

# Far Eastern New Century Corporation (FENC)

## 2014 Annual General Shareholders' Meeting Minutes (Translation)

**Date:** Thursday, 26 June 2014

**Time:** 9:00 a.m. Taipei time

**Place:** Auditorium of Taipei Hero House  
No. 20, Changsha Street, Section 1, Taipei, Taiwan

### Shareholders present:

Total number of outstanding shares: 5,144,267,447 shares (excluding 749,110 shares owned by FENC's subsidiaries)

Total shares represented by shareholders present: 4,395,320,858 shares

Percentage of shares held by shareholders: 85.441%

**Directors:** Mr. Douglas Tong Hsu, Mr. Johnny Shih, Mr. Peter Hsu, and Mr. Shaw Y. Wang

**Supervisors:** Mr. T. H. Chang, Ms. Alice Hsu, and Mr. Champion Lee

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

**Recorder:** Ms. Grace Yang



### A. Meeting called to order

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

### B. Chairman's address (Omitted)

### C. Reported Items:

1. 2013 business operations (Omitted)
2. 2013 financial statements (See Attachment I)
3. Supervisor's review report of 2013 business operations and financial statements (Omitted)
4. Information of the corporate bonds issued in 2013 (Omitted)
5. The measurement subsequent to initial recognition of investment properties was altered to fair value model (Omitted)

## **D. Approval items**

### **1. To accept 2013 business report and financial statements**

The Board of Directors proposes and recommends that each shareholder vote FOR the acceptance of 2013 business report and financial statements.

Explanatory Notes:

- i. FENC's 2013 business report and financial statements (including consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows) have been audited by independent auditors, Mr. Cho Ming Hsing and Mr. Huang Shu-Chieh of Deloitte & Touche, and have been examined by and determined to be correct and accurate by Supervisors of FENC. We thereby submit this report.
- ii. Please accept the aforesaid business report and financial statements.

**Voting Results: 4,395,320,858 shares were represented at the time of voting (including e-voting); 3,560,359,703 shares voted for the proposal, representing 81.00% of the total represented shares, 18,572 shares voted against the proposal, while 834,942,583 shares voted abstained the proposal.**

**RESOLVED, that the 2013 business report and financial statements be and hereby were accepted as submitted.**

### **2. To approve the proposal for distribution of 2013 profits**

The Board of Directors proposes and recommends that each shareholder vote FOR the distribution of 2013 profits.

Explanatory Notes:

- i. Cash dividends to common shareholders: Totaling NT\$6,688,521,525. Each common shareholder will be entitled to receive a cash dividend of NT\$1.3 per share.
- ii. Stock dividends from capital surplus to common shareholders: Totaling NT\$1,029,003,320. Each common shareholder will be entitled to receive a stock dividend of 20 common shares for each 1,000 common shares held by such shareholder.
- iii. After being approved at the Annual General Shareholders' Meeting, the cash and stock dividends to common shareholders will be distributed on a record date to be determined by the Board of Directors.
- iv. Should FENC subsequently repurchase its common shares or issue new common shares according to Article 28-2 of the ROC Securities and Exchange Law and other relevant regulations, the total number of common shares outstanding may change, and the ultimate cash and stock to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FENC be authorized to adjust the cash and stock to be distributed to each common share based on the total amount of profits resolved to be distributed, the amount of capital surplus resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.
- v. The 2013 profit allocation proposal is attached as Attachment II.
- vi. Please approve the aforesaid proposal for the distribution of 2013 profits.

**Voting Results: 4,395,320,858 shares were represented at the time of voting (including e-voting); 3,565,187,802 shares voted for the proposal, representing 81.11% of the total represented shares, 35,711 shares voted against the proposal, while 830,097,345 shares voted abstained the proposal.**

**RESOLVED, the proposal for distribution of 2013 profits be and hereby was accepted as proposed.**

## **E. Discussion Items**

### **1. To approve the revisions to the “Articles of Incorporation of Far Eastern New Century Corporation”**

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of the Articles of Incorporation.

Explanatory Notes:

- i. It is proposed that Article 16 and Article 29 be amended, Article 16-1 and 23-1 be added of the “Articles of Incorporation of Far Eastern New Century Corporation”.
- ii. The overview table for the “Articles of Incorporation of Far Eastern New Century Corporation” Before and After amendments is attached as Attachment III.
- iii. Please approve the proposal for the amendments of the “Articles of Incorporation of Far Eastern New Century Corporation”.

**Voting Results: 4,395,320,858 shares were represented at the time of voting (including e-voting); 3,482,417,822 shares voted for the proposal, representing 79.23% of the total represented shares, 30,323 shares voted against the proposal, while 912,872,713 shares voted abstained the proposal.**

**RESOLVED, the proposal for the revisions of the “Articles of Incorporation of Far Eastern New Century Corporation” be and hereby was accepted as proposed.**

### **2. To approve the issuance of 2013 stock dividends from capital surplus**

The Board of Directors proposes and recommends that each shareholder vote FOR the issuance of 2013 stock dividends from capital surplus.

Explanatory Notes:

- i. For the purpose of improving the financial and capital structure, it is proposed that FENC's paid-in capital be increased by capitalizing the stock dividends from capital surplus to common shareholders of NT\$1,029,003,320. A total number of 102,900,332 common shares, at par value of NT\$10 each share, shall be issued for such capital increase. Each common shareholder will be entitled to receive a stock dividend of 20 common shares for each 1,000 common shares held by such shareholder.
- ii. After being approved at the Annual General Shareholders' Meeting and accepted by the regulatory authority in charge, the new shares will be distributed on a record date to be determined by the Board of Directors.
- iii. Should FENC subsequently repurchase its common shares or issue new common shares according to Article 28-2 of the ROC Securities and Exchange Law and other relevant regulations, the total number of common shares outstanding may change, and the ultimate numbers of stock to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FENC be authorized to adjust the numbers of stock to be distributed to each common share based on the total amount of profits resolved to be distributed, the amount of capital surplus resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.
- iv. In accordance with Article 240 of the Company Act, if the stock dividends include any fractional shares which are less than one full share, the distribution will be made in the form of cash rounded to the nearest dollar amount calculated at par value. Such fractional shares will be purchased by the Employee Stock Ownership Trust (ESOT) of FENC.
- v. The shareholders' rights and obligations of the new shares are the same as those of the existing shares.

- vi. The present total authorized capital of FENC is NT\$60,000,000,000, divided into 6,000,000,000 shares of NT\$10 each. Until the end of 2013, the total paid-in capital amounted to NT\$51,450,165,570, divided into 5,145,016,557 shares of NT\$10 each. The un-issued capital was NT\$8,549,834,430, divided into 854,983,443 shares of NT\$10 each.
- vii. After the capitalization of 2013 stock dividends from capital surplus, the total number of issued common shares will be 5,247,916,889 shares, at par value of NT\$10 each share. The paid-in capital will amount to NT\$52,479,168,890.
- viii. Please approve the proposal for the issuance of 2013 stock dividends from capital surplus.

**Voting Results: 4,395,320,858 shares were represented at the time of voting (including e-voting); 3,565,176,594 shares voted for the proposal, representing 81.11% of the total represented shares, 54,159 shares voted against the proposal, while 830,090,105 shares voted abstained the proposal.**

**RESOLVED, the proposal for the issuance of 2013 stock dividends from capital surplus be and hereby was accepted as proposed.**

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

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of the company bylaw.

Explanatory Notes:

- i. Pursuant to the letter issued by Financial Supervisory Commission (Letter No. FSC 1020053073), it is proposed that Article 2, Article 3, Article 5, Article 6, Article 7, Article 8, Article 9, Article 10, and Article 12 of the company bylaw of “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation” be amended.
- ii. The overview table of “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation” Before and After amendments is attached as Attachment IV.
- iii. Please approve the proposal for amendments of the aforesaid bylaw.

**Voting Results: 4,395,320,858 shares were represented at the time of voting (including e-voting); 3,482,396,735 shares voted for the proposal, representing 79.23% of the total represented shares, 45,744 shares voted against the proposal, while 912,878,379 shares voted abstained the proposal.**

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

**F. Extemporary motion: None**

Shareholder (Number: 0314803) proposes that the Company establish a mergers & acquisitions team to collaborate with Hon Hai Precision Industry Company Ltd. for the acquisition (merger) of other large telecom companies.

**G. Meeting adjourned**

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# Attachment I

## FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 26,645,574	7	\$ 30,645,166	9	\$ 19,305,661	6
Financial assets at fair value through profit or loss - current	1,191,688	-	1,058,519	-	954,871	-
Available-for-sale financial assets - current	989,348	-	2,272,149	1	3,496,456	1
Held-to-maturity financial assets - current	99,962	-	100,000	-	-	-
Derivative financial assets for hedging - current	4,442	-	21,962	-	1,500	-
Financial assets carried at cost - current	42,587	-	-	-	-	-
Bond investments with no active market	2,606,689	1	3,145,035	1	9,025,221	3
Notes and accounts receivable, net	26,884,947	7	27,892,166	8	32,168,924	10
Notes and accounts receivable from related parties	856,754	-	731,426	-	684,104	-
Amounts due from customers for construction contracts	1,473,786	-	1,551,686	1	1,572,245	1
Other receivables	1,641,758	1	1,837,097	1	966,369	-
Other receivables from related parties	1,258,834	-	1,283,844	-	1,084,665	-
Current tax assets	48,216	-	114,392	-	99,293	-
Inventories	24,184,972	6	21,617,120	6	23,946,055	7
Prepayments	3,799,470	1	2,817,079	1	3,338,837	1
Other financial assets - current	3,946,576	1	2,874,067	1	3,187,326	1
Guarantee deposits - current	52,292	-	48,207	-	65,174	-
Other current assets	1,934,219	1	1,269,243	-	1,601,868	1
Total current assets	97,662,114	25	99,279,158	29	101,498,569	31
<b>NONCURRENT ASSETS</b>						
Available-for-sale financial assets - non-current	5,257,220	2	4,489,491	1	4,032,047	1
Held-to-maturity financial assets - non-current	-	-	99,871	-	199,768	-
Financial assets carried at cost - non-current	926,908	-	1,130,424	-	1,038,213	-
Bond investment with no active market - non-current	-	-	256,508	-	261,384	-
Investments accounted for using the equity method	47,683,367	12	46,677,090	14	44,512,553	13
Property, plant and equipment	129,620,260	34	116,637,790	34	116,968,528	35
Investment properties, net	35,307,315	9	36,155,930	11	35,365,567	11
Concession	37,734,135	10	5,090,449	1	5,608,938	2
Goodwill	11,928,782	3	11,980,944	4	11,982,600	4
Other intangible assets	4,184,122	1	3,818,998	1	3,369,539	1
Deferred tax assets	2,812,572	1	1,834,329	1	1,402,473	-
Prepayment for equipment	944,727	-	2,881,210	1	1,585,957	1
Guarantee deposits	576,314	-	582,788	-	499,731	-
Other financial assets - non-current	4,071,707	1	7,543,319	2	115,805	-
Long-term prepayments for lease	7,406,266	2	2,315,715	1	1,737,843	1
Other non-current assets	239,647	-	314,901	-	182,192	-
Total noncurrent assets	288,693,342	75	241,809,757	71	228,863,138	69
<b>TOTAL</b>	<b>\$ 386,355,456</b>	<b>100</b>	<b>\$ 341,088,915</b>	<b>100</b>	<b>\$ 330,361,707</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings	\$ 28,053,848	7	\$ 25,807,392	8	\$ 27,995,384	8
Short-term bills payable	5,117,694	1	6,286,740	2	10,765,090	3
Financial liabilities at fair value through profit or loss - current	590	-	619	-	4,708	-
Derivative financial liabilities for hedging - current	-	-	-	-	2,667	-
Notes and accounts payable	17,452,151	5	19,253,330	6	21,823,881	7
Notes and accounts payable to related parties	261,571	-	292,283	-	432,078	-
Amounts due to customers for construction contracts	412,498	-	160,779	-	504,941	-
Payables to suppliers of machinery and equipment	3,133,810	1	4,012,183	1	2,210,448	1
Other payable	12,595,337	3	11,243,873	3	9,687,831	3
Other payable to related parties	75,977	-	43,119	-	27,971	-
Current tax liabilities	3,115,500	1	2,688,208	1	1,700,572	-
Provisions - current	193,328	-	160,425	-	171,474	-
Guarantee deposits received - current	334,939	-	401,798	-	504,806	-
Receipts in advance	1,199,481	-	1,107,451	-	2,153,720	1
Unearned revenue	2,667,808	1	2,643,111	1	2,895,090	1
Current portion of long-term liabilities	8,845,696	2	3,991,578	1	2,525,144	1
Other current liabilities	2,317,709	1	1,807,603	1	2,432,120	1
Total current liabilities	85,777,937	22	79,900,492	24	85,837,925	26
<b>NONCURRENT LIABILITIES</b>						
Derivative financial liabilities for hedging - non-current	421,280	-	287,522	-	-	-
Bonds payable	65,638,787	17	41,726,021	12	28,327,158	9
Long-term borrowings	43,622,704	12	32,232,012	10	33,124,195	10
Provisions - non-current	705,863	-	654,791	-	509,799	-
Deferred tax liabilities	10,454,464	3	10,267,307	3	10,305,320	3
Accrued pension liabilities	2,781,776	1	3,392,655	1	3,000,773	1
Guarantee deposits received - non-current	645,013	-	739,923	-	630,861	-
Deferred credit-gains on inter-related parties accounts	150,185	-	150,738	-	151,296	-
Other non-current liabilities	476,788	-	509,628	-	604,723	-
Total noncurrent liabilities	124,896,860	33	89,960,597	26	76,654,125	23
Total liabilities	210,674,797	55	169,861,089	50	162,492,050	49
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Capital stock						
Common stock	51,450,165	13	50,441,338	15	48,972,173	15
Capital surplus	4,681,042	1	4,744,045	1	940,486	-
Retained earnings						
Legal reserve	12,687,509	3	11,820,720	3	10,710,699	3
Special reserve	25,448,036	7	25,471,594	8	25,472,605	8
Unappropriated earnings	13,955,940	4	15,100,772	4	21,637,279	7
Total retained earnings	52,091,485	14	52,393,086	15	57,820,583	18
Other equity	4,634,101	1	2,430,425	1	3,495,446	1
Treasury stocks	(25,063)	-	(25,063)	-	(25,063)	-
Total equity attributable to owners of the company	112,831,730	29	109,983,831	32	111,203,625	34
<b>NON-CONTROLLING INTERESTS</b>	<b>62,848,929</b>	<b>16</b>	<b>61,243,995</b>	<b>18</b>	<b>56,666,032</b>	<b>17</b>
Total equity	175,680,659	45	171,227,826	50	167,869,657	51
<b>TOTAL</b>	<b>\$ 386,355,456</b>	<b>100</b>	<b>\$ 341,088,915</b>	<b>100</b>	<b>\$ 330,361,707</b>	<b>100</b>

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# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Net sales	\$ 155,953,627	65	\$ 156,365,608	66
Telecommunications service income	68,147,021	29	67,674,377	29
Gain on disposal of investments, net	530,650	-	103,530	-
Construction income	6,046,806	3	5,209,748	2
Other operating revenue	<u>8,162,553</u>	<u>3</u>	<u>7,439,084</u>	<u>3</u>
Total operating revenues	<u>238,840,657</u>	<u>100</u>	<u>236,792,347</u>	<u>100</u>
<b>OPERATING COSTS</b>				
Cost of sales	155,962,513	65	154,617,223	65
Cost of telecommunications services	27,151,232	11	29,231,099	12
Construction cost	5,745,691	2	4,475,708	2
Other operating cost	<u>3,497,304</u>	<u>2</u>	<u>4,175,212</u>	<u>2</u>
Total operating costs	<u>192,356,740</u>	<u>80</u>	<u>192,499,242</u>	<u>81</u>
<b>GROSS PROFIT</b>	<u>46,483,917</u>	<u>20</u>	<u>44,293,105</u>	<u>19</u>
<b>REALIZED CONSTRUCTION INCOME</b>	<u>555</u>	<u>-</u>	<u>556</u>	<u>-</u>
<b>OPERATING EXPENSES</b>				
Selling and marketing	22,052,202	9	22,262,649	10
General and administrative	10,448,419	5	9,114,037	4
Research and development	<u>675,902</u>	<u>-</u>	<u>700,375</u>	<u>-</u>
Total operating expenses	<u>33,176,523</u>	<u>14</u>	<u>32,077,061</u>	<u>14</u>
<b>OPERATING INCOME</b>	<u>13,307,949</u>	<u>6</u>	<u>12,216,600</u>	<u>5</u>
<b>NONOPERATING INCOME AND EXPENSES</b>				
Share of the profit of associates	4,197,698	2	3,057,869	1
Interest income	448,607	-	450,906	-
Other income - other	1,184,876	1	937,482	-
Exchange gain, net	310,965	-	-	-
Gain on financial assets (liabilities) at fair value through profit or loss, net	402,456	-	171,068	-
Interest expense	(1,432,622)	(1)	(1,414,201)	-
Other expense	(338,228)	-	(407,442)	-
Loss on disposal of property, plant and equipment, net	(1,356,800)	(1)	(1,105,548)	-

(Continued)

# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
(Loss) gain on disposal of investment properties, net	(518)	-	1,075	-
Loss on disposal of intangible properties, net	(1,912)	-	(604)	-
Exchange loss, net	-	-	(276,387)	-
Impairment loss on assets	<u>(214,451)</u>	<u>-</u>	<u>(202,860)</u>	<u>-</u>
Total nonoperating income and expenses	<u>3,200,071</u>	<u>1</u>	<u>1,211,358</u>	<u>1</u>
INCOME BEFORE INCOME TAX	16,508,020	7	13,427,958	6
INCOME TAX EXPENSE	<u>(2,223,481)</u>	<u>(1)</u>	<u>(2,226,494)</u>	<u>(1)</u>
NET INCOME	<u>14,284,539</u>	<u>6</u>	<u>11,201,464</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	2,474,593	1	(1,987,566)	(1)
Unrealized gain on available-for-sale financial assets	515,409	-	167,070	-
Loss from cash flow hedges	(132,503)	-	(200,397)	-
Actuarial gain (loss) arising from defined benefit plans	128,401	-	(618,813)	-
Share of the other comprehensive (loss) income of associates and joint venture	(644,214)	-	938,029	-
Income tax (loss) gain relating to components of other comprehensive income	<u>(20,574)</u>	<u>-</u>	<u>101,679</u>	<u>-</u>
Total other comprehensive income (loss)	<u>2,321,112</u>	<u>1</u>	<u>(1,599,998)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 16,605,651</u>	<u>7</u>	<u>\$ 9,601,466</u>	<u>4</u>
NET INCOME ATTRIBUTABLE TO:				
Owner of the Company	7,207,081	3	4,917,568	2
Non-controlling interests	<u>7,077,458</u>	<u>3</u>	<u>6,283,896</u>	<u>3</u>
	<u>\$ 14,284,539</u>	<u>6</u>	<u>\$ 11,201,464</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	9,540,356	4	3,344,419	1
Non-controlling interests	<u>7,065,295</u>	<u>3</u>	<u>6,257,047</u>	<u>3</u>

(Continued)

# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
	<u>\$ 16,605,651</u>	<u>7</u>	<u>\$ 9,601,466</u>	<u>4</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 1.50</u>		<u>\$ 1.02</u>	
Diluted	<u>\$ 1.49</u>		<u>\$ 1.02</u>	

(Concluded)

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**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars, Except dividend per share)

**Equity Attributable to Owners of the Company**

	Equity Attributable to Owners of the Company					Other Equity			Treasury Shares	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges				
BALANCE AT JANUARY 1, 2012	\$ 48,972,173	\$ 940,486	\$ 10,710,699	\$ 25,472,605	\$ 21,637,279	\$ -	\$ 3,500,409	\$ (4,963)	\$ (25,063)	\$ 111,203,625	\$ 56,666,032	\$ 167,869,657
Appropriation of the 2011 earnings												
Legal reserve	-	-	1,110,021	-	(1,110,021)	-	-	-	-	-	-	-
Cash dividends - NT\$1.7 per share	-	-	-	-	(8,325,270)	-	-	-	-	(8,325,270)	-	(8,325,270)
Stock dividends - NT\$0.3 per share	1,469,165	-	-	-	(1,469,165)	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(6,547,666)	(6,547,666)
Net income for the year ended December 31, 2012	-	-	-	-	4,917,568	-	-	-	-	4,917,568	6,283,896	11,201,464
Other comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	(508,128)	(2,534,967)	1,538,270	(68,324)	-	(1,573,149)	(26,849)	(1,599,998)
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	4,409,440	(2,534,967)	1,538,270	(68,324)	-	3,344,419	6,257,047	9,601,466
Change in equity in associates	-	-	-	(17)	(10,087)	-	-	-	-	(10,104)	-	(10,104)
Partial acquisition (disposal) of interests in subsidiaries	-	3,802,347	-	(163)	(32,235)	-	-	-	-	3,769,949	3,167,668	6,937,617
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	1,700,914	1,700,914
Change in capital surplus from dividends distributed to subsidiaries	-	1,212	-	-	-	-	-	-	-	1,212	-	1,212
Reversal of special reserve	-	-	-	(831)	831	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2012	50,441,338	4,744,045	11,820,720	25,471,594	15,100,772	(2,534,967)	5,038,679	(73,287)	(25,063)	109,983,831	61,243,995	171,227,826
Appropriation of the 2012 earnings												
Legal reserve	-	-	866,789	-	(866,789)	-	-	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	(6,557,374)	-	-	-	-	(6,557,374)	-	(6,557,374)
Stock dividends - NT\$0.2 per share	1,008,827	-	-	-	(1,008,827)	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(7,716,375)	(7,716,375)
Net income for the year ended December 31, 2013	-	-	-	-	7,207,081	-	-	-	-	7,207,081	7,077,458	14,284,539
Other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	129,599	2,814,699	(565,947)	(45,076)	-	2,333,275	(12,163)	2,321,112
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	7,336,680	2,814,699	(565,947)	(45,076)	-	9,540,356	7,065,295	16,605,651
Change in equity in associates	-	-	-	-	(67,027)	-	-	-	-	(67,027)	-	(67,027)
Disposal of investment in associates	-	404	-	(9,952)	8,532	-	-	-	-	(1,016)	(28)	(1,044)
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	2,186,778	2,186,778
Change in capital surplus from dividends distributed to subsidiaries	-	955	-	-	-	-	-	-	-	955	-	955
Partial acquisition (disposal) of interests in subsidiaries	-	(64,362)	-	-	(3,633)	-	-	-	-	(67,995)	69,264	1,269
Reversal of special reserve	-	-	-	(13,606)	13,606	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2013	\$ 51,450,165	\$ 4,681,042	\$ 12,687,509	\$ 25,448,036	\$ 13,955,940	\$ 279,732	\$ 4,472,732	\$ (118,363)	\$ (25,063)	\$ 112,831,730	\$ 62,848,929	\$ 175,680,659

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# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 16,508,020	\$ 13,427,958
Adjustments for:		
Depreciation	14,241,311	14,958,320
Amortization	2,440,269	2,049,305
Allowance for doubtful accounts	182,216	270,219
Interest expenses	1,432,622	1,414,201
Interest income	(448,607)	(450,906)
Dividend revenue	(219,921)	(207,151)
Loss on disposal of property, plant and equipment, net	1,356,800	1,105,548
Loss (gain) on disposal of investment properties, net	518	(1,075)
Loss on disposal of intangible assets, net	1,912	604
Share of the profit of associates	(4,197,698)	(3,057,869)
Gain on disposal of investments, net	(538,642)	(109,143)
Impairment loss on assets	214,451	202,860
Realized construction income	(555)	(556)
Net (gain) loss on unrealized foreign currency exchange	(87,999)	4,876
Deferred loss on derivative assets for hedging	18,802	63,995
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(133,169)	(103,648)
Notes and accounts receivable	820,686	4,006,539
Notes and accounts receivable from related parties	(125,328)	(47,322)
Amounts due from customers for construction contracts	77,900	20,559
Other receivables	624,521	(874,428)
Other receivables from related parties	(31,630)	(35,425)
Inventories	(2,567,852)	2,327,854
Prepayments	(974,120)	(194,987)
Other current assets	(664,976)	418,308
Financial liabilities at fair value through profit or loss	(29)	(4,089)
Notes and accounts payable	(1,801,179)	(2,570,551)
Notes and accounts payable to related parties	(30,712)	(139,795)
Amounts due to customers for construction contracts	251,719	(344,162)
Other payables	1,274,408	1,523,968
Other payables to related parties	32,858	15,148
Provisions	83,975	133,943
Receipts in advance	92,030	(1,046,269)
Other current liabilities	510,106	(624,517)
Accrued pension liabilities	(498,747)	(133,081)
Unearned revenue	24,697	(251,979)
Cash generated from operations	27,868,657	31,747,252
Interest received	461,392	453,958
Dividend received	2,368,646	3,199,261
Interest paid	(1,398,487)	(1,324,756)
Income tax paid	(2,525,131)	(1,715,997)

(Continued)

# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Net cash generated from operating activities	<u>26,775,077</u>	<u>32,359,718</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(893,414)	(254,280)
Proceeds of the disposal of available-for-sale financial assets	2,501,734	1,204,552
Decrease in bond investments with no active market	805,353	5,880,186
Proceeds of redemption of held-to-maturity financial assets at maturity	100,000	-
Acquisition of financial assets carried at cost	(100,012)	(126,000)
Proceeds of the disposal of financial assets carried at cost	117,256	980
Proceeds from capital reduction of financial assets carried at cost	33,693	-
Acquisition of investments accounted for using equity-method	(568,919)	(1,577,163)
Proceeds of the disposal of investments accounted for using equity-method	854,693	-
Net cash outflow on acquisition of subsidiaries	(42,758)	-
Acquisition of property, plant, equipment and prepayment for equipments	(24,988,218)	(17,536,874)
Proceeds of the disposal of property, plant and equipment	106,151	236,663
Decrease (increase) in guarantee deposits	2,389	(72,430)
Decrease (increase) in other receivable from related parties	56,640	(163,754)
Acquisition of intangible assets	(1,532,655)	(1,391,874)
Proceeds of the disposal of intangible assets	-	38
Proceeds of disposal of investment properties	-	21,045
Acquisition of investment properties	(1,550)	(305,361)
Increase in prepayments for lease	(4,993,200)	-
Increase in concession	(33,756,959)	(501,599)
Decrease (increase) in other financial assets	2,399,103	(7,114,255)
Decrease (increase) in other non-current assets	<u>60,240</u>	<u>(143,563)</u>
Net cash used in investing activities	<u>(59,840,433)</u>	<u>(21,843,689)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	2,246,456	(2,187,992)
Decrease in short-term bills payables	(1,169,000)	(4,479,000)
Proceeds of the issue of bonds	32,776,500	16,400,000
Repayments of bonds payable	(2,980,000)	(1,899,000)
Proceeds of long-term borrowings	151,627,266	124,426,002
Repayment of long-term borrowings	(141,160,125)	(124,918,277)
(Decrease) increase in guarantee deposits received	(161,769)	6,054
Decrease in other non-current liabilities	(32,840)	(95,095)
Dividends paid	(14,264,363)	(14,929,534)
Increase in non-controlling interest	<u>2,188,047</u>	<u>8,633,494</u>
Net cash generated from financing activities	<u>29,070,172</u>	<u>956,652</u>

(Continued)

# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

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	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(4,408)</u>	<u>(133,176)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,999,592)	11,339,505
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>30,645,166</u>	<u>19,305,661</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 26,645,574</u>	<u>\$ 30,645,166</u>

(Concluded)

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# FAR EASTERN NEW CENTURY CORPORATION

## BALANCE SHEETS

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

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 9,542,173	5	\$ 4,381,262	2	\$ 2,444,308	2
Financial assets at fair value through profit or loss - current	46,516	-	25,345	-	48,308	-
Bond investments with no active market - current	145,947	-	-	-	-	-
Notes and accounts receivable, net	7,788,958	4	8,716,108	5	10,079,388	6
Notes and accounts receivable from related parties	1,060,411	1	789,766	1	470,140	-
Other receivables	220,365	-	210,325	-	188,667	-
Other receivables from related parties	4,401,485	2	338,194	-	282,919	-
Current tax assets	2,314	-	45,593	-	27,722	-
Inventories	6,605,481	3	6,363,829	3	7,597,423	4
Prepayments	467,163	-	275,259	-	226,754	-
Other current assets	352,909	-	188,733	-	404,662	-
Total current assets	30,633,722	15	21,334,414	11	21,770,291	12
<b>NON-CURRENT ASSETS</b>						
Available-for-sale financial assets - non-current	902,112	1	804,484	-	737,481	1
Financial assets carried at cost - non-current	-	-	53,667	-	53,667	-
Investments accounted for using equity method	147,078,649	73	142,834,850	77	138,930,049	77
Property, plant and equipment, net	21,969,289	11	19,962,782	11	18,879,533	10
Investment properties, net	822,587	-	816,604	1	231,699	-
Other intangible assets	16,392	-	20,332	-	21,965	-
Deferred tax assets	291,062	-	344,910	-	241,552	-
Prepayments for equipment	327,575	-	298,135	-	505,097	-
Guarantee deposits	62,792	-	67,515	-	53,517	-
Other financial assets - non-current	34,381	-	34,381	-	34,381	-
Other non-current assets	86,981	-	186,048	-	112,579	-
Total non-current assets	171,591,820	85	165,423,708	89	159,801,520	88
<b>TOTAL</b>	<b>\$ 202,225,542</b>	<b>100</b>	<b>\$ 186,758,122</b>	<b>100</b>	<b>\$ 181,571,811</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings	\$ 6,260,388	3	\$ 6,116,442	3	\$ 5,472,199	3
Financial liabilities at fair value through profit or loss - current	272	-	619	-	4,708	-
Notes and accounts payable	4,145,447	2	3,449,797	2	3,970,075	2
Notes and accounts payable to related parties	948,175	-	933,977	1	1,108,388	1
Payables to suppliers of machinery and equipment	1,173	-	790	-	5,143	-
Other payable	3,644,611	2	3,783,002	2	3,396,188	2
Provisions - current	12,171	-	2,581	-	44,795	-
Receipt in advance	328,753	-	374,931	-	364,251	-
Current portion of long-term liabilities	7,246,540	4	2,380,000	1	1,878,631	1
Other current liabilities	754,607	-	677,080	-	688,837	-
Total current liabilities	23,342,137	11	17,719,219	9	16,933,215	9
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable	34,790,061	17	32,343,579	18	21,344,014	12
Long-term borrowings	27,961,684	14	22,860,463	12	28,450,000	16
Deferred tax liabilities	2,000,684	1	2,015,496	1	2,143,414	1
Accrued pension liabilities	1,245,392	1	1,777,425	1	1,441,042	1
Guarantee deposit received	3,059	-	2,259	-	615	-
Deferred credit - gain on inter-related parties account	50,795	-	55,850	-	55,886	-
Total non-current liabilities	66,051,675	33	59,055,072	32	53,434,971	30
Total liabilities	89,393,812	44	76,774,291	41	70,368,186	39
<b>EQUITY</b>						
Capital stocks						
Common stocks	51,450,165	26	50,441,338	27	48,972,173	27
Capital surplus	4,681,042	2	4,744,045	3	940,486	-
Retained earnings						
Legal reserve	12,687,509	6	11,820,720	6	10,710,699	6
Special reserve	25,448,036	13	25,471,594	14	25,472,605	14
Unappropriated earnings	13,955,940	7	15,100,772	8	21,637,279	12
Total retained earnings	52,091,485	26	52,393,086	28	57,820,583	32
Other equity	4,634,101	2	2,430,425	1	3,495,446	2
Treasury shares	(25,063)	-	(25,063)	-	(25,063)	-
Total equity	112,831,730	56	109,983,831	59	111,203,625	61
<b>TOTAL</b>	<b>\$ 202,225,542</b>	<b>100</b>	<b>\$ 186,758,122</b>	<b>100</b>	<b>\$ 181,571,811</b>	<b>100</b>

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# FAR EASTERN NEW CENTURY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE				
Net sales	\$ 61,905,623	100	\$ 60,669,847	100
Other operating revenue	<u>13,459</u>	<u>-</u>	<u>12,648</u>	<u>-</u>
Total operating revenue	<u>61,919,082</u>	<u>100</u>	<u>60,682,495</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	57,691,879	93	55,713,636	92
Other operating cost	<u>12,609</u>	<u>-</u>	<u>10,312</u>	<u>-</u>
Total operating costs	<u>57,704,488</u>	<u>93</u>	<u>55,723,948</u>	<u>92</u>
GROSS PROFIT	<u>4,214,594</u>	<u>7</u>	<u>4,958,547</u>	<u>8</u>
OPERATING EXPENSES				
Selling and marketing	2,786,486	5	3,049,602	5
General and administrative	1,204,129	2	1,258,164	2
Research and development	<u>664,283</u>	<u>1</u>	<u>622,731</u>	<u>1</u>
Total operating expenses	<u>4,654,898</u>	<u>8</u>	<u>4,930,497</u>	<u>8</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(440,304)</u>	<u>(1)</u>	<u>28,050</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates	8,012,097	13	6,014,527	10
Interest income	82,448	-	8,828	-
Rental income	21,954	-	11,820	-
Dividend income	15,883	-	19,549	-
Other income - other	580,288	1	232,823	-
Gain on disposal of property plant and equipment	20,181	-	31,680	-
Gain on disposal of investment	5,626	-	36	-
Gain on financial assets (liabilities) at fair value through profit or loss, net	189,620	-	78,728	-
Interest expense	(860,591)	(1)	(801,151)	(1)
Other expense	(248,823)	(1)	(340,250)	(1)
Exchange loss, net	(89,281)	-	(281,737)	-
Impairment loss on assets	<u>(8,546)</u>	<u>-</u>	<u>(164,960)</u>	<u>-</u>
Total non-operating income and expenses	<u>7,720,856</u>	<u>12</u>	<u>4,809,893</u>	<u>8</u>
INCOME BEFORE INCOME TAX	7,280,552	11	4,837,943	8

(Continued)

# FAR EASTERN NEW CENTURY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
INCOME TAX (EXPENSE) BENEFIT	<u>(73,471)</u>	<u>-</u>	<u>79,625</u>	<u>-</u>
NET INCOME	<u>7,207,081</u>	<u>11</u>	<u>4,917,568</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME				
Unrealized gain on available-for-sale financial assets	97,628	-	66,179	-
Actuarial gain (loss) arising from defined benefit plans	60,778	-	(576,948)	(1)
Share of other comprehensive income of associates	2,185,201	4	(1,160,461)	(2)
Income tax (loss) gain relating to components of other comprehensive income	<u>(10,332)</u>	<u>-</u>	<u>98,081</u>	<u>1</u>
Other comprehensive income, net of income tax	<u>2,333,275</u>	<u>4</u>	<u>(1,573,149)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 9,540,356</u>	<u>15</u>	<u>\$ 3,344,419</u>	<u>6</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 1.50</u>		<u>\$ 1.02</u>	
Diluted	<u>\$ 1.49</u>		<u>\$ 1.02</u>	

(Concluded)

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**FAR EASTERN NEW CENTURY CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY**

(In Thousands of New Taiwan Dollars; Except Dividend Per Share)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Other Equity			Treasury Stocks	Total Equity
						Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Loss on Cash Flow Hedge		
BALANCE AT JANUARY 1, 2012	\$ 48,972,173	\$ 940,486	\$ 10,710,699	\$ 25,472,605	\$ 21,637,279	\$ -	\$ 3,500,409	\$ (4,963)	\$ (25,063)	\$ 111,203,625
Appropriation of the 2011 earnings										
Legal reserve	-	-	1,110,021	-	(1,110,021)	-	-	-	-	-
Cash dividends - NT\$1.7 per share	-	-	-	-	(8,325,270)	-	-	-	-	(8,325,270)
Stock dividends - NT\$0.3 per share	1,469,165	-	-	-	(1,469,165)	-	-	-	-	-
Net income for the year ended December 31, 2012	-	-	-	-	4,917,568	-	-	-	-	4,917,568
Other comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	(508,128)	(2,534,967)	1,538,270	(68,324)	-	(1,573,149)
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	4,409,440	(2,534,967)	1,538,270	(68,324)	-	3,344,419
Change in equity in associates	-	3,679,776	-	(17)	(42,322)	-	-	-	-	3,637,437
Partial acquisition (disposal) of interests in subsidiaries	-	122,571	-	(163)	-	-	-	-	-	122,408
Change in capital surplus from dividends distributed to subsidiaries	-	1,212	-	-	-	-	-	-	-	1,212
Reversal of special reserve	-	-	-	(831)	831	-	-	-	-	-
BALANCE, DECEMBER 31, 2012	50,441,338	4,744,045	11,820,720	25,471,594	15,100,772	(2,534,967)	5,038,679	(73,287)	(25,063)	109,983,831
Appropriation of the 2012 earnings										
Legal reserve	-	-	866,789	-	(866,789)	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	(6,557,374)	-	-	-	-	(6,557,374)
Stock dividends - NT\$0.2 per share	1,008,827	-	-	-	(1,008,827)	-	-	-	-	-
Net income for the year ended December 31, 2013	-	-	-	-	7,207,081	-	-	-	-	7,207,081
Other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	129,599	2,814,699	(565,947)	(45,076)	-	2,333,275
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	7,336,680	2,814,699	(565,947)	(45,076)	-	9,540,356
Change in equity in associates	-	(63,958)	-	(9,952)	(62,128)	-	-	-	-	(136,038)
Change in capital surplus from dividends distributed to subsidiaries	-	955	-	-	-	-	-	-	-	955
Reversal of special reserve	-	-	-	(13,606)	13,606	-	-	-	-	-
BALANCE, DECEMBER 31, 2013	\$ 51,450,165	\$ 4,681,042	\$ 12,687,509	\$ 25,448,036	\$ 13,955,940	\$ 279,732	\$ 4,472,732	\$ (118,363)	\$ (25,063)	\$ 112,831,730

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# FAR EASTERN NEW CENTURY CORPORATION

## STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 7,280,552	\$ 4,837,943
Adjustments for:		
Depreciation	1,618,620	1,414,029
Amortization	9,223	8,910
Interest expenses	860,591	801,151
Interest income	(82,448)	(8,828)
Dividend income	(15,883)	(19,549)
Gain on disposal of property, plant and equipment	(20,181)	(31,680)
Share of the profit of associates	(8,012,097)	(6,014,527)
Gain on disposal of investment	(5,626)	(36)
Impairment loss on assets	8,546	164,960
Causality loss	-	9,350
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(21,171)	22,963
Notes and accounts receivable	927,150	1,363,280
Notes and accounts receivable from related parties	(270,645)	(319,626)
Other receivables	(10,040)	(23,240)
Other receivables from related parties	(97,288)	(55,275)
Inventories	(241,652)	1,233,594
Prepayments	(191,904)	(48,505)
Other current assets	(164,176)	215,929
Financial liabilities at fair value through profit or loss	(347)	(4,089)
Notes and accounts payable	695,650	(520,278)
Notes and accounts payable to related parties	14,198	(174,411)
Other payables	(178,426)	250,863
Receipts in advance	(46,178)	10,680
Other current liabilities	77,527	(11,757)
Accrued pension liabilities	(471,255)	(240,565)
Cash generated from operations	1,662,740	2,861,286
Interest received	15,445	8,828
Dividend received	9,900,829	7,380,414
Interest paid	(791,918)	(674,016)
Income tax paid	(1,488)	(25,092)
Net cash generated from operating activities	<u>10,785,608</u>	<u>9,551,420</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in bond investments with no active market	(145,947)	-
Proceeds of the disposal of financial assets carried at cost	36,953	-
Proceeds of capital reduction from financial assets carried at cost	17,285	-
Acquisition of investments accounted for using equity-method	(4,066,530)	(3,547,717)

(Continued)

# FAR EASTERN NEW CENTURY CORPORATION

## STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
Proceeds of the disposal of investments accounted for using equity-method	-	235,491
Proceeds of capital reduction from equity-method investment	-	616,092
Acquisition of property, plant, equipment and prepayment for equipments	(3,688,496)	(3,058,937)
Proceeds of the disposal of property, plant and equipment	48,510	48,334
(Increase) decrease in guarantee deposits	4,723	(13,998)
Increase in other receivable from related parties	(3,899,000)	-
Acquisition of intangible assets	(5,283)	(7,277)
Decrease (increase) in other non-current assets	<u>90,521</u>	<u>(85,070)</u>
Net cash used in investing activities	<u>(11,607,264)</u>	<u>(5,813,082)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	143,946	644,243
Proceeds of the issue of bonds	9,673,938	13,366,500
Repayments of bonds payable	(2,380,000)	(1,899,000)
Proceeds of long-term borrowings	132,077,235	112,528,296
Repayment of long-term borrowings	(126,976,014)	(118,117,833)
Increase in guarantee deposits received	800	1,644
Dividends paid	<u>(6,557,338)</u>	<u>(8,325,234)</u>
Net cash generated from (used in) financing activities	<u>5,982,567</u>	<u>(1,801,384)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,160,911	1,936,954
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>4,381,262</u>	<u>2,444,308</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 9,542,173</u>	<u>\$ 4,381,262</u>

(Concluded)

*For the convenience of readers, the 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 version shall prevail.*

## Attachment II

### Far Eastern New Century Corporation Profit Allocation Proposal

Unit: NT\$

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<b>Net income of 2013</b>	<b>7,207,080,300</b>
Less	
10% legal reserve	720,708,030
Adjustments due to changes in investees' equity in equity-method investments	62,128,554
Plus	
Adjustments due to changes in other comprehensive income	129,599,210
Adjustments due to changes in special reserve	13,606,983
Unappropriated retained earnings of previous years	3,039,893,118
Adjustments in retained earnings due to first-time adoption of IFRS	3,627,889,374
<b>Earnings available for distribution as of 31 December 2013</b>	<b>13,235,232,401</b>
<b>Distribution items:</b>	
Cash dividends to common shareholders (NT\$1.3 per share)	6,688,521,525
Stock dividends from capital surplus to common shareholders (NT\$0.2 per share at par value, i.e., 20 shares for each 1,000 shares owned)	1,029,003,320
<b>Total distribution</b>	<b>7,717,524,845</b>
<b>Unappropriated earnings</b>	<b>6,546,710,876</b>

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Note:

Year 2013 profits are distributed according to the Article 26 and Article 27 of the Articles of Incorporation of Far Eastern New Century Corporation. Bonus of employees of NT\$287,678,345 and compensation for Directors and Supervisors of NT\$215,758,759 are booked as company expenses and excluded from the net income.

## Attachment III

### Amendments to “Articles of Incorporation of Far Eastern New Century Corporation”

Section	Current Articles	Proposed Changes	Reasons
Article 16	<p>There shall be 10 to15 Directors and 3 Supervisors 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 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><u>The Company's independent directors shall not be less than two in number and should be at least one-fifth of total director seats.</u></p> <p>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, non-independent directors and Supervisors should be held together. Moreover, in order to ensure the election of at least two independent directors of each election, the independent and non-independent directors elected should be calculated separately.</p>	<p>There shall be 10 to15 Directors and 3 Supervisors 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 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><u>3 independent directors shall be elected from the list of persons with legal capacity.</u></p> <p>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, non-independent directors and Supervisors should be held together. Moreover, in order to ensure the election of at least two independent directors of each election, the independent and non-independent directors elected should be calculated separately.</p>	<p>In order to establish the Company's Audit Committee in the future, the number of independent directors in paragraph 2 is amended accordingly.</p>
Article 16-1		<p><u>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, 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.</u></p> <p><u>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.</u></p>	<p>According to Article 14-4 of the Securities and Exchange Act and official letter No. FSC 10200531121 from R.O.C. Financial Supervisory Commission on December 31, 2013, the supervisory system will cease operation and be replaced by an audit committee after the re-election</p>

Section	Current Articles	Proposed Changes	Reasons
Article 23-1		<p><u>The Company shall take out liability insurance for Directors, Supervisors and officers with respect to their liabilities resulting from exercising their duties during their terms of occupancy.</u></p>	<p>the Board of Directors.</p> <p>This article is added in accordance with Article 39 &amp; 40 of the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies".</p>
Article 29	<p>These Articles of Incorporation were drafted on December 15, 1952, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the shareholders' meetings.</p> <p>First amendment on July 1, 1953;  Second amendment on January 22, 1954;  Third amendment on September 1, 1956;  Fourth amendment on January 15, 1957;  Fifth amendment on June 13, 1959;  Sixth amendment on August 25, 1959;  Seventh amendment on March 31, 1960;  Eighth amendment on October 26, 1960;  Ninth amendment on February 25, 1961;  Tenth amendment on May 25, 1961;  Eleventh amendment on May 2, 1962;  Twelfth amendment on August 7, 1964;  Thirteenth amendment on December 19, 1964;  Fourteenth amendment on January 20, 1966;  Fifteenth amendment on June 22, 1966;  Sixteenth amendment on June 24, 1967;  Seventeenth amendment on December 23, 1967;  Eighteenth amendment on June 8, 1968;  Nineteenth amendment on May 31, 1969;  Twentieth amendment on June 17, 1970;  Twenty-first amendment on January 25, 1972;  Twenty-second amendment on June 20, 1972;  Twenty-third amendment on April 30, 1973;  Twenty-fourth amendment on October 17, 1973;  Twenty-fifth amendment on May 8, 1974;  Twenty-sixth amendment on May 19, 1975;  Twenty-seventh amendment on April 14, 1976;  Twenty-eighth amendment on September 15, 1976;</p>	<p>These Articles of Incorporation were drafted on December 15, 1952, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the shareholders' meetings.</p> <p>First amendment on July 1, 1953;  Second amendment on January 22, 1954;  Third amendment on September 1, 1956;  Fourth amendment on January 15, 1957;  Fifth amendment on June 13, 1959;  Sixth amendment on August 25, 1959;  Seventh amendment on March 31, 1960;  Eighth amendment on October 26, 1960;  Ninth amendment on February 25, 1961;  Tenth amendment on May 25, 1961;  Eleventh amendment on May 2, 1962;  Twelfth amendment on August 7, 1964;  Thirteenth amendment on December 19, 1964;  Fourteenth amendment on January 20, 1966;  Fifteenth amendment on June 22, 1966;  Sixteenth amendment on June 24, 1967;  Seventeenth amendment on December 23, 1967;  Eighteenth amendment on June 8, 1968;  Nineteenth amendment on May 31, 1969;  Twentieth amendment on June 17, 1970;  Twenty-first amendment on January 25, 1972;  Twenty-second amendment on June 20, 1972;  Twenty-third amendment on April 30, 1973;  Twenty-fourth amendment on October 17, 1973;  Twenty-fifth amendment on May 8, 1974;  Twenty-sixth amendment on May 19, 1975;  Twenty-seventh amendment on April 14, 1976;  Twenty-eighth amendment on September 15, 1976;</p>	<p>To record the latest amendment.</p>

Section	Current Articles	Proposed Changes	Reasons
	<p>Twenty-ninth amendment on April 6, 1977;  Thirtieth amendment on April 18, 1978;  Thirty-first amendment on February 9, 1979;  Thirty-second amendment on April 14, 1979;  Thirty-third amendment on April 28, 1980;  Thirty-fourth amendment on April 15, 1981;  Thirty-fifth amendment on April 21, 1982;  Thirty-sixth amendment on April 21, 1982;  Thirty-seventh amendment on May 5, 1983;  Thirty-eighth amendment on May 2, 1984;  Thirty-ninth amendment on May 10, 1985;  Fortieth amendment on April 23, 1987;  Forty-first amendment on April 20, 1988;  Forty-second amendment on April 20, 1989;  Forty-third amendment on April 23, 1990;  Forty-fourth amendment on April 26, 1991;  Forty-fifth amendment on May 12, 1992;  Forty-sixth amendment on May 14, 1993;  Forty-seventh amendment on May 9, 1994;  Forty-eighth amendment on May 4, 1995;  Forty-ninth amendment on May 27, 1996;  Fiftieth amendment on May 23, 1997;  Fifty-first amendment on May 22, 1998;  Fifty-second amendment on May 21, 1999;  Fifty-third amendment on May 15, 2000;  Fifty-fourth amendment on May 18, 2001;  Fifty-fifth amendment on June 12, 2002;  Fifty-sixth amendment on June 9, 2003;  Fifty-seventh amendment on June 4, 2004;  Fifty-eighth amendment on June 14, 2005,  Fifty-ninth amendment on June 13, 2006,  Sixtieth amendment on October 13, 2009  Sixty-first amendment on June 22, 2010  Sixty-second amendment on June 24, 2011  Sixty-third amendment on June 25, 2013</p>	<p>Twenty-ninth amendment on April 6, 1977;  Thirtieth amendment on April 18, 1978;  Thirty-first amendment on February 9, 1979;  Thirty-second amendment on April 14, 1979;  Thirty-third amendment on April 28, 1980;  Thirty-fourth amendment on April 15, 1981;  Thirty-fifth amendment on April 21, 1982;  Thirty-sixth amendment on April 21, 1982;  Thirty-seventh amendment on May 5, 1983;  Thirty-eighth amendment on May 2, 1984;  Thirty-ninth amendment on May 10, 1985;  Fortieth amendment on April 23, 1987;  Forty-first amendment on April 20, 1988;  Forty-second amendment on April 20, 1989;  Forty-third amendment on April 23, 1990;  Forty-fourth amendment on April 26, 1991;  Forty-fifth amendment on May 12, 1992;  Forty-sixth amendment on May 14, 1993;  Forty-seventh amendment on May 9, 1994;  Forty-eighth amendment on May 4, 1995;  Forty-ninth amendment on May 27, 1996;  Fiftieth amendment on May 23, 1997;  Fifty-first amendment on May 22, 1998;  Fifty-second amendment on May 21, 1999;  Fifty-third amendment on May 15, 2000;  Fifty-fourth amendment on May 18, 2001;  Fifty-fifth amendment on June 12, 2002;  Fifty-sixth amendment on June 9, 2003;  Fifty-seventh amendment on June 4, 2004;  Fifty-eighth amendment on June 14, 2005,  Fifty-ninth amendment on June 13, 2006,  Sixtieth amendment on October 13, 2009  Sixty-first amendment on June 22, 2010  Sixty-second amendment on June 24, 2011  Sixty-third amendment on June 25, 2013  Sixty-fourth amendment on June 26, 2014</p>	

## Attachment IV

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

Section	Current Articles	Proposed Changes	Reasons
Article 2	<p>Assets in these Procedures include:</p> <p>1) Securities: stocks, government bonds, corporate bonds, bank debentures, domestic beneficiary certificates, overseas mutual funds, depository receipts, call/put warrants, beneficiary securities, asset-backed securities and other long and short term investments.</p> <p>2) Real estate <u>and other fixed assets</u>;</p> <p>3) Club memberships;</p> <p>4) Patents, copyrights, trademarks, licenses and other intangible assets;</p> <p>5) Derivative products;</p> <p>6) Assets acquired or disposed through merger, spin-off, acquisition or transfer of shares in accordance with law;</p> <p>7) Other key assets.</p>	<p>Assets in these Procedures include:</p> <p>1) Securities: stocks, government bonds, corporate bonds, bank debentures, beneficiary certificates of mutual funds, depository receipts, call/put warrants, beneficiary securities, asset-backed securities and other investments.</p> <p>2) Real estate (<u>including land, houses and buildings, investment properties, right to use land) and equipment</u>;</p> <p>3) Club memberships;</p> <p>4) Patents, copyrights, trademarks, licenses and other intangible assets;</p> <p>5) Derivative products;</p> <p>6) Assets acquired or disposed through merger, spin-off, acquisition or transfer of shares in accordance with law;</p> <p>7) Other key assets.</p>	<p>To amend the wording of paragraph 2 in accordance with International Financial Reporting Standards (“IFRSs” hereafter).</p>
Article 3	<p>1) “Derivatives”: Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts and compound contracts combining the above products whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2) “Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law”: Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore (hereinafter “transfer of shares”) under Article 156, paragraph 6 of the Company Act.</p> <p>3) “Related party”: <u>As defined in Statement of</u></p>	<p>1) “Derivatives”: Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts and compound contracts combining the above products whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2) “Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law”: Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore (hereinafter “transfer of shares”) under Article 156, paragraph 8 of the Company Act.</p> <p>3) “Related party or <u>Subsidiary</u>”: <u>As defined in</u></p>	<p>1. To amend the wording of paragraph 2 in accordance with Article 156 of the Company Act.</p> <p>2. To combine with</p>

Section	Current Articles	Proposed Changes	Reasons
	<p><u>Financial Accounting Standards ("SFAS") No. 6 published by ROC Accounting Research and Development Foundation (hereinafter "ARDF").</u></p> <p><u>4) "Subsidiary": As defined in Statement of Financial Accounting Standards ("SFAS") No. 5 and 7 published by the ARDF;</u></p> <p><u>5) "Professional appraiser": Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or <u>other fixed assets</u>;</u></p> <p><u>6) "Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authorities is required, the earlier of the above date or the date of receipt of approval by the Competent Authorities shall apply;</u></p> <p><u>7) "Mainland area investment": Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</u></p>	<p><u>the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p><u>4) "Professional appraiser": Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or <u>equipment</u>;</u></p> <p><u>5) "Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authorities is required, the earlier of the above date or the date of receipt of approval by the Competent Authorities shall apply;</u></p> <p><u>6) "Mainland area investment": Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</u></p>	<p>the initial paragraph 3 and 4, and define related party or subsidiary in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>3. To amend the wording of paragraph 4 in accordance with IFRSs; the initial paragraphs 5-7 are moved to paragraph 4-6.</p>
Article 5	<p>The Company's total investment in securities shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty per cent (60%) of its shareholders' equity reflected in the latest financial reports, and investments in non-operational real estate and <u>other fixed assets</u> shall not exceed fifty per cent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>Total equity investments by the Company and its subsidiaries shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports. The operational regulations of the Taiwan Securities</p>	<p>The Company's total investment in securities shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty per cent (60%) of its shareholders' equity reflected in the latest financial reports, and investments in non-operational real estate and <u>equipment</u> shall not exceed fifty per cent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>Total equity investments by the Company and its subsidiaries shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports. The operational regulations of the Taiwan Securities</p>	<p>To amend the wording of paragraph 1 in accordance with IFRSs.</p>



Section	Current Articles	Proposed Changes	Reasons
	<p>Exchange Co., Ltd. and other relevant laws and regulations shall govern the calculation of percentages referred to herein.</p> <p>The latest financial report referred to herein shall be the Company's financial statements duly audited or reviewed by certified public accountants prior to its acquisition or disposition of assets.</p>	<p>Exchange Co., Ltd. and other relevant laws and regulations shall govern the calculation of percentages referred to herein.</p> <p>The latest financial report referred to herein shall be the Company's financial statements duly audited or reviewed by certified public accountants prior to its acquisition or disposition of assets.</p>	
Article 6	<p>Acquisition or Disposition of Securities</p> <p>1) Evaluation process</p> <p>a) For investments in securities, the Finance Department or other relevant units shall undertake the relevant financial analysis and projection of potential returns as well as evaluation of potential investment risks in relation to the said investment.</p> <p>b) Investments by the Company in securities traded on centralized exchange markets or over the counter markets shall be decided by the responsible unit in accordance with the prevailing market conditions; investments by the Company in securities not traded on centralized exchange markets or over the counter markets shall require the latest audited or reviewed financial reports of the target company as reference for the evaluation of transaction price, taking into consideration the net asset value per share, profitability and future potential, etc.</p> <p>2) Experts' opinions</p> <p>a) The Company acquiring or disposing of securities shall, prior to the date of the transaction occurred, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is twenty per cent (20%) of the Company's paid-in capital or NT\$300 million or more, the Company shall, prior to the date of the transaction occurred, also engage a certified public accountant to provide an opinion regarding the reasonableness of the transaction price. Should the aforesaid accountant needs to refer to experts' opinions, Auditing Standards No. 20 published by <u>the Accounting Research and Development Foundation (ARDF)</u> shall be abided by. This requirement does not apply, however, to publicly quoted price of securities</p>	<p>Acquisition or Disposition of Securities</p> <p>1) Evaluation process</p> <p>a) For investments in securities, the Finance Department or other relevant units shall undertake the relevant financial analysis and projection of potential returns as well as evaluation of potential investment risks in relation to the said investment.</p> <p>b) Investments by the Company in securities traded on centralized exchange markets or over the counter markets shall be decided by the responsible unit in accordance with the prevailing market conditions; investments by the Company in securities not traded on centralized exchange markets or over the counter markets shall require the latest audited or reviewed financial reports of the target company as reference for the evaluation of transaction price, taking into consideration the net asset value per share, profitability and future potential, etc.</p> <p>2) Experts' opinions</p> <p>a) The Company acquiring or disposing of securities shall, prior to the date of the transaction occurred, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is twenty per cent (20%) of the Company's paid-in capital or NT\$300 million or more, the Company shall, prior to the date of the transaction occurred, also engage a certified public accountant to provide an opinion regarding the reasonableness of the transaction price. Should the aforesaid accountant needs to refer to experts' opinions, Auditing Standards No. 20 published by <u>the R.O.C. Accounting Research and Development Foundation (ARDF)</u> shall be abided by. This requirement does not apply, however, to publicly quoted price of</p>	<p>The Executive Yuan's Financial Supervisory Commission has reorganized to Financial Supervisory Commission on July 1, 2012. The wording of item 1 of paragraph 2 is amended in accordance with the paragraph 3 of Article 3.</p>

Section	Current Articles	Proposed Changes	Reasons
	<p>that have an active market, or where otherwise provided by regulations of the <u>Executive Yuan's</u> Financial Supervisory Commission (FSC).</p> <p>b) Where assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Process in determining authorized investment limit and responsible units Prior to the Company acquiring or disposing securities, the Finance Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>b) Where assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Process in determining authorized investment limit and responsible units Prior to the Company acquiring or disposing securities, the Finance Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	
Article 7	<p>Acquisition or disposition of real property or <u>other fixed assets</u></p> <p>1) Evaluation process</p> <p>a) For investments in real property and <u>fixed assets</u>, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of <u>other fixed assets</u> shall be carried out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p>	<p>Acquisition or disposition of real property or <u>equipment</u></p> <p>1) Evaluation process</p> <p>a) For investments in real property and <u>equipment</u>, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of <u>equipment</u> shall be carried out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p>	To amend the wording from "other fixed assets" to "equipment" in accordance with IFRSs.

Section	Current Articles	Proposed Changes	Reasons
	<p>2) Valuation reports for real property or <u>other fixed assets</u>.</p> <p>In the case of real property or <u>other fixed assets</u> acquired or disposed by the Company other than as a result of transactions with the government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipments <u>and facilities</u> for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall, prior to the date of the transaction occurred, require professional appraiser to furnish their valuation report (which report shall specify the matters set out in Appendix 1 herein); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p>ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater. When the appraisal prices of acquired assets are higher</p>	<p>2) Valuation reports for real property or <u>equipment</u>.</p> <p>In the case of real property or <u>equipment</u> acquired or disposed by the Company other than as a result of transactions with the government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipments for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall, prior to the date of the transaction occurred, require professional appraiser to furnish their valuation report (which report shall specify the matters set out in Appendix 1 herein); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p>ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater. When the appraisal prices of acquired assets are higher</p>	

Section	Current Articles	Proposed Changes	Reasons
	<p>than the transaction price, or the appraisal prices of assets being disposed are lower than the transaction price, the said accountants' opinions can be exempted.</p> <p>d) Report made by the professional appraiser shall not be dated beyond three (3) months prior to the date of the contract; however where an appropriate value published during the same period but not exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in determining authorized investment limit and responsible units Prior to the Company acquiring or disposing real property or <u>other fixed assets</u>, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>than the transaction price, or the appraisal prices of assets being disposed are lower than the transaction price, the said accountants' opinions can be exempted.</p> <p>d) Report made by the professional appraiser shall not be dated beyond three (3) months prior to the date of the contract; however where an appropriate value published during the same period but not exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in determining authorized investment limit and responsible units Prior to the Company acquiring or disposing real property or <u>equipment</u>, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	
Article 8	<p>Transactions of Real Property with Related Parties</p> <p>1) Where the Company acquires or disposes real property from or to related parties, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of this Article undertake the relevant resolution and appraisal of the fairness of transaction conditions, etc., and shall pursuant to the provisions of this Article obtain appraisal reports made by professional appraisers or accountants' opinions</p>	<p>Transactions of Real Property with Related Parties</p> <p>1) Where the Company acquires or disposes real property from or to related parties, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of this Article undertake the relevant resolution and appraisal of the fairness of transaction conditions, etc., and shall pursuant to the provisions of this Article obtain appraisal reports made by professional appraisers or accountants' opinions</p>	

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	<p>when the transaction amount is ten per cent (10%) of the total assets of the Company or more. In deciding whether the other party to the transaction is a related party, in addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures The Company shall, if it acquires or disposes real property from or to related parties, or if it acquires or disposes other assets except real property from or to related parties and the said transaction amount is twenty per cent (20%) of the paid-in capital of the Company, or ten per cent (10%) of the total assets of the Company, or NT\$300 million or more, submit the Board of Directors for approval and Supervisors for recognition the following information prior to the signing of the transaction contract and making payments:</p> <p>a) Purpose of acquiring or disposing the said assets, its necessity and projected benefits;</p> <p>b) Reasons for transacting with related parties;</p> <p>c) Information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein, when acquiring real property from related parties;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) Pursuant to the paragraph 1 of this Article, the appraisal reports made by the professional appraisers or accountants' opinions.</p> <p>g) Restrictions on this transaction and other key contractual issues. Where the position of</p>	<p>when the transaction amount is ten per cent (10%) of the total assets of the Company or more. In deciding whether the other party to the transaction is a related party, in addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures The Company shall, if it acquires or disposes real property from or to related parties, or if it acquires or disposes other assets except real property from or to related parties and the said transaction amount is twenty per cent (20%) of the paid-in capital of the Company, or ten per cent (10%) of the total assets of the Company, or NT\$300 million or more, <u>except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds,</u> submit the Board of Directors for approval and Supervisors for recognition the following information prior to the signing of the transaction contract and making payments:</p> <p>a) Purpose of acquiring or disposing the said assets, its necessity and projected benefits;</p> <p>b) Reasons for transacting with related parties;</p> <p>c) Information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein, when acquiring real property from related parties;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) Pursuant to the paragraph 1 of this Article, the appraisal reports made by the professional appraisers or accountants' opinions.</p> <p>g) Restrictions on this transaction and other key contractual issues. Where the position of</p>	<p>1. In consideration of the low risk of trading government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds with related parties, and in accordance with Article 14 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" ("Regulations" hereafter), the paragraph 2 is amended for those transactions may not need to be approved by the Board of Directors and recognized by the Supervisors.</p>

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	<p>Independent Director has been created, when a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p style="padding-left: 40px;">i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p style="padding-left: 40px;">ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b) Where both the land and the buildings on it are purchased in to, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p>	<p>Independent Director has been created, when a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p style="padding-left: 40px;">i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p style="padding-left: 40px;">ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b) Where both the land and the buildings on it are purchased in to, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p>	

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	<p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p style="padding-left: 40px;">i) The related party having obtained the real property by way of inheritance or gift;</p> <p style="padding-left: 40px;">ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five (5) years; or</p> <p style="padding-left: 40px;">iii) The Company obtaining the real property by way of joint-development contract entered with the related party.</p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p style="padding-left: 40px;">i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p style="padding-left: 80px;">A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction</p>	<p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p style="padding-left: 40px;">i) The related party having obtained the real property by way of inheritance or gift;</p> <p style="padding-left: 40px;">ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five (5) years; or</p> <p style="padding-left: 40px;">iii) The Company obtaining the real property by way of joint-development contract entered with the related party, <u>or through engaging a related party to build real property, either on the company's own land or on rented land.</u></p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p style="padding-left: 40px;">i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p style="padding-left: 80px;">A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction</p>	<p>2. In consideration of engaging a related party to build real property, either on the company's own land or on rented land are the same with joint development contract; the item 4 of paragraph 3 is amended accordingly.</p>

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	<p>department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p>C. Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p>	<p>department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p>C. Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p>	



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	<p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Law, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Supervisors shall undertake measures in compliance with Article 218 of the Company Act;</p> <p>iii) The shareholders' meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arm's length transaction.</p> <p>4) Process in determining authorized investment limit and responsible units Prior to the Company acquiring or disposing <u>machineries</u> for operational purposes from or to its subsidiaries, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. When the dollar amount of the said transactions is below NT\$300 million; the Chairman shall have the authority to</p>	<p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Law, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Supervisors shall undertake measures in compliance with Article 218 of the Company Act;</p> <p>iii) The shareholders' meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arm's length transaction.</p> <p>4) Process in determining authorized investment limit and responsible units Prior to the Company acquiring or disposing <u>equipments</u> for operational purposes from or to its subsidiaries, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. When the dollar amount of the said transactions is below NT\$300 million; the Chairman shall have the authority to</p>	<p>3. In accordance with the IFRSs, the wording in paragraph 4 is amended accordingly.</p> <p>4. In consideration of the risk of acquiring or disposing of assets is taken by the Company, the significant amount of transaction with the related party base on the self scale of the Company. According to Article 33-2 of Regulations, paragraph 5 is</p>

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	<p>approve/disapprove the said transactions. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>approve/disapprove the said transactions. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p> <p><u>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p>	<p>added.</p>
<p>Article 9</p>	<p>Acquisition of Club Membership or Intangible Assets</p> <p>1) Evaluation and Process a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports <u>for approval by the Board of Directors before proceeding with the same.</u></p> <p>2) Expert's Valuation Report on Club Membership or Intangible Assets a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition</p>	<p>Acquisition of Club Membership or Intangible Assets</p> <p>1) Evaluation and Process a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports. <u>Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</u></p> <p>2) Expert's Valuation Report on Club Membership or Intangible Assets a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition</p>	<p>1. In consideration of the common practices and the major principles, item 2 of paragraph 1 is amended in accordance with the procedures on acquisition and disposal of club membership.</p> <p>2. According to</p>

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	<p>or disposition of club membership or intangible assets exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, accountants shall be engaged, prior to the date of occurrence, to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation The Company may only proceed with the acquisition or disposition of club membership or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	<p>or disposition of club membership or intangible assets exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, <u>except in transaction with government agency</u>, accountants shall be engaged, prior to the date of occurrence, to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation The Company may only proceed with the acquisition or disposition of club membership or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	<p>Article 11 of Regulations, the item 2 of paragraph 2 is amended in consideration of the low risk to operate or control the transaction price with a government agency, which must be the bidding final price and through public bidding. And under current regulations, it is not necessary to obtain a professional opinion while acquiring or disposing of real property with a government agency.</p>
Article 10	<p>Acquisition or Disposition of Derivative Products</p> <p>1) Principles and Policies for Transactions a) Types of transaction</p> <p>i) Derivative products the Company is permitted to undertake shall be those contracts as defined in Article 3 1) hereinabove.</p> <p>ii) "For transactional purposes" herein shall refer to the holding or producing of derivative products the purpose of which is to earn the difference in transaction prices of the products, including transaction activities in which profits or loss are measured and realized in the current period by way of fair value. "For non-transactional purposes" herein shall refer to those transactions for reasons other than those provided above.</p> <p>b) Operational or Hedging Strategy</p> <p>i) "For transactional purposes": The operation strategy shall be one of nimbleness and flexibility.</p> <p>ii) "For non-transactional purposes": The</p>	<p>Acquisition or Disposition of Derivative Products</p> <p>1) Principles and Policies for Transactions a) Types of transaction</p> <p>i) Derivative products the Company is permitted to undertake shall be those contracts as defined in Article 3 1) hereinabove.</p> <p>ii) "For transactional purposes" herein shall refer to the holding or producing of derivative products the purpose of which is to earn the difference in transaction prices of the products, including transaction activities in which profits or loss are measured and realized in the current period by way of fair value. "For non-transactional purposes" herein shall refer to those transactions for reasons other than those provided above.</p> <p>b) Operational or Hedging Strategy</p> <p>i) "For transactional purposes": The operation strategy shall be one of nimbleness and flexibility.</p> <p>ii) "For non-transactional purposes": The</p>	

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	<p>hedging strategy shall be one of prudence and caution.</p> <p>c) Duties and Responsibilities</p> <p>i) Execution of transaction contracts and relevant documents: By the Chairman or a person so appointed by him as representative of the Company.</p> <p>ii) Execution of transaction and profit/loss evaluation:</p> <p>A. The Procurement Department shall be responsible for contracts involved goods related to raw materials; the Finance Department shall be responsible for contracts relating to finance.</p> <p>B. Account opening, transaction, confirmation, settlement: Director of the relevant department to decide or authorize.</p> <p>C. Production of transaction slip, invoice and application for funding to be undertaken by traders and approved by supervisors at various levels before forwarding the same to Finance, Accounting and Audit Departments.</p> <p>D. Designated staff at all relevant departments shall be responsible for profit/loss evaluation; evaluation forms shall be forwarded to the director of Audit Department.</p> <p>iii) Accounting: The Accounting Department shall formulate record slips and enter into accounts based on the various receipts, and shall complete the relevant accounting reports according to the accounting cycles.</p> <p>iv) Audit: The Audit Department shall conduct regular and ad hoc audit based on the internal audit system.</p> <p>v) Legal: Legal counsel shall be responsible for review of transaction contracts.</p> <p>vi) Unless otherwise provided, only the</p>	<p>hedging strategy shall be one of prudence and caution.</p> <p>c) Duties and Responsibilities</p> <p>i) Execution of transaction contracts and relevant documents: By the Chairman or a person so appointed by him as representative of the Company.</p> <p>ii) Execution of transaction and profit/loss evaluation:</p> <p>A. The Procurement Department shall be responsible for contracts involved goods related to raw materials; the Finance Department shall be responsible for contracts relating to finance.</p> <p>B. Account opening, transaction, confirmation, settlement: Director of the relevant department to decide or authorize.</p> <p>C. Production of transaction slip, invoice and application for funding to be undertaken by traders and approved by supervisors at various levels before forwarding the same to Finance, Accounting and Audit Departments.</p> <p>D. Designated staff at all relevant departments shall be responsible for profit/loss evaluation; evaluation forms shall be forwarded to the director of Audit Department.</p> <p>iii) Accounting: The Accounting Department shall formulate record slips and enter into accounts based on the various receipts, and shall complete the relevant accounting reports according to the accounting cycles.</p> <p>iv) Audit: The Audit Department shall conduct regular and ad hoc audit based on the internal audit system.</p> <p>v) Legal: Legal counsel shall be responsible for review of transaction contracts.</p> <p>vi) Unless otherwise provided, only the</p>	

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	<p>administrator or those ranking above may implement the transaction for derivative products.</p> <p>d) Performance appraisal The benchmark for performance appraisal shall be the year-end net profit or loss.</p> <p>e) Total contract amount and authorized limit</p> <p>i) "For transactional purposes": The total contract amount for any single subject matter at any one time shall not exceed ten per cent (10%) of the Company's net asset value for the preceding year; subject to the amount being less than five per cent (5%) of the net asset value, the various supervisors of the relevant departments shall be authorized to decide on their own, followed by their report to the immediate following Board of Directors meeting for report. For amounts exceeding five per cent (5%) of net asset value, the approval of the Board of Directors shall be required before proceeding with the contract.</p> <p>ii) "For non-transactional purposes": Limited to the existing and expected assets or liabilities of transactions; the various supervisors of the relevant departments shall be authorized to decide on their own, followed by their report to the immediate following Board of Directors meeting for review.</p> <p>f) Limit on losses</p> <p>i) "For transaction purposes": No pre-set limit on individual contracts; however the limits shall apply to those contracts of the same subject matter, and the limits for total contractual loss are formulated according to different tools:</p> <p style="padding-left: 40px;">A. Forward contracts or futures: five per cent (5%) of average cots;</p> <p style="padding-left: 40px;">B. Options: Where the Company is the purchaser, the limit for purchasing price shall be five per cent (5%) of the total contract amount. Where the Company is</p>	<p>administrator or those ranking above may implement the transaction for derivative products.</p> <p>d) Performance appraisal The benchmark for performance appraisal shall be the year-end net profit or loss.</p> <p>e) Total contract amount and authorized limit</p> <p>i) "For transactional purposes": The total contract amount for any single subject matter at any one time shall not exceed ten per cent (10%) of the Company's net asset value for the preceding year; subject to the amount being less than five per cent (5%) of the net asset value, the various supervisors of the relevant departments shall be authorized to decide on their own, followed by their report to the immediate following Board of Directors meeting for report. For amounts exceeding five per cent (5%) of net asset value, the approval of the Board of Directors shall be required before proceeding with the contract.</p> <p>ii) "For non-transactional purposes": Limited to the existing and expected assets or liabilities of transactions; the various supervisors of the relevant departments shall be authorized to decide on their own, followed by their report to the immediate following Board of Directors meeting for review.</p> <p>f) Limit on losses</p> <p>i) "For transaction purposes": No pre-set limit on individual contracts; however the limits shall apply to those contracts of the same subject matter, and the limits for total contractual loss are formulated according to different tools:</p> <p style="padding-left: 40px;">A. Forward contracts or futures: five per cent (5%) of average cots;</p> <p style="padding-left: 40px;">B. Options: Where the Company is the purchaser, the limit for purchasing price shall be five per cent (5%) of the total contract amount. Where the Company is</p>	

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	<p>the seller, the limit shall be the sale price plus five per cent (5%) of the total contract amount.</p> <p>C. Swaps or other composite tools: The amount of loss shall not exceed five per cent (5%) of the total contract amount.</p> <p>ii) "For non-transactional purposes": <u>No limit is required as losses/profits shall have been mutually offset from the hedged positions.</u></p> <p>2) Risk Management Measures:</p> <p>a) Counterparty's credit risk – Counterparties shall be financial institutions of good credit standing;</p> <p>b) Market risk in which prices turnaround – in accordance with 1) f) herein.</p> <p>c) Liquidity risk of products – There shall be at least two (2) financial institutions in the market and at the same time offering two-way pricing for products, before transaction are permitted.</p> <p>d) Cash-flow risk – There shall be periodic disclosures of fair market prices for financial products undertaken, for appropriate disclosure of projected cash flow volume from the financial product.</p> <p>e) Internal operation risk – In accordance with 1) c) herein.</p> <p>f) Legal risk for execution of contracts and related documents –Professional opinions of the Legal Department shall be required.</p> <p>g) Trading staff for derivative products shall not also work as operational staff for the purposes of confirmation and settlement.</p> <p>h) Risk measurement, supervision and control staff shall be from departments that differ from those described in g) hereinabove, and shall furthermore report to the Board of Directors or to senior managers who are not responsible for</p>	<p>the seller, the limit shall be the sale price plus five per cent (5%) of the total contract amount.</p> <p>C. Swaps or other composite tools: The amount of loss shall not exceed five per cent (5%) of the total contract amount.</p> <p>ii) "For non-transactional purposes": <u>The upper limit of losses of individual contract is less than 25% of that contract's notional amount. The upper limit of losses of all the contracts is less than 25% of total notional amount of all contracts.</u></p> <p>2) Risk Management Measures:</p> <p>a) Counterparty's credit risk – Counterparties shall be financial institutions of good credit standing;</p> <p>b) Market risk in which prices turnaround – in accordance with 1) f) herein.</p> <p>c) Liquidity risk of products – There shall be at least two (2) financial institutions in the market and at the same time offering two-way pricing for products, before transaction are permitted.</p> <p>d) Cash-flow risk – There shall be periodic disclosures of fair market prices for financial products undertaken, for appropriate disclosure of projected cash flow volume from the financial product.</p> <p>e) Internal operation risk – In accordance with 1) c) herein.</p> <p>f) Legal risk for execution of contracts and related documents –Professional opinions of the Legal Department shall be required.</p> <p>g) Trading staff for derivative products shall not also work as operational staff for the purposes of confirmation and settlement.</p> <p>h) Risk measurement, supervision and control staff shall be from departments that differ from those described in g) hereinabove, and shall furthermore report to the Board of Directors or to senior managers who are not responsible for</p>	<p>The Company engaging in derivatives trading shall set the maximum loss limit on total trading and for individual contracts.</p>

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	<p>making decisions in respect of the transaction or for the department concerned.</p> <p>i) All positions in derivative trades shall be appraised on a weekly basis; where hedge positions trades are entered out of business necessity they shall be appraised at least twice a month. Appraisal reports shall be forwarded to senior managers authorized by the Board of Directors.</p> <p>3) Internal Audit System</p> <p>The Company's internal auditors shall regularly review the appropriateness of internal controls for derivative product trading, and shall on a monthly basis conduct compliance of these Procedures by the Trading Department, with audit reports to be compiled thereafter; where major irregularities are discovered, all Supervisors shall be notified by writing.</p> <p>4) Regular Appraisal and Measures In the Event of Irregularities</p> <p>a) The Board of Directors shall appoint the directors of Audit Department to closely monitor and control the trading risk for derivative trades.</p> <p>b) The Board of Directors shall appoint a person to specifically conduct regular appraisal of the performance of derivative trades so as to establish whether there has been conformity with the pre-set operation policies and whether the risks to be undertaken in respect thereof are within the scope allowed by the Company.</p> <p>c) The director of the Audit Department shall regularly review the suitability of the existing risk management measures and whether the procedures set out in this Article have been complied with; This person shall furthermore monitor the trades and profits/losses status, and shall take the necessary measures and immediately report to the Board of Directors where irregularities are discovered; where the Company has appointed Independent Directors, who shall attend meetings of the Board of Directors and shall express their opinions.</p> <p>d) The Company shall set up accounts books in respect of derivative trades, which books shall</p>	<p>making decisions in respect of the transaction or for the department concerned.</p> <p>i) All positions in derivative trades shall be appraised on a weekly basis; where hedge positions trades are entered out of business necessity they shall be appraised at least twice a month. Appraisal reports shall be forwarded to senior managers authorized by the Board of Directors.</p> <p>3) Internal Audit System</p> <p>The Company's internal auditors shall regularly review the appropriateness of internal controls for derivative product trading, and shall on a monthly basis conduct compliance of these Procedures by the Trading Department, with audit reports to be compiled thereafter; where major irregularities are discovered, all Supervisors shall be notified by writing.</p> <p>4) Regular Appraisal and Measures In the Event of Irregularities</p> <p>a) The Board of Directors shall appoint the directors of Audit Department to closely monitor and control the trading risk for derivative trades.</p> <p>b) The Board of Directors shall appoint a person to specifically conduct regular appraisal of the performance of derivative trades so as to establish whether there has been conformity with the pre-set operation policies and whether the risks to be undertaken in respect thereof are within the scope allowed by the Company.</p> <p>c) The director of the Audit Department shall regularly review the suitability of the existing risk management measures and whether the procedures set out in this Article have been complied with; This person shall furthermore monitor the trades and profits/losses status, and shall take the necessary measures and immediately report to the Board of Directors where irregularities are discovered; where the Company has appointed Independent Directors, who shall attend meetings of the Board of Directors and shall express their opinions.</p> <p>d) The Company shall set up accounts books in respect of derivative trades, which books shall</p>	

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	<p>record in details the types, amounts, the date of approval by the Board of Directors and the matters for due evaluation as required under items 2) i) and 4) b) and c) herein, for ease of checking.</p>	<p>record in details the types, amounts, the date of approval by the Board of Directors and the matters for due evaluation as required under items 2) i) and 4) b) and c) herein, for ease of checking.</p>	
Article 12	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements;</p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p>d) Transactions relating to assets other than those stipulated hereinabove, or undertaking investments in Mainland, where their transaction amounts reach twenty per cent (20%) of the Company's paid-in capital or equal or greater than NT\$300 million, with the following exceptions:</p> <p>i) Sale and purchase of government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options;</p> <p>iii) The assets so acquired or disposed are equipments for business purposes and in which the counterparties are not related parties, and that the transaction amount less than NT\$ 500 million;</p> <p>iv) Real property obtained by way of entrusted construction on own land, engaging others to construct on rented land, division of</p>	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds, <u>bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds;</u></p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p>d) Transactions relating to assets other than those stipulated hereinabove, or undertaking investments in Mainland, where their transaction amounts reach twenty per cent (20%) of the Company's paid-in capital or equal or greater than NT\$300 million, with the following exceptions:</p> <p>i) Sale and purchase of government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options, <u>or subscription or redemption of domestic money market funds;</u></p> <p>iii) The assets so acquired or disposed are equipments for business purposes and in which the counterparties are not related parties, and that the transaction amount less than NT\$ 500 million;</p> <p>iv) Real property obtained by way of entrusted construction on own land, engaging others to construct on rented land, division of</p>	<p>In accordance with Article 30 of Regulations, to consider the Company's investment of domestic money market funds just for fixed income interest, and same with the bonds under repurchase and resale agreements, amend the item 1 of paragraph 1, and subparagraph 2 of item 4 of paragraph 1 accordingly.</p>



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	<p>property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction less than NT\$500 million;</p> <p>e) The calculation of transaction amount for e) above as follows:</p> <p>i) Each single transaction amount;</p> <p>ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p> <p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>f) "Within one (1) year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>2) Time Limit for Public Announcement and Reports</p> <p>Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to d) above shall be undertaken within two (2) days of the occurrence of the event.</p> <p>3) Procedure for Public Announcement</p> <p>a) The Company shall undertake public announcement and report at the web-site appointed by the FSC;</p> <p>b) The Company shall on a monthly basis, and</p>	<p>property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction less than NT\$500 million;</p> <p>e) The calculation of transaction amount for e) above as follows:</p> <p>i) Each single transaction amount;</p> <p>ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p> <p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>f) "Within one (1) year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>2) Time Limit for Public Announcement and Reports</p> <p>Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to d) above shall be undertaken within two (2) days of the occurrence of the event.</p> <p>3) Procedure for Public Announcement</p> <p>a) The Company shall undertake public announcement and report at the web-site appointed by the FSC;</p> <p>b) The Company shall on a monthly basis, and</p>	

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	<p>before the 10th day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>c) Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published;</p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall within two (2) days, commencing immediately from the date of the occurrence of the said events, undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p style="padding-left: 40px;">i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p style="padding-left: 40px;">ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p style="padding-left: 40px;">iii) Change to the originally publicly announced and reported information</p> <p>4) Format of Pubic Announcement</p> <p>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>before the 10th day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>c) Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published;</p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall within two (2) days, commencing immediately from the date of the occurrence of the said events, undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p style="padding-left: 40px;">i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p style="padding-left: 40px;">ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p style="padding-left: 40px;">iii) Change to the originally publicly announced and reported information</p> <p>4) Format of Pubic Announcement</p> <p>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>	