections shall be made and the entire items shall be re-announced publicly and re-declared <u>within 2 days counting inclusively from the date of occurrence of the event.</u></p> <p>(D) The Company shall, within two days commencing immediately from the date of the events, handle public announcement and declaration of relating information in the website designated by FSC after the transaction announced and declared as required.</p> <p>(a) Termination or cancellation of, alteration to relevant contracts to the original transactions.</p> <p>(b) Failure to complete merger, division, acquisition or stock transfer in accordance with contracts.</p>	<p>joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>(E) The calculations for the dealing amount in the preceding <u>four</u> subparagraph</p> <p>(a) Amount of each transaction</p> <p>(b) Cumulative amount of acquisition or disposal of the objects of the same nature with the same counterpart within a year</p> <p>(c) Respective cumulative amount of acquisition or disposal of Real Estate of the same project within a year</p> <p>(d) Respective cumulative amount of acquisition and disposal of the same security within a year</p> <p>(F) "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 these Regulations need not be counted toward the transaction amount.</p> <p>II. Time for public announcement and declaration in case of any circumstances specified in Subparagraph 1 to <u>4</u> of Paragraph 1, the same shall be handled for public announcement and declaration within two days commencing immediately from the date of the event.</p> <p>III. Procedures for public announcement and declaration</p> <p>(A) The Company shall handle public announcement and declaration of relating information in the website designated by the FSC.</p> <p>(B) The Company shall, within first ten (10) days in each month, input the information about the dealings in derivatives as of the end of last month by the Company and the subsidiaries, which are not affiliated to domestic public companies, into the website designated by the FSC.</p> <p>(C) In case of any mistakes or omissions of necessary items therein, appropriate corrections shall be made and the entire items shall be re-announced publicly and re-declared.</p> <p>(D) The Company shall, within two days commencing immediately from the date of the events, handle public announcement and declaration of relating information in the website designated by FSC after the transaction announced and declared as required.</p> <p>(a) Termination or cancellation of, alteration to relevant contracts to the original transactions.</p> <p>(b) Failure to complete merger, division, acquisition or stock transfer in accordance with contracts.</p>
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	<p>(c) Change to the originally publicly announced and reported information.</p> <p>IV. Format of public announcements The necessary items and contents of public announcement which the Company shall comply with are referred to the appendixes of "Regulations Governing the Acquisition or Disposition of Assets by Public Companies".</p>	<p>(c) Change to the originally publicly announced and reported information.</p> <p>IV. Format of public announcements The necessary items and contents of public announcement which the Company shall comply with are referred to the appendixes of "Regulations Governing the Acquisition or Disposition of Assets by Public Companies".</p>
Article 14	<p>Subsidiaries of the Company shall comply with the following: The subsidiaries shall also formulate and implement their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition and Disposition of Assets by Public Companies", after the approval of their respective Board of Directors and shareholders' meeting, a copy of the said procedures shall be submitted to the Finance Department of the Company <u>for supervision</u>. The aforesaid shall also apply to amendments to the said procedures.</p> <p>II~V(omitted)</p>	<p>Subsidiaries of the Company shall comply with the following: The subsidiaries shall also formulate and implement their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition and Disposition of Assets by Public Companies", after the approval of their respective Board of Directors and shareholders' meeting, a copy of the said procedures shall be submitted to the Finance Department of the Company and <u>the subsidiaries shall be listed and summarized by the Finance Department of the Company to the Company's Board of Directors for ratification</u>. The aforesaid shall also apply to amendments to the said procedures.</p> <p>II~V(omitted)</p>
Article 16	<p><u>The Procedures shall be approved by the Audit Committee and the Board of Directors, and shall furthermore be submitted for approval at the shareholders' meeting.</u> The same procedure shall apply in the case of amendments. The directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to <u>the Audit Committee</u>. When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting</p>	<p><u>The Procedures shall, after approved by the Board of Directors, be submitted to each supervisor and to shareholders' meeting for approval.</u> The same procedure shall apply to the amendments hereto. In case of any objections raised by directors, which have been made in written form or recorded, the same shall be delivered to <u>each supervisor</u>. <u>In the case that the Company has established the position of independent directors,</u> when a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p>

II. Procedure for Making Endorsements and Guarantees

Article	After Amendment	Before Amendment
Article 4 Paragraph 1	<p>Before the Company renders endorsement or provide guarantee to another party, the Finance Department shall conduct prudent assessment to confirm that it lives up to the requirements set forth in the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (hereinafter referred to as the Guiding Rules), these Procedures and the following. The assessment results shall <u>first be submitted to the Audit Committee for approval, and then</u> to the Board of Directors for a resolution. To meet time efficiency, nevertheless, the Board of Directors may authorize the chairman to act within the authority set forth in Article 3 before reporting to the Board of Directors for approval retrospectively.</p> <p>(A)Necessity and rationality of the endorsement. (B)Credibility and risk assessment of the endorsement targets. (C)Impact upon operation risk, financial standing and shareholders’ equity. (D)Whether collateral is required and the value assessed for the collateral.</p>	<p>Before the Company renders endorsement or provide guarantee to another party, the Finance Department shall conduct prudent assessment to confirm that it lives up to the requirements set forth in the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (hereinafter referred to as the Guiding Rules), these Procedures and the following. The assessment results shall be submitted to the Board of Directors for a resolution. To meet time efficiency, nevertheless, the Board of Directors may authorize the chairman to act within the authority set forth in Article 3 before reporting to the Board of Directors for approval retrospectively.</p> <p>(A)Necessity and rationality of the endorsement. (B) Credibility and risk assessment of the endorsement targets. (C)Impact upon operation risk, financial standing and shareholders’ equity. (D). Whether collateral is required and the value assessed for the collateral.</p>
Paragraph 2	<p>According to the Paragraph 2 of the Article 2 of the Procedure, for providing endorsements/guarantees to another party by a subsidiary of the Company of which the 90% of the voting shares are held directly or indirectly by the Company, <u>it shall first be approved by Audit Committee, and then be resolved by the Board of Directors of the Company.</u> However restriction does not apply to the endorsements and/or guarantees being provided between the subsidiaries of the Company of which voting shares are held 100% directly or indirectly by the Company.</p>	<p>According to the Paragraph 2 of the Article 2 of the Procedure, for providing endorsements/guarantees to another party by a subsidiary of the Company of which the 90% of the voting shares are held directly or indirectly by the Company, <u>it shall be resolved by the Board of Directors of the Company.</u> However restriction does not apply to the endorsements and/or guarantees being provided between the subsidiaries of the Company of which voting shares are held 100% directly or indirectly by the Company.</p>
Paragraph 4	<p>Where the Company needs to exceed the limits on the aggregate amount set forth to satisfy its business requirements, and where the conditions set forth in this Procedures are complied with, it shall obtain approval from the <u>Audit Committee</u> and then obtain a resolution from the Board of Directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/ guarantee. It shall also amend this Procedure accordingly and submit the amended version to the Shareholders’ Meeting for ratification after the fact. If the Shareholders’ Meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.</p>	<p>Where the Company needs to exceed the limits on the aggregate amount set forth to satisfy its business requirements, and where the conditions set forth in this Procedures are complied with, it shall obtain approval from the Board of Directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/ guarantee. It shall also amend this Procedure accordingly and submit the amended version to the Shareholders’ Meeting for ratification after the fact. If the Shareholders’ Meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p><u>In the case that the Company has established the</u></p>

Paragraph 5	When the Board of Directors is discussing these procedures or endorsement to others, the opinions of the independent directors shall be taken into adequate account. Their opinions, pros and cons as well as the reasons of cons shall be entered into the minutes of the Board of Directors ' meeting.	<u>position of independent directors</u> , when the Board of Directors is discussing these procedures or endorsement to others, the opinions of the independent directors shall be taken into adequate account. Their opinions, pros and cons as well as the reasons of cons shall be entered into the minutes of the Board of Directors ' meeting.
Paragraph 6	In the event that the target of Making Endorsements and Guarantees does not comply with the Regulations or procedure or amount of the loan so granted exceeds the limit, a plan of corrective action shall be established and submitted to <u>the Audit Committee</u> and the proposed correction actions should be implemented within the period specified in the plan.	In the event that the target of Making Endorsements and Guarantees does not comply with the Regulations or procedure or amount of the loan so granted exceeds the limit, a plan of corrective action shall be established and submitted to <u>the supervisors</u> and the proposed correction actions should be implemented within the period specified in the plan.
Paragraph 8	<u>According to these Procedures, the matters shall be approved by the Audit Committee, if the matters have not been approved by more than half members of all Audit Committee members, the matters shall be approved by the Board of Directors with two-thirds of all Directors and the resolution of Audit Committee shall be recorded in the Board of Directors minutes. The Audit Committee members and the Board of Directors members as stated will only calculate the members in present position.</u>	
Article 7 Paragraph 1	The Company endorsement shall be established on grounds of the “endorsement application” filled out by the endorsement Corporation. A memorandum book shall be established to enter all details of the endorsement targets, amounts, <u>date of approval by the Audit Committee</u> , the date of approval by the Board of Directors resolves or the chairman enforces, date of endorsement, prudent assessments under Article IV, Paragraph I, all details of the endorsement matters, name(s) of the endorsement business concern(s), results of risk assessment, amounts of endorsement, contents of collateral obtained and terms and conditions as well as dates to release endorsement.	The Company endorsement shall be established on grounds of the “endorsement application” filled out by the endorsement Corporation. A memorandum book shall be established to enter all details of the endorsement targets, amounts, the date of approval by the Board of Directors resolves or the chairman enforces, date of endorsement, prudent assessments under Article IV, Paragraph I, all details of the endorsement matters, name(s) of the endorsement business concern(s), results of risk assessment, amounts of endorsement, contents of collateral obtained and terms and conditions as well as dates to release endorsement.
Paragraph 2	The Company’s Internal Audit Department shall audit these Procedures and the enforcement on a quarterly basis minimum and shall work out records in writing and further keep the <u>Audit Committee</u> informed in writing immediately upon a critical offense noticed.	The Company’s Internal Audit Department shall audit these Procedures and the enforcement on a quarterly basis minimum and shall work out records in writing and further keep the <u>supervisors</u> informed in writing immediately upon a critical offense noticed.
Article 11	<u>The amendment of these Procedures shall, after being approved by the Audit Committee and the Board of Directors, be submitted to the Shareholders' Meeting for approval.</u> Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the <u>Audit Committee</u> and Shareholders' Meeting for discussion.	<u>The Procedures shall, after being approved by the Board of Directors, and forwarded to the supervisors, be submitted to the Shareholders' Meeting for approval.</u> Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the <u>supervisors</u> and Shareholders' Meeting for discussion. <u>The same procedures shall apply to the amendments thereto.</u>

III. Procedure for Loan to Others

Article	After Amendment	Before Amendment
Article 4 Paragraph 1	<p>Before the Company grants a loan, the Borrower shall present requisite financial information and apply to the Company’s Finance Department for the limit of loans. The Finance Department shall prudently evaluate whether the application is in compliance with Regulations Governing Loan of Funds and Making of Endorsements/Guarantees by Public Companies (hereinafter referred to as “the Regulation”) , and with this Procedure, including the following items. The evaluation results shall <u>first be submitted to the Audit Committee for approval</u>, and then to the Board of Directors for approval before processing the cases. The Board of Directors shall not authorize any others to make such decision.</p> <p>The assessment mentioned herein shall include,</p> <ul style="list-style-type: none"> (A)The necessity and rationale of extending loan to others. (B)The credit status and risk assessment of the Borrowers. (C)The impact on the operation risk, financial condition and shareholders’ equity of the Company. (D)Whether collateral must be obtained and appraisal of the value thereof. 	<p>Before the Company grants a loan, the Borrower shall present requisite financial information and apply to the Company’s Finance Department for the limit of loans. The Finance Department shall prudently evaluate whether the application is in compliance with Regulations Governing Loan of Funds and Making of Endorsements/Guarantees by Public Companies (hereinafter referred to as “the Regulation”) , and with this Procedure, including the following items. The evaluation results shall be submitted to the Board of Directors for approval before processing the cases. The Board of Directors shall not authorize any others to make such decision.</p> <p>The assessment mentioned herein shall include,</p> <ul style="list-style-type: none"> (A)The necessity and rationale of extending loan to others. (B)The credit status and risk assessment of the Borrowers. (C)The impact on the operation risk, financial condition and shareholders’ equity of the Company. (D)Whether collateral must be obtained and appraisal of the value thereof.
Paragraph 6	<p>When the Board of Directors is discussing about this Procedure, or when the Company is loaning funds to others, each independent director's opinions shall be taken into full consideration; while independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.</p>	<p><u>In the case that the Company has established the position of independent directors</u>, when the Board of Directors is discussing about this Procedure, or when the Company is loaning funds to others, each independent director's opinions shall be taken into full consideration; while independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.</p>
Paragraph 7	<p>If, as a result of changes in circumstances, the Borrower fails to comply with the requirements set forth or the loan balance has exceeded the limit, the Company shall adopt rectification plans, submit the plans to <u>the Audit Committee</u>, and complete the rectification according to the timeframe set out in the plan.</p>	<p>If, as a result of changes in circumstances, the Borrower fails to comply with the requirements set forth or the loan balance has exceeded the limit, the Company shall adopt rectification plans, submit the plans to <u>the supervisors</u>, and complete the rectification according to the timeframe set out in the plan.</p>
Paragraph 8	<p><u>According to these Procedures, the matters shall be approved by the Audit Committee, if the matters have not been approved by more than half members of all Audit Committee members, the matters shall be approved by the Board of Directors with two-thirds of all Directors, and the resolution of Audit Committee shall be recorded in the Board of Directors minutes. The Audit Committee members and the Board of Directors members as stated will only calculate the</u></p>	

	<u>members in present position.</u>	
Article 6 Paragraph 1	The Company shall maintain a memorandum book for loan extension setting out in details the subjects of loans, their amount, <u>date of approval by the Audit Committee</u> , date of approval by the Board of Directors, loan drawdown date and results of evaluation as required under Paragraph 1 of Article 4 above.	The Company shall maintain a memorandum book for loan extension setting out in details the subjects of loans, their amount, date of approval by the Board of Directors, loan drawdown date and results of evaluation as required under Paragraph 1 of Article 4 above.
Paragraph 2	The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform the <u>Audit Committee</u> of the same.	The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform <u>the supervisors</u> of the same.
Article 10	<u>The amendment of these Procedures shall, after being approved by the Audit Committee and the Board of Directors, be submitted to the Shareholders' Meeting for approval.</u> Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the <u>Audit Committee</u> and Shareholders' Meeting for discussion.	<u>The Procedures shall, after being approved by the Board of Directors, then forwarded to the supervisors, be submitted to the Shareholders' Meeting for approval.</u> Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to <u>the supervisors</u> and Shareholders' Meeting for discussion. <u>The same procedures shall apply to the amendments thereto.</u>

Proposed by the Board

Proposal 3: To Elect Directors and Independent Directors.

Explanation:

The three-year term of 25th directors and supervisors will be expired in June, 2017. Accordingly, the Board of Directors proposed to elect directors and independent directors at 2017 Regular Shareholders' Meeting.

The 2017 Regular Shareholders' Meeting shall elect 12 directors and 3 independent directors with three-year term.

The Company's election of directors and independent directors adopts candidate nomination system. Shareholders shall elect directors and independent directors from those who listed in the slate of candidates which has been reviewed by the 13th meeting of 25th Board of Directors held on May 11, 2017. The slate of candidates is attached as the following list.

Voting Results:

The Slate of Candidates

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its shareholding
Director	Douglas Tong Hsu	Master of Economics, Columbia University	Chairman, Far Eastern New Century Corp. Chairman, Asia Cement Corp. Chairman, Far Eastone Telecommunications Co., Ltd	Chairman, Far Eastern New Century Corp. Chairman, Asia Cement Corp. Chairman, Far Eastone Telecommunications Co., Ltd	23,278,334	None
Director	Tsai Hsiung Chang	Mechanical Technology Section, National Central Industrial College (Chongqing)	President, Asia Cement Corp. CEO, Asia Cement (China) Holdings Corp.	Director, Asia Cement (China) Holdings Corp. Director, U-Ming Marine Transport Corp.	459,350	Far Eastern New Century Corp. 750,511,324
Director	Johnny Shih	Master of Computer, Columbia University	President, Far Eastern New Century Corp. Vice Chairman, Oriental Union Chemical Corp.	Vice Chairman, Far Eastern New Century Corp. Vice Chairman, Oriental Union Chemical Corp.	453,745	Far Eastern New Century Corp. 750,511,324
Director	C.V. Chen	S.J.D., Harvard University	Chairman and Managing Partner, Lee and Li Attorneys-At-Law Vice Chairman, Strait Exchange Foundation	Chairman and Managing Partner, Lee and Li Attorneys-At-Law Chairman, Taipei European School	338,429	Far Eastern New Century Corp. 750,511,324
Director	Chin-Der Ou	PhD. of Engineering, Case Western Reserve University	Former Chairman, Easy Card Corp. Former Chairman, Taiwan High Speed Rail Corp.	Senior Advisor, Century Development Corp. Supervisor, Taiwan Construction Research Institute	0	Bai-Yang Investment Holdings Corp. 3,849,468
Director	Kun Yan Lee	Yi-Lan Elementary School	Director, Tamkang University Supervisor, Far Eastern New Century Corp.	President, Asia Cement Corp. Director, U-Ming Marine Transport Corp.	2,361,557	Yue Ding Industry Co., Ltd. 1,895,136
Director	Peter Hsu	Master of Operations Research, Stanford	Director, Far Eastern New Century Corp.	Vice Chairman, Far Eastern New Century Corp.	13,454,981	Far Eastern Y.Z. Hsu Science and Technology

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its shareholding
		University; Master of Information Science, UCLA	Director, Far Eastone Telecommunications Co., Ltd	Director, Far Eastone Telecommunications Co., Ltd		Memorial Foundation 4,819,800
Director	Chen Kun Chang	Mechanical Section, National Taipei Institute of Technology	Chief Deputy Plant Manager, Hualien Plant of Asia Cement Corp. President, Hubei Yadong Cement Corp.	Vice CEO, Asia Cement (China) Holdings Corp. President, Jiangxi Yadong Cement Corp.	29,745	Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation 4,819,800
Director	Ruey Long Chen	Bachelor of Economics, National Chung Hsing University	Former Minister of Economic Affairs	Chairman, Sinocon Industrial Standards Foundation Chairman, Powerchip Technology Corp. Secretary General, Cross-Strait Entrepreneur Summit	0	Ta Chu Chemical Fiber Co., Ltd. 1,560,068
Director	Connie Hsu	Bachelor of Biology, California State University	Vice Chairman, Oriental Institute of Technology Director, Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation	Director, Oriental Institute of Technology Director, Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation	14,264,734	Huey Kang Investment Corp. 4,837,436
Director	Champion Lee	Master of Business Administration, Texas A&I University	Senior Vice President, Far Eastern New Century Corp.	Director, Far Eastern New Century Corp. Director, U-Ming Marine Transport Corp.	0	Far Eastern Medical Foundation 181,566,797
Director	Kwan-Tao Li	LL.M., Graduate Division, Law School, New York University	Director, Asia Cement Corp. Director, Far Eastern New Century Corp.	Chief Senior Counselor, Lee and Li Attorneys-At-Law Director, Far Eastern New Century Corp. Director, Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation	642,936	U-Ming Corp. 1,505,585
Independent Director	Ta-Chou Huang	PhD. in Agriculture, Cornell University	Former Mayor of Taipei	Honorary Professor, National Taiwan University Chairman, The Association of Parks And Open Space	0	None

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its shareholding
Independent Director	Chi Schive	PhD. in Economics, Case Western Reserve University	Former Chairman, Taiwan Stock Exchange	Chair Professor, Shih Hsin University	0	None
Independent Director	Gordon S. Chen	PhD. in Business Administration, National Taiwan University	Chairman, Financial Supervisory Commission Honorary Chair Professor, Chung Yuan Christian University	Chairman, Central Investment Co. Lecturer Professor, Chinese Culture University	0	None

Proposed By the Board

Proposal 4: Proposal for Release the Prohibition on Directors from Participation in Competitive Business.

Explanation:

1. According to Section 1, Article 209 of the Company Act, any director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the shareholders' meeting the essential contents of such an act and secure its approval.
2. The new 26th directors may conduct same business within the scope of the Company's business. Thus, the Company proposes to release the prohibition on directors from participation in competitive business.

Resolution:

V Questions and Motions

Rules and Bylaws

1. Articles of Incorporation of Asia Cement Corporation

Chapter I – General Provisions

- Article 1 The Company is duly incorporated under the provisions of the Company Act of the Republic of China, and shall be called “Asia Cement Corporation.”
- Article 2 The Company's businesses are as follows:
C901030 Cement manufacturing
C901040 Ready-mixed concrete manufacturing
B601010 Quarrying
C901050 Cement and ready-mixed concrete products
C901990 Non-metallic mineral products
F111090 Whole sale of building materials
F211010 Retail sale of building materials
F401010 International trade
IZ06010 Tally and packing
. A201010 Afforestation business
. H701010 Developing, leasing, and selling residential and business buildings
. H701020 Developing, leasing, and selling industrial factories
. H703100 Real estate rental & leasing
. H703090 Real estate sale & purchase
. JE01010 Rental and leasing
. G202010 Parking-lot business
. G801010 Warehousing
. I103060 Business management consultation services
. J101040 Waste treatment
Except where permits are required, to run operations not forbidden or limited by laws and regulations.
- Article 3 The Company may provide guarantee according to the Procedures for Endorsement & Guarantee of Asia Cement Corporation.
- Article 4 Where the Company invests in other companies and becomes a shareholder with limited liability, its total investment may exceed 40% of its paid-in capital as stipulated under Article 13 of the Company Act, subject to approval of the Board of Directors.
- Article 5 The Company shall have its principal business office in Taipei City, Taiwan and have its manufactories in Dadu Village, Hengshan Township, Hsinchu County and Sincheng Village, Sincheng Township, Hualian County. The Company may, depending on the circumstances of production and business, set up domestic and foreign branch offices and branch factories.

Chapter II– Shares

Article 6 The Company's total capital shall be forty billion New Taiwan Dollars (NT\$40,000,000,000) divided into 4,000,000,000 shares of NT\$10 each. The Board of Directors is authorized to issue the un-issued shares in separate trenches.

Out of the above total capital amount, One Hundred Million New Taiwan Dollars (NT\$100,000,000) shall be divided into 10,000,000 shares of NT\$10 each, to be issued as warrants for employees to subscribe.

Article 7 Shares issued by the Company are not required to be evidenced by share certificates, provided that they shall be recorded at the securities central depository enterprises.

The Company can issue preferred shares.

In the event that the Company merges with another company, matters relating to the merger need not be approved by way of a resolution of the shareholders meeting of prefer shares.

Article 8 Matters relating to the Company's shares shall be dealt with according to the provisions of "Regulations Governing Handling of Stock Affairs by Public Companies" and the relevant laws and regulations.

Article 9 Registration of share transfer shall be closed within 60 days prior to the general shareholders' meeting, or within 30 days prior to an extraordinary shareholders' meeting or within 5 days prior to the record date on which Company distributes the dividends or bonuses.

Chapter III - Shareholders' Meeting

Article 10 The shareholders' meetings shall be general or extraordinary shareholders' meetings.

1. General shareholders' meeting shall be held once a year within 6 months of the end of the Company's financial year.

2. Extraordinary shareholders' meeting shall be convened by the Board of Directors where it thinks necessary or by way of written request by shareholders who have held continuously the Company's shares for more than 1 year and whose shareholdings are greater than 3% of the Company's issued shares.

Other than where the Board of Directors has not convened or is unable to convene shareholders' meeting, the Supervisor may also convene shareholders' meeting for the benefit of the Company.

Article 11 Notices of general shareholders' meeting shall be in writing and delivered to the shareholders along with a public notice 30 days prior to the general shareholders' meeting and 15 days prior to the extraordinary shareholders' meeting. The said notices shall specify the date, place and reasons for calling

the shareholders' meeting.

Article 12 Unless otherwise provided for in the Company Act, a quorum shall be present at the shareholders' meeting if shareholders representing more than half of the shares issued by the Company are in attendance, and resolutions at the said assembly shall be adopted if approved by a majority of the shareholders in attendance.

Article 13 Shareholders may by way of power of attorney appoint proxies to attend the shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included. Unless otherwise stipulated by the Company Act, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".

Article 14 Unless otherwise provided for in the Company Act and the Articles of Incorporation, shareholders' meeting shall be conducted in accordance with the Company's regulations for shareholders' meeting.

Article 15 Minutes and resolutions of shareholders' meeting shall be recorded and signed by or affixed with the seal of the chairperson of the meeting. The said minutes and resolutions shall specify the date and place of the shareholders' meeting, number of shares represented by the shareholders (or proxies) present at the meeting; number of voting rights represented; name of the chairperson of the shareholders' meeting; resolutions and the manner in which they are passed. The said minutes and resolutions shall be kept, together with the register of shareholders' attendance and the proxies' powers of attorney, in compliance with the law.

The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be made by means of electronic transmission.

Chapter IV – Directors, Supervisors and Managerial Officers

Article 16 There shall be 13~19 directors and 5 supervisors of the Company, who are elected and appointed from the persons with legal capacity at the Shareholders' Meeting. The total number of the registered shares of the Company held by all of the directors and supervisors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".

The term of office of directors and supervisors are for a period of 3 years. They may be reappointed following their re-election.

Independent directors shall not be less than three in number and shall not be less than one-fifth of the total number of directors.

Directors and supervisors shall be elected by adopting candidate nomination system in accordance with the article 192-1 of Company Act. A shareholder shall elect from the nominees listed in the roster of candidates. The election of independent directors, non-independent directors, and supervisors should be held together while elected quotas shall be calculated separately

Article16-1 Pursuant to Article 14-4 of the Securities and Exchange Act, the Company will establish an Audit Committee. The Audit Committee shall make up of the entire number of Independent Directors, and it is responsible of executing powers relegated to Supervisors by the Company Act, Securities and Exchange Act and other laws and regulations. The Supervisors will cease to function and be ipso facto dismissed on the date of instituting of the Audit Committee.

The organizing members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or rules or regulation of the Company. The organization regulations of the Audit Committee shall be adopted by the Board of Director.

Article 17 The Board of Directors of the Company shall comprise the directors to exercise the Director's power and authority. A Chairman, who represents the Company, and a Vice Chairman shall be elected from and among the Directors. Where the Chairman is on leave or absent or cannot exercise his/her power and authority for any cause, the Vice Chairman shall act on his/her behalf. Where the Vice Chairman is also on leave or absent or cannot exercise his/her power and authority, the Chairman of the Board of Directors shall designate one of the Directors to act on his behalf. In the absence of such a designation, the Directors shall elect from and among themselves an acting chairperson of the Board of Directors.

Article 18 Meetings of the Board of Directors shall be quarterly convened by the Chairman. Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the Directors. The Chairperson may where necessary convene extraordinary meetings of the Board at any time.

When a Director is unable to attend the meeting of the Board of Directors in person, he/she may be represented by another Director in accordance with laws.

The meeting notice of the Board of Directors could be made in hard copy, e-mail, or fax.

Article 19 The Supervisors shall perform their duties of supervision in accordance with laws. Furthermore, supervisors may attend meetings of the Board of Directors

and present their views, but may not have voting rights. Supervisors may elect from and among them a Resident Supervisor to perform the daily supervisory duty.

Article 20 The salaries of executive directors and supervisors might be paid as employees with reference to the standard of listed companies in cement industry. And the amount of such salaries shall be determined by the Board of Directors.

Article 21 The Company shall have a President, Vice Presidents, Chief Auditor, General Plant Manager, Chief Engineer, Assistant Vice Presidents, Deputy Chief Auditor, Managers, and Plant Managers. The appointment and dismissal of the above staffs shall be approved by the resolutions of the Board of Directors and adopted by a majority of the Directors at a meeting attended by a majority of the Directors.

Article 22 The Chairman, Vice Chairman and President shall handle the daily affairs of the Company in compliance with the resolutions of the Board of Directors.

Chapter V – Accounting

Article 23 The Company's fiscal year shall commence on January 1st of each year, and ends on December 31st of the same year. The final accounts are settled at the end of the Company's fiscal year.

Article 24 The Board of Directors shall in accordance with laws furnish various documents and statements and forward the same to the Supervisors for review no later than 30 days prior to the general shareholders' meeting, following which the said statements reviewed by the Supervisors and their reports shall be submitted for approval at the general shareholders' meeting.

The appointment, dismissal and remuneration of the accountants, who audit and review the above documents and statements, shall be resolved at the meeting of the Board of Directors.

Article 25 2% to 3.5% of profit of the current year should be distributed as employees' compensation and not more than 2.5% of profit of the current year should be distributed as Directors' and Supervisors' remuneration in the case where there are profits for the current year. However, the Company's accumulated losses shall have been covered.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of Directors, to determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as employees' compensation; and a report of such distribution shall be submitted to the shareholders' meeting.

The actual ratio and amount of the profit distributable as Directors' and Supervisors' remuneration shall also be determined by Board of Directors, and a report of such distribution shall be submitted to the shareholders' meeting.

Article 26 Apart from paying all its income taxes in the case where there are net incomes at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve and a special reserve as required by law shall be set aside. Subject to certain business conditions under which the Company may retain a portion of the remaining balance, the Company may distribute to the shareholders the remainder together with undistributed profits from previous years in proportion to the number of the shares held by each shareholder as shareholders' dividend. However in the case of increase in the Company's share capital, the shareholders' dividend to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting.

The distribution of shareholders' dividend shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders' dividend shall be distributed aimed at maintaining the stability of shareholders' dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, the cash dividend is not less than 10% of the shareholders' dividend distributed in the same year.

Article 27 Allocation of surplus assets to prefer shares of the Company shall not exceed the par value.

Chapter VI – Supplementary Provisions

Article 28 The organizational rules and bylaws of the Company shall be drawn and amended additionally.

Article 29 All matters not covered herein shall be undertaken in accordance with the Company Act and the other relevant laws and regulations.

Article 30 At the close of each fiscal year, all the statements and records of accounts prepared by the Board of Directors shall be submitted to each shareholder after the ratification by the general shareholders' meeting in accordance with Paragraph 1, Article 230 of the Company Act.

Article 31 These Articles of Incorporation were drafted on January 27, 1957, and came into effect following its approval by the competent authorities. Amendments shall take effect following their approval at the shareholders' meetings.

First amendment on March 5, 1958;

Second amendment on February 5, 1960;

Third amendment on October 20, 1961;

Fourth amendment on April 11, 1962;

Fifth amendment on March 24, 1963;

Sixth amendment on October 22, 1963;
Seventh amendment on July 28, 1964;
Eighth amendment on October 22, 1965;
Ninth amendment on April 23, 1966;
Tenth amendment on April 15, 1967;
Eleventh amendment on April 22, 1968;
Twelfth amendment on April 30, 1969;
Thirteenth amendment on April 25, 1970;
Fourteenth amendment on July 8, 1970;
Fifteenth amendment on April 28, 1971;
Sixteenth amendment on April 27, 1973;
Seventeenth amendment on May 3, 1974;
Eighteenth amendment on April 28, 1975;
Nineteenth amendment on April 8, 1976;
Twentieth amendment on September 24, 1976;
Twenty-first amendment on April 15, 1977;
Twenty-second amendment on April 21, 1978;
Twenty-third amendment on April 26, 1979;
Twenty-fourth amendment on April 21, 1980;
Twenty-fifth amendment on April 24, 1981;
Twenty-sixth amendment on April 28, 1982;
Twenty-seventh amendment on April 28, 1983;
Twenty-eighth amendment on April 25, 1984;
Twenty-ninth amendment on April 29, 1985;
Thirtieth amendment on April 23, 1986;
Thirty-first amendment on April 16, 1987;
Thirty-second amendment on April 12, 1988;
Thirty-third amendment on April 12, 1990;
Thirty-fourth amendment on April 12, 1991;
Thirty-fifth amendment on May 7, 1992;
Thirty-sixth amendment on May 7, 1993;
Thirty-seventh amendment on May 6, 1994;
Thirty-eighth amendment on April 28, 1995;
Thirty-ninth amendment on May 17, 1996;
Fortieth amendment on May 14, 1997;
Forty-first amendment on May 13, 1998;
Forty-second amendment on May 14, 1999;
Forty-third amendment on May 12, 2000;
Forty-fourth amendment on May 16, 2001;

Forty-fifth amendment on June 7, 2002;
Forty-sixth amendment on June 9, 2005;
Forty-seventh amendment on June 7, 2006;
Forty-eighth amendment on June 17, 2008.
Forty-ninth amendment on June 22, 2011.
Fiftieth amendment on June 21, 2013.
Fifty-first Amendment on June 21, 2016.

*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

2. Meeting Rules of Shareholders for Asia Cement Corporation

Take effect on March 24, 1963

First amended on May 23, 1997

Second amended on May 13, 1998

Third amended on June 7, 2002

Last amended on June 21, 2013

Article 1 The Shareholders' Meeting of the Company shall be held according to the rules herein.

Article 2 The location for Shareholders' Meeting shall be the Company's place of business or a place convenient for attendance by shareholders (or by proxies) that is suitable for holding of this meeting. The meeting shall be held between 9:00am and 3:00pm.

The shareholders (or proxies) when attending the meeting shall wear admission badge and hand in signed attendance form.

When convening Shareholders' Meeting, the Company shall incorporate electronic vote casting as one of the alternative ways to cast the vote, and the procedure of electronic casting shall be written in the notice of Shareholders' Meeting. Shareholders who vote via electronic casting is deemed as presented in person. With respect to extemporaneous motions, amendments of the original proposals, and substitute proposals raised in the Shareholders' Meeting, those who vote via electronic casting shall be considered as abstain.

Number of shareholders in attendance shall be calculated based on the number of attending shares, which equals to the sum of number of shares shown on the signed attended forms and the number of voting shares via electronic casting.

The Company may appoint lawyers, accountants or related personnel to attend the Shareholders' Meeting.

The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.

For a Shareholders' Meeting convened by the Board of Directors, the chairperson of the Board of Directors shall preside at the meeting. If the chairperson of the Board of Directors is on leave or unable to exercise the rights, the vice-chairperson of the Board of Directors shall preside instead. If the position of vice-chairperson is vacant or the vice-chairperson is on leave or unable to exercise the rights, the chairperson of the Board of Directors shall designate a director to preside at the meeting. If no director is so designated, the chairperson of the meeting shall be elected by the Board of Directors among themselves.

For a Shareholders' Meeting convened by any other person having the convening right, he/she shall act as the chairperson of that meeting; if there are two or more persons having the convening right, the chairperson of the meeting shall be elected

among themselves.

The complete processes of the meeting shall be recorded by voice or video recorders and all the records shall be kept by the Company for a minimum period of at least one year.

Article 3 The chairperson shall announce starting of the meeting when the attending shareholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending shareholders (or proxies) represent more than one third of the total shares issued in public, tentative resolutions may be passed with respect to ordinary resolutions by a majority of those present.

After proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending shareholders (or proxies) reached the legal quorum.

Article 4 If the Shareholders' Meeting is convened by the Board of Directors, the agenda shall be designated by the Board of Directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions.

If the meeting is convened by person, other than the Board of Directors, having the convening right, the provision set out in the preceding paragraph shall apply *mutatis mutandis*.

Except with shareholders' resolution, the chairperson shall not declare adjournment of the meeting before the completion of the meeting agenda (including motions) set forth according to the two sections above.

During the meeting, if the chairperson declares adjournment of the meeting in violation of the preceding rule, a new chairperson may be elected by a resolution passed by majority of the attending shareholders to continue the meeting.

When the meeting is adjourned by resolution, the shareholders shall not elect another chairperson to continue the meeting at the same location or another venue.

Article 5 The shareholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session.

The statement will be deemed to be invalid if the shareholder (or proxy) merely completes the statement slip without speaking at the meeting. If there is any discrepancy between the content of the statement slip and the speech, the speech content shall be adopted after confirmation.

- Article 6 Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the shareholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other shareholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.
- Article 7 The explanation of proposal shall be limited to 5 minutes. The statement of inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the chairperson's permission.
- The chairperson may restrain shareholders (or proxies) from speaking if that shareholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal. When a shareholder (or proxy) is speaking, other shareholder (or proxy) shall not interrupt without consent of the chairperson and the speaking shareholder (or proxy). Anyone disobedient to the preceding rule shall be prohibited by the chairperson.
- Article 14 of this meeting rule shall apply if anyone disobedient to the preceding rule and do not follow the chairperson's instructions.
- Article 8 For the same proposal, each person shall not speak more than 2 times.
- Where a juristic person is authorized to attend a Shareholders' Meeting, such juristic person shall appoint only one representative to attend the meeting.
- Where a juristic person appoints more than two representatives to the meeting, only one representative is allowed to speak.
- Article 9 After speaking by the attending shareholder (or proxy), the chairperson may reply in person or assign relevant officer to reply.
- Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed.
- Article 10 For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.
- No discussion or voting shall proceed for matters unrelated to the proposals.
- The poll-watchers and tally clerks shall be appointed by the chairperson with the consent of the shareholders (or proxies). The poll-watchers shall be limited to shareholders of the Company.
- Article 11 In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or company's articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the shareholders (or proxies) attending the meeting.
- The proposal for a resolution shall be deemed approved if no objection expressed by shareholders casting their votes via electronic casting, and if the chairperson inquires and receives no objection from shareholders in attendance in person. The

validity of such approval has the same effect as if the resolution has been put to vote.

If any objection of a proposal being expressed, such proposal shall be put to vote. All proposals may be put to vote one after the other by its sequence, or may be put to vote together and numbers of votes for each proposal are counted separately. Whichever way of the voting procedures shall be decided by the chairperson.

If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.

The results of voting shall be reported on the spot and kept for records.

Article 12 During the meeting, the chairperson may at his/her discretion declare time for break.

Article 13 The chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.

Article 14 The shareholders (or proxies) shall obey the instructions of the chairperson and security guards in terms of maintaining the order. The chairperson or security guards may exclude the persons disturbing the Shareholders' Meeting from the meeting.

Article 15 For matters not governed by the rules specified herein, shall be governed according to the Company Act, Securities and Exchange Act and the other related laws and regulations.

Article 16 The rules herein take effect after approval at the Shareholders' Meeting. The same provision applies for any amendments.

*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

3. Election Rules for Directors and Supervisors

Last amended on June 21, 2013

- Article 1 These rules shall apply to the election of directors and supervisors of the Company.
- Article 2 The election of the Company's Directors/supervisors shall be on the basis of accumulation of votes. Ballot of the eligible voter shall be assigned with code of certificate of present voter. The ballots to be prepared by Board of Directors shall indicate serial number of present voter and the number of votes he represented.
- Article 3 The election of directors and supervisors shall be pursued according to the number of position required and shall be held together; provided, however, that the independent and non-independent directors elected shall be calculated separately. The candidates that obtain more number of votes shall be elected. If there are two or more candidates obtaining the same number of vote but the number of position offered is limited, a draw shall be made amongst them to determine. The chairperson shall conduct the drawing for the candidate who is absent.
- Directors and Supervisors shall be elected by adopting the candidate nomination system specified in Article 192-1 of Company Act. Moreover, the professional qualifications, the assessment of independence and other matters of the independent directors shall be in compliance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or other relevant regulations.
- Article 4 In the beginning of the election, the chairman shall designate two canvassers and two tally clerks to carry out relevant missions. The canvasser shall be limited to shareholder of the Company.
- Article 5 The canvasser shall perform the following missions:
- (1) Prior to casting of votes, open the vote box to the participants and have a seal attached onto the cover of box.
 - (2) Maintain good order for vote casting and prevent any negligence or irregularities in voting.
 - (3) Upon completion of voting, remove the seal from box cover, take out the ballots and count the number of ballots.
 - (4) Check to see if there are any invalid votes and have the valid votes hand over to tally clerk.
 - (5) Conduct supervision over the votes recorded by tally clerk and votes won by the eligible Directors/supervisors.
- Article 6 Where a candidate is a natural person, the voters shall expressly enter the candidate's account name and shareholder account number on the ballots if he is a shareholder, and shall expressly enter the candidate's name and ID document number on the ballots if he is not a shareholder.
- Where a candidate is a government or a corporate shareholder, other than the shareholder account number, the voters may enter as well the name of the government or a corporate shareholder and name of the representative. In

case of several representatives, the names of representatives shall be entered.

- Article 7 A ballot is null and void if:
- (1) Not in the ballot form as required under the Rules;
 - (2) Bearing two or more candidates on a same ballot;
 - (3) Remaining blank bearing no entries from the vote;
 - (4) Bearing entries not satisfactory to Article 6 or bearing other irrelevant wording;
 - (5) Bearing vague, illegible wording;
 - (6) Bearing a candidate who proves nonconforming in qualifications.
- Article 8 Two ballot boxes shall be provided each for the directors and supervisors, and shall be opened for ballot count separately.
- Article 9 After all ballots are cast into ballot box, the canvasser shall join the tally clerk in opening of ballot box.
- Article 10 The canvasser shall supervise over the count of ballots of tally clerk.
- Article 11 In case of any doubts about the ballots, the canvasser shall be requested to conduct a verification to see the validity of the ballots. The invalid ballots shall be segregated from the valid ones and be certified as invalid ballots by the canvasser after having counted number of ballots and the voting rights.
- Article 12 According to results of the votes, the canvasser shall conduct a check on the valid ballots and invalid ballots and produce a record indicating the number of valid ballots and voting rights, the invalid ballots and the voting rights and then the chairman shall announce the names of the elected directors and supervisors.
- Article 13 Board of Directors shall issue notice of the elected directors and supervisors.
- Article 14 The rules herein take effect after approval at the shareholders' meeting. The same provision shall apply for any amendments.

*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

Appendix

1. Shareholding of Directors and Supervisors

Title	Name	Representative	Shareholdings	Ratio of Shareholding
Chairman	Douglas Tong Hsu	-	23,278,334	0.69%
Independent Director	Ta-Chou Huang	-	0	0
	Chi Schive	-	0	0
	Gordon S. Chen	-	0	0
Director	Far Eastern New Century Corporation	T.H. Chang Johnny Shih C.V. Chen	750,511,324	22.33%
	X.Z.Ying-Chai Memorial Foundation	Sui-Cheong Ying	13,224,343	0.39%
	U-Ding Corporation	K.Y. Lee	1,895,136	0.06%
	Far Eastern Y.Z. Hsu Science And Technology Memorial Foundation	Peter Hsu C.K. Chang	4,263,800	0.13%
	Ta Chu Chemical Fiber Co.,Ltd	Ruey Long Chen	1,560,068	0.05%
	Huey Kang Investment Corporation	Connie Hsu	4,837,436	0.14%
Shareholding of All Directors			799,570,441	23.79%
Supervisor	Far Eastern Medical Foundation	S.Y. Wang Champion Lee	181,566,797	5.40%
	Bai-Yang Investment Holdings Corporation	Chin-Der Ou T.Y. Tung.	3,849,468	0.11%
	U-Ming Corporation	K.T. Li	1,505,585	0.04%
Shareholding of All Supervisors			186,921,850	5.56%

Note 1: The ratios above are calculated based on total issued shares (3,361,447,198 shares) on book closure date (April 29, 2017).

Note 2: The minimum required combined shareholding of all directors by law: 80,674,732 shares. The minimum required combined shareholding of all supervisors by law: 8,067,473 shares.

Note 3: The shareholdings of all directors and supervisors meet the minimum required combined shareholding.

2. Effects on Business Performance and EPS Resulting From 2016 Stock Dividend Distribution

Year		2017 (Estimated)	
Item			
Paid-In Capital (Beginning of The Year)		NT \$33,614,471,980	
Stock & Cash Dividend Distribution	Cash Dividend Per Share	NT\$0.9	
	Stock Dividend From Retained Earnings Per Share	0.00 Share	
	Stock Dividend From Capital Surplus Per Share	0.00 Share	
Variance In Business Performance	Operating Income	Not Applicable	
	% Change In Operating Income	"	
	Net Income	"	
	% Change In Net Income	"	
	Earnings Per Share	"	
	% Change In EPS	"	
	Average Return on Investment (%) (Reciprocal of Average P/E Ratio)	"	
Pro Forma EPS & P/E Ratio	If Retained Earnings Distributed In Cash Dividend	Pro Forma Earnings Per Share	"
		Pro Forma Average Yearly Return on Investment	"
	If Capital Surplus Not Distributed In Stock Dividend	Pro Forma Earnings Per Share	"
		Pro Forma Average Yearly Return on Investment	"
	If Retained Earnings & Capital Surplus Distributed In Cash Dividend Rather Than Stock Dividend	Pro Forma Earnings Per Share	"
		Pro Forma Average Yearly Return on Investment	"

* As the Company does not disclose its financial forecast information, in compliance with relevant governmental regulations, there is no need to provide this information.



ASIA CEMENT CORPORATION