

Stock Code  
2317

# **HON HAI PRECISION INDUSTRY CO., LTD.**

2014 Annual General Shareholders' Meeting

Meeting Handbook

June 25, 2014

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## Table of Contents

<b>Meeting Procedure</b> .....	<b>2</b>
<b>Agenda</b> .....	<b>3</b>
<b>Report Items</b> .....	<b>4</b>
Report of the Company’s 2013 Business Operation and Financial Statements .....	4
Statutory Auditors’ reports and the audited financial statements for the year ended December 31, 2013.....	5
Report of the Company’s new indirect investments in Mainland China during 2013.....	6
Status report of domestic corporate bond issuance.....	7
<b>Ratification, Discussion and Election Items</b> .....	<b>9</b>
Proposal 1: Ratification of the 2013 Business Report and Audited Financial Statements.....	9
Proposal 2: Ratification of 2013 earnings distribution.....	10
Proposal 3: Proposal to approve the issuance of new shares for capital increase by earnings re-capitalization.....	12
Proposal 4: Proposal to conduct a cash capital increase by means of the issuance of common shares to participate in Global Depository Receipts (“GDRs”) offerings.....	14
Proposal 5: Discussion to approve the lifting of director non-competition restrictions.....	16
Proposal 6: Discussion of amendments to the Company’s “Procedures for Asset Acquisition & Disposal”.....	17
Proposal 7: Discussion of amendments to the Company’s Articles of Incorporation.....	18
<b>Attachments</b> .....	<b>20</b>
Attachment 1: 2013 Business Report .....	20
Attachment 2: Audit Report by Supervisors .....	22
Attachment 3: Financial Statements.....	24
Attachment 4: Procedures for Asset Acquisition & Disposal Amendment Comparison Table .....	33
Attachment 5: Articles of Incorporation Amendment Comparison Table.....	53
<b>Appendices</b> .....	<b>55</b>
Appendix 1: Shareholders’ Meeting Rules .....	55
Appendix 2: Articles of Incorporation .....	58
Appendix 3: Shareholdings of Directors and Supervisors .....	67
Appendix 4: Impact of Stock Dividend Issuance on the Company’s Business Performance, Earnings per Share and Return on Shareholders’ Investment .....	68

**Hon Hai Precision Industry Co., Ltd.**

**2014 Annual Shareholders' Meeting**

**Meeting Procedure**

Time of Meeting: June 25, 2014 (Wednesday) at 9:00 am

Location of Meeting: No.2 Zihyou Street, 5<sup>th</sup> Floor  
Tucheng Industrial Park,  
Tucheng Dist., New Taipei City, Taiwan

- I. Report the total number of shares represented at this AGM
- II. Meeting Commencement Announced
- III. Chairman's Address
- IV. Report Items
- V. Ratification and Discussion Items
- VI. Extraordinary Motions
- VII. Meeting Adjournment

**Hon Hai Precision Industry Co., Ltd.**  
**2014 Annual Shareholders' Meeting**

**Agenda**

- I. Chairman to announce the commencement of meeting.
- II. Chairman's report.
  - (1) To report business of 2013.
  - (2) Statutory Auditors' review of 2013 audited financial statements.
  - (3) Status Report of Company's indirect investment in Mainland China.
  - (4) Status Report of domestic corporate bond issuance.
- III. Ratification and Discussion Items:
  - (1) Ratification of the 2013 Business Report and Audited Financial Statements.
  - (2) Ratification of the proposal for distribution of 2013 profits.
  - (3) Discussion to approve the issuance of new shares for capital increase by earnings re-capitalization.
  - (4) Discussion to approve the issuance of Global Depositary Receipts ("GDRs").
  - (5) Discussion to approve the lifting of director non-competition restrictions.
  - (6) Discussion of amendments to the Company's "Procedures for Asset Acquisition & Disposal".
  - (7) Discussion of amendments to the Company's Articles of Incorporation.
- IV. Extraordinary Motions
- V. Adjournment

## **Report Items**

### **Item One:**

#### **Report of the Company's 2013 Business Operation and Financial Statements.**

#### **Description:**

1. Please refer to Attachment 1 for detailed Business Operation Reports (Page 20).
2. Please refer to Attachment 3 for detailed financial statements (Page 24).

**Item Two:**

**Statutory Auditors' reports and the audited financial statements for the year ended December 31, 2013.**

**Please review.**

**Description:**

Please refer to Supervisors Report and financial statements (Attachment 2 (Page 22) and Attachment 3 (Page 24)).

**Item Three:****Report of the Company's new indirect investments in Mainland China during 2013.****Description:**

The new 2013 investments in Mainland China made via overseas subsidiaries are as follows:

Approval Certificate #	Company Name	Amount Approved (US\$)
10100485470	Futaihua Precision Electronic (Chengdu) Co., Ltd.	6,000,000
10100320360	Fu Xiang Precision Electronic (Kunshan) Co., Ltd.	25,000,000
10100542480	Futaihua Precision Electronic (Jiyuan) Co., Ltd.	275,000,000
10200150240	Fuyu Electronical Technology (Huaian) Co., Ltd.	30,000,000
10200284990	Fuding Electronic Technology (Jiashan) Co., Ltd.	30,000,000
10200335450	Changchun Leiguan Environmental Plastic Products Co., Ltd.	5,520,000
10200335460	Ying Tai Environmental Technology Ltd.	27,693,000
10200334570	Shiang Tai Environmental Technology Ltd.	13,617,000
10200376880	Fox Energy Technology (Funing) Co., Ltd.	25,000,000
10200459900	Fu Hong Yuan Environmental Technology Co., Ltd.	140,000
10200463440	Scienbizip Consulting (SZ) Ltd.	448,800
10200463450	Scienbizip Consulting (SZ) Ltd.	1,795,200



## **Item Four:**

### **Status report of domestic corporate bond issuance.**

#### **Description:**

1. To fulfill the repayment of short-term debt, the Company, after obtaining the approval from Authority dated May 6, 2013 of total amount of NT\$6.95 billion second domestic unsecured corporate bond in 2013.
  - (1) Conditions of Issue:
    - (a) Total Amount of Issue: NT\$6.95 billion
    - (b) Issue Period: 2013.10.18 ~ 2016.10.18
    - (c) Face Value: NT\$1,000,000
    - (d) Issue Price: NT\$100 (At Par)
    - (e) Issue Coupon/Interest Rate: fixed interest rate at 1.45% per annum
    - (f) Repayment of Principal: 100% principal repay upon maturity.
    - (g) Distribution of Interest: Since the issuing date, based on the coupon rate distributing interest once a year with simple interest-bearing.
    - (h) The Trustee: SinoPac Bank Co., Ltd.
    - (i) Debt Service Agency: The central downtown branch of the SinoPac Bank.
  - (2) The Company's domestic unsecured corporate bonds traded in GreTai Securities Market since the issuing date.
  - (3) Abovementioned amount of fund raising was fully executed in Q4 2013.
2. To fulfill the repayment of short-term debt, the Company, after obtaining the approval from Authority dated November 5, 2013 of total amount of NT\$6.0 billion third domestic unsecured corporate bond in 2013.
  - (1) Conditions of Issue:
    - (a) Total Amount of Issue: Coupon A: NT\$3.0 billion, Coupon B: NT\$0.8 billion, Coupon C: NT\$2.2 billion
    - (b) Issue Period: Coupon A: 2013.12.17 ~ 2016.12.17, Coupon B: 2013.12.17 ~ 2018.12.17, Coupon C: 2013.12.17 ~ 2020.12.17
    - (c) Face Value: NT\$1,000,000
    - (d) Issue Price: NT\$100 (At Par)

- (e) Issue Coupon/Interest Rate: fixed interest rate at Coupon A:1.35%, Coupon B: 1.50%, Coupon C: 1.85% per annum
  - (f) Repayment of Principal: 100% principal repay upon maturity.
  - (g) Distribution of Interest: Since the issuing date, based on the coupon rate distributing interest once a year with simple interest-bearing.
  - (h) The Trustee: SinoPac Bank Co., Ltd.
  - (i) Debt Service Agency: The central downtown branch of the SinoPac Bank.
- (2) The Company's domestic unsecured corporate bonds traded in GreTai Securities Market since the issuing date.
- (3) Abovementioned amount of fund raising was fully executed in Q4 2013.
3. To fulfill the repayment of short-term debt, the Company, after obtaining the approval from Authority dated December 31, 2013 of total amount of NT\$6.0 billion first domestic unsecured corporate bond in 2014.
- (1) Conditions of Issue:
    - (a) Total Amount of Issue: Coupon A: NT\$2.05 billion, Coupon B: NT\$1.1 billion, Coupon C: NT\$3.5 billion, Coupon D: NT\$2.5 billion
    - (b) Issue Period: Coupon A: 2014.03.18 ~ 2017.03.18, Coupon B: 2014.03.18 ~ 2019.03.18, Coupon C: 2014.03.18 ~ 2021.03.18, Coupon D: 2014.03.18 ~ 2024.03.18
    - (c) Face Value: NT\$1,000,000
    - (d) Issue Price: NT\$100 (At Par)
    - (e) Issue Coupon/Interest Rate: fixed interest rate at Coupon A:1.23%, Coupon B: 1.40%, Coupon C: 1.75%, Coupon D: 2.00% per annum
    - (f) Repayment of Principal: 100% principal repay upon maturity.
    - (g) Distribution of Interest: Since the issuing date, based on the coupon rate distributing interest once a year with simple interest-bearing.
    - (h) The Trustee: SinoPac Bank Co., Ltd.
    - (i) Debt Service Agency: The central downtown branch of the SinoPac Bank.
- (2) The Company's domestic unsecured corporate bonds traded in GreTai Securities Market since the issuing date.
- (3) Abovementioned amount of fund raising was fully executed in Q1 2014.

## **Ratification, Discussion and Election Items**

### **Proposal 1: Ratification of the 2013 Business Report and Audited Financial Statements.**

**Please ratify.**

(Proposed by the Board of Directors.)

**Description:**

1. The 2013 Business Report and Financial Statements of the Company have been approved by the Board, and have also been reviewed and audited by the Supervisors.
2. Please refer to Attachment 1 through Attachment 3 for the documents mentioned above (Page 20).

**Resolution:**

## **Proposal 2: Ratification of 2013 earnings distribution.**

### **Please Ratify.**

(Proposed by the Board of Directors.)

### **Description:**

1. The 2013 profit distribution program of the Company has been submitted by Board, in accordance with Company Act and the Articles of Incorporation of the Company, as follows.
2. The Company's net profit after taxes for 2013 was NT\$106,697,156,681 by deducting the set aside legal reserve of NT\$10,669,715,668 and adding the accumulated un-appropriated earnings at beginning of period amounted NT\$346,315,034,043, the first time adoption of IFRS adjustments NT\$14,410,421,391 and year 2013 retained earnings adjustment of NT\$813,096, the available earnings at end of the period is equal to NT\$456,753,709,543, the Company plans to distribute dividends of NT\$39,386,120,522 to shareholders. The abovementioned dividend will be distributed first from 2013 earnings.
3. Subject to the approval of the regular shareholders' meeting, the ex-dividend date for the cash and stock dividend distributions would be decided by Board.
4. If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed due to the repurchasing of shares by the Company, or the transfer of treasury shares to employees, or the conversion of shares from domestic convertible bonds, etc., such that the ratios of the stock dividends and cash dividends are affected and must be adjusted, the Board is authorized to make such adjustments.

### **Resolution:**

**Hon Hai Precision Industry Co., Ltd.**  
**2013 Earnings Allocation Table**

Unit: NTD

Items	Amount	Note
2013 Net profits after taxes for the year	106,697,156,681	
Less: Appropriated as legal capital reserve (10%)	10,669,715,668	
2013 Available for appropriation of earnings for the year	96,027,441,013	
Add: Accumulated un-appropriated earnings	346,315,034,043	
Add: First time adoption of IFRS adjustments	14,410,421,391	
Add: Year 2013 retained earnings adjustment	813,096	
2013 Available for appropriation of earnings	456,753,709,543	
Allocation Items		
Stock Dividends to Shareholders	15,754,448,210	Stock dividend NT\$1.2 per share
Cash Dividends to Shareholders	23,631,672,312	Cash dividend NT\$1.8 per share
Un-appropriated earnings	417,367,589,021	
Notes:		
Employee bonus	7,682,195,281	
Compensation of Directors and Supervisors	0	

President: Terry Gou (Gou Tai-ming)

CEO: Terry Gou (Gou Tai-ming)

Accounting Manager: Chou, Joung Kai

**Proposal 3: Proposal to approve the issuance of new shares for capital increase by earnings re-capitalization.**

**Please review and discuss.**

(Proposed by the Board of Directors.)

**Description:**

In order to expand manufacturing capacity, it is proposed to increase capital from retained earnings and issue new shares for employees' bonus.

1. Capital increase from retained earnings:

In consideration of the needs of the Company's future business development, it is proposed to increase capital from retained earnings as well as to issue new shares for employees' bonus. Appropriated from shareholders' bonus of NT\$15,754,448,210 to issue 1,575,444,821 new shares; while employees' bonus of NT\$7,682,195,281.

2. The conditions of the new share issuance:

- (1) According to the proposed capital increase plan, 120 common shares will be distributed for every 1,000 common shares for free, except for the part of employees' stock bonus, recorded in the shareholders' books and calculated as their shares held on the ex-dividend date. Allotment of fractional shares (less than one share) shall be paid in cash, and the Chairman or his designated representative may subscribe at par value. Actual placement and number of shares will depend on the number of registered shareholders on the ex-rights date.
- (2) The total number of shares issued to employees will be calculated based on the closing price of the day prior to the day of the shareholders' meeting as well as the impact of ex-dividend. The distribution of less than one full share will be paid in cash.
- (3) The new shares issued by the capital increase will carry the same rights and obligations as the current outstanding shares.
- (4) The distribution of employees' bonus will be in accordance with the employees' bonus policy of the Company.
- (5) The ex-dividend date will be decided by the Board of Directors meeting after approval by the competent authority.
- (6) If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed due to the repurchasing of shares by the Company, or the transfer of treasury shares to employees, or the conversion of shares from domestic convertible bonds, etc., such that the ratios of the stock dividends and cash dividends are affected and must be adjusted, the Board is authorized to make such adjustments.

- (7) The Board is authorized to make any necessary amendments to the capital increase plan due to the needs of actual practices or by the instructions of the competent authority.

**Resolution:**

**Proposal 4: Proposal to conduct a cash capital increase by means of the issuance of common shares to participate in Global Depositary Receipts (“GDRs”) offerings.**

(Proposed by the Board of Directors)

**Description:**

1. In order to raise funds to support future development of the Company (including but not limited to capacity expansion, overseas procurement, long-term investment, debt repayment and other uses), as well as to internationalize and diversify capital raising, it is proposed that the shareholders’ meeting authorize the Board of Directors to issue common shares for cash capital increase to sponsor GDR, pursuant to the Articles of Incorporation and government regulations (hereafter referred as “the New Issuing”).
2. The board of directors shall be authorized to handle the offering of GDRs and related matters according to the following principles:

- (1) The shares of the New Issuing shall not exceed 1 billion shares and the Board is authorized to adjust the number of shares issued depending on market conditions.
- (2) Pursuant to government regulations, the offering price shall not be lower than 90% of the simple average of closing price of common shares of the Company on either one, three, or five business days before the price determination date, after adjustment for any distribution of stock dividends or cash dividends. The pricing method may need to change if the government regulations are amended.

The actual issue price shall be decided by the Chairman or his/her designated person with authorization of the Board and securities underwriter; the determination of pricing shall consider the government regulations and market practice. The proposed price of the New Issuing shall be considered reasonable because it will be set in accordance with government regulations and market practice.

- (3) Pursuant to Article 267 of the Company Act and Article 28-1 of the Securities and Exchange Act, 10% of the New Issuing shares shall be reserved for subscription by employees of the Company; the remaining 90% of the New Issuing are proposed to the Shareholders’ Meeting to become the original shares of the public offering of GDRs. The Chairman or his/her designated representative shall be authorized to include in the GDR issuance the unsubscribed portion of the shares reserved for employees.
- (4) The proposed funding plan for one or more items such as expansion of production capacity, purchase of overseas materials, long-term investment, repayment of borrowings etc., is expected to be accomplished within a year after the fundraising is finished. The implementation of this financing plan is expected to strengthen the company’s competitiveness, expand the scale of operations and improve efficiency of operational performance, it also will have a positive effect on the shareholders’ equity.
- (5) The details of the New Issuing (including issue measures, funding sources, issue conditions, projects, raising amount, schedule, expected influences and other related



matters) shall be set up and handled by Chairman or his/her designated person, and be modified depending on the market situation. The Board authorizes the Chairman or his/her designated person to amend the terms of the New Issuing if government regulations or the market conditions change.

- (6) The Chairman of the Board or his/her designated person is authorized by the Board to represent the Company to sign for all of the related documents as well as handling the related matters of the New Issuing.
3. The upper limit of New Issuing (1 billion shares) is approximately 7.6% of total shares outstanding of Company, and shall not cause major share dilution. The pricing of GDRs, based on the market price of common stocks on TWSE, shall not have a major impact on shareholders' original equity.

**Resolution:**

**Proposal 5: Discussion to approve the lifting of director non-competition restrictions.**

(Proposed by the Board of Directors.)

**Description:**

In order to assist the Company to successfully expand its business, pursuant to Article 209 of the Company Act, it is proposed to lift the non-competition restrictions for director Tai, Jeng-wu, the representative of Hon Chiao International Investment Co., Ltd., to be the President of Yee Sheng Precision Industry Co., Ltd.

<b>Director Candidate</b>	<b>Business Competition</b>	<b>Current Position</b>
Tai, Jeng-wu	President of Yee Sheng Precision Industry Co., Ltd.	President of Shin Shee Technology Inc. Director of Fitipower Integrated Technology Inc.

**Resolution:**

**Proposal 6: Discussion of amendments to the Company’s “Procedures for Asset Acquisition & Disposal.”**

(Proposed by the Board of Directors.)

**Description:**

In accordance with the laws and regulations, the proposed amendments to the Company’s “Procedures for Asset Acquisition & Disposal” are shown in a comparison table on Attachment 4 (Page 33).

**Resolution:**

**Proposal 7: Discussion of amendments to the Company’s Articles of Incorporation.**

(Proposed by the Board of Directors.)

**Description:**

In order to comply with recent changes to the laws and regulations, proposed amendments to the Company’s “Articles of Incorporation” are shown in a comparison table on Attachment 5 (Page 54).

**Resolution:**

## Other Business or Special Motions

## Attachments

### Attachment 1: 2013 Business Report

The business of 2013 is reported as follows:

1. The operating results of 2013 are described as below:

The Company has delivered another excellent performance, and another record year in revenue and net profit. The parent company revenue of 2013 was NT\$3.263 trillion, compared with NT\$3.218 trillion in 2012, an increase of NT\$44.082 billion, a 1.36% year-over-year growth. The consolidated net revenue of 2013 was NT\$3.952 trillion, compared with NT\$3.905 trillion in 2012, an increase of NT\$46.922 billion, a 1.20% year-over-year growth. The net profit was NT\$106.697 billion in 2013, compared with NT\$94.641 billion in 2012, for a 12.73% year-over-year increase.

2. 2013 Review and 2014 Outlook

“Change” shall be the watchword we used to describe the global political, economic and industrial circumstance in the past year. The IMF (International Monetary Fund) downgraded global economic growth rate six times within a year. This shows that the economic recovery strength is far behind our expectations. The changes are also more difficult to be predicted. The Company has entered its 40th anniversary since its founding. In an environment of such dramatic change, we are proud of our high consolidated revenue and profit figures in the last fiscal year. I would like to thank all my colleagues, partners, clients, and suppliers for their confidence in us. I also would like to thank all shareholders for their long-term support of the Company.

In reviewing the 2013 global economic environment, mature markets such as the U.S. and Japan have shown progress under governmental stimulus policies. The European market has temporarily stabilized after experiencing difficulties for many years. However, emerging markets, such as former BRIC countries, have experienced volatilities in stocks, bonds and foreign exchanges markets and the strength of economic growth has substantially cooled down while U.S. Fed. (Federal Reserve Board) announced quantitative easing and a gradual exit while international capital withdrew from emerging markets.

In the meantime, the industrial structure has changed into an ecosystem war instead of the old contest of hardware brand names in this “post-PC era”. The acquisition and consolidation of industry entities will continue to proceed, this emphasizes that companies must establish new business models in order to succeed.

Under such a strange and ever-changing environment, our Company is still developmentally stable and is recognized by other business parties. According to the U.S. Fortune “Global 500” ranking report, our Company has moved up in ranking once again from 43rd in 2012 to 30th last year while we continue to strengthen in technical development. In addition, our Company obtained 2,279 U.S. patents in 2013, ranking 8th in the whole world. This dense layout patent network will ensure that the Company continues to innovate and consolidate our competitive advantage.

Looking forward to 2014, we believe persistence can conquer all and wisdom is invincible. When facing uncertainties and continued shuffling in the technology industry, the Company will keep enhancing our competitiveness, deepening our global layout, and gripping worldwide market opportunities for growth.

As shown on the actual technical development layout, the Company is highly involved in research and development of new products, technologies and applications. The Company is also actively recruiting professionals in various fields. The long-term research directions including the information industry, telecommunications industry, consumer electronics, automation equipment, optoelectronics, precision machinery, electric cars, etc., have established rapid production capabilities from components, modules, products assembling to the integrated services.

Today, the Company has expanded from the existing IIDM manufacturing base (Integration-Innovation-Design-Manufacturing) into cloud services, wireless 4G-LTE networking services and e-commerce. A full “eight screens one network one cloud blue print” will cover working, education, entertainment, social / family relations, security, health, e-commerce, environmentally friendly cars and eight other major new technologies of life. In the future 5G era, the Company will focus on the development of automation and artificial intelligence, combining hardware/software capabilities, using technology to improve human life, and creating greater value for shareholders.

Once again, on behalf of all shareholders of the Company, I sincerely thank all the employees and their families. I also encourage the Company’s management team continue to work hard to maintain the excellent operating results. Thank you so much for all your support.

President: Terry Gou (Gou Tai-ming)

CEO: Terry Gou (Gou Tai-ming)

Accounting Manager: Chou, Joung Kai

## **Attachment 2: Audit Report by Supervisors**

The Board reports the financial statement, business report, and earnings distribution proposal of 2013, and financial statement have been audited by PricewaterhouseCoopers Taiwan. The financial statements, business report and earnings distribution proposal have been audited by us as Supervisors of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the audited report. Please review.

Submitted to:

2014 Regular Shareholders' Meeting of the Company

Hon Hai Precision Ind. Co., Ltd.

Supervisor: Wan, Jui-hsia

On the Date of May 16, 2014



## **Audit Report by Supervisors**

The Board reports the financial statement, business report, and earnings distribution proposal of 2013, and financial statement have been audited by PricewaterhouseCoopers Taiwan. The financial statements, business report and earnings distribution proposal have been audited by us as Supervisors of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the audited report. Please review.

Submitted to:

2013 Regular Shareholders' Meeting of the Company

Hon Hai Precision Ind. Co., Ltd.

Supervisor: Fu-Rui International Investment Co., Ltd.

Representative: Cho, Min-Chi

On the Date of May 16, 2014

**Attachment 3: Financial Statements**

**HON HAI PRECISION INDUSTRY CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2013 AND 2012**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To The Board of Directors and Stockholders  
Hon Hai Precision Industry Co., Ltd.

We have audited the accompanying consolidated balance sheets of Hon Hai Precision Industry Co., Ltd. and subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries which statements reflect total assets of NT\$165,841,382,000, NT\$147,874,948,000 and NT\$245,803,235,000, constituting 7.17%, 7.21% and 14.17% of the consolidated total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and total revenues of NT\$158,844,046,000 and NT\$154,940,895,000, constituting 4.02% and 3.97% of the consolidated total operating revenues for the years ended December 31, 2013 and 2012, respectively. Those statements were reviewed by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts and the information disclosed in Note 13 are based solely on the reports of the other independent accountants.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hon Hai Precision Industry Co., Ltd. and

subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012, in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission (FSC).

We have also audited the parent company only financial statements of Hon Hai Precision Industry Co., Ltd. as of and for the years ended December 31, 2013 and 2012, on which we have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

March 28, 2014

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**HON HAI PRECISION INDUSTRY CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Assets	Notes	December 31, 2013		December 31, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 694,027,045	30	\$ 505,526,956	25	\$ 329,793,633	19
1110	Financial assets at fair value through profit or loss - current	6(2)	1,198,112	-	140,220	-	70,329	-
1125	Available-for-sale financial assets - current	6(3)	1,087,171	-	777,410	-	674,287	-
1170	Accounts receivable, net	6(4)	727,761,542	31	597,578,990	29	450,757,984	26
1180	Accounts receivable - related parties	7	19,948,258	1	35,469,651	2	25,291,811	2
1200	Other receivables	6(5) and 7	40,215,354	2	38,235,975	2	34,679,896	2
130X	Inventory	6(6)	312,785,092	14	349,882,643	17	380,521,794	22
1410	Prepayments		6,393,753	-	7,647,041	-	7,119,919	-
1470	Other current assets	6(7) and 8	5,165,161	-	947,222	-	46,741,750	3
11XX	<b>Total current assets</b>		<u>1,808,581,488</u>	<u>78</u>	<u>1,536,206,108</u>	<u>75</u>	<u>1,275,651,403</u>	<u>74</u>
<b>Non-current assets</b>								
1510	Financial assets at fair value through profit or loss - non-current	6(2)	-	-	179,300	-	-	-
1523	Available-for-sale financial assets - non-current	6(3)	11,854,684	1	12,498,717	1	9,365,511	-
1543	Financial assets carried at cost - non-current	6(8)	10,843,376	-	8,591,982	-	4,018,056	-
1550	Investments accounted for under equity method	6(9)	46,282,999	2	41,958,943	2	37,792,058	2
1600	Property, plant and equipment	6(10)	379,561,941	16	405,155,076	20	368,166,092	21
1760	Investment property - net	6(11)	2,304,839	-	1,231,003	-	1,345,340	-
1780	Intangible assets	6(12)	12,815,278	1	3,954,469	-	695,266	-
1840	Deferred income tax assets	6(35)	15,837,041	1	10,951,902	1	10,560,705	1
1900	Other non-current assets	6(13) and 8	24,379,557	1	29,510,605	1	27,340,133	2
15XX	<b>Total non-current assets</b>		<u>503,879,715</u>	<u>22</u>	<u>514,031,997</u>	<u>25</u>	<u>459,283,161</u>	<u>26</u>
1XXX	<b>Total assets</b>		<u>\$ 2,312,461,203</u>	<u>100</u>	<u>\$ 2,050,238,105</u>	<u>100</u>	<u>\$ 1,734,934,564</u>	<u>100</u>

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 28, 2014.

**HON HAI PRECISION INDUSTRY CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Items	Notes	2013		2012		
		AMOUNT	%	AMOUNT	%	
4000	<b>Operating revenue</b>	6(29) and 7	\$ 3,952,317,540	100	\$ 3,905,395,322	100
5000	<b>Operating costs</b>	6(6)(32)(33) and 7	( 3,697,623,039)	( 93)	( 3,655,146,054)	( 93)
5900	<b>Net operating margin</b>		<u>254,694,501</u>	<u>7</u>	<u>250,249,268</u>	<u>7</u>
	<b>Operating expenses</b>	6(32)(33) and 7				
6100	Selling expenses		( 25,893,690)	( 1)	( 25,638,619)	( 1)
6200	General and administrative expenses		( 72,906,384)	( 2)	( 71,046,632)	( 2)
6300	Research and development expenses		( 46,580,031)	( 1)	( 45,665,747)	( 1)
6000	<b>Total operating expenses</b>		( 145,380,105)	( 4)	( 142,350,998)	( 4)
6900	<b>Operating profit</b>		<u>109,314,396</u>	<u>3</u>	<u>107,898,270</u>	<u>3</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(30)	17,531,778	1	18,019,845	-
7020	Other gains and losses	6(31)	13,863,801	-	497,971)	-
7050	Finance costs	6(4)(34)	( 9,252,353)	-	( 9,786,423)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(9)	<u>4,838,075</u>	-	<u>2,538,364</u>	-
7000	<b>Total non-operating income and expenses</b>		<u>26,981,301</u>	<u>1</u>	<u>10,273,815</u>	-
7900	<b>Profit before income tax</b>		<u>136,295,697</u>	<u>4</u>	<u>118,172,085</u>	<u>3</u>
7950	Income tax expense	6(35)	( 28,949,821)	( 1)	( 26,505,349)	( 1)
8200	<b>Profit for the year</b>		<u>\$ 107,345,876</u>	<u>3</u>	<u>\$ 91,666,736</u>	<u>2</u>
	<b>Other comprehensive income</b>					
8310	Financial statements translation differences of foreign operations	6(27)(28)	\$ 24,617,695	-	(\$ 18,737,151)	-
8325	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(27)(28)	( 1,002,017)	-	1,755,830	-
8360	Actuarial gain (loss) on defined benefit plan	6(20)	980	-	( 193,854)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(27)	<u>918,220</u>	-	( 770,538)	-
8399	Income tax relating to the components of other comprehensive income	6(35)	( 167)	-	<u>32,955</u>	-
8300	<b>Other comprehensive income (loss) for the year</b>		<u>\$ 24,534,711</u>	-	<u>(\$ 17,912,758)</u>	-
8500	<b>Total comprehensive income for the year</b>		<u>\$ 131,880,587</u>	<u>3</u>	<u>\$ 73,753,978</u>	<u>2</u>
	<b>Profit (loss) attributable to:</b>					
8610	Owners of the parent		\$ 106,697,157	3	\$ 94,641,972	2
8620	Non-controlling interest		<u>648,719</u>	-	( 2,975,236)	-
			<u>\$ 107,345,876</u>	<u>3</u>	<u>\$ 91,666,736</u>	<u>2</u>
	<b>Comprehensive income attributable to:</b>					
8710	Owners of the parent		\$ 130,621,274	3	\$ 76,791,442	2
8720	Non-controlling interest		<u>1,259,313</u>	-	( 3,037,464)	-
			<u>\$ 131,880,587</u>	<u>3</u>	<u>\$ 73,753,978</u>	<u>2</u>
	<b>Earnings per share</b>	6(36)				
9750	<b>Basic earnings per share</b>		<u>\$ 8.16</u>		<u>\$ 7.27</u>	
9850	<b>Diluted earnings per share</b>		<u>\$ 7.99</u>		<u>\$ 7.11</u>	

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 28, 2014.

HON HAI PRECISION INDUSTRY CO., LTD.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

Items	Notes	2013		2012	
		AMOUNT	%	AMOUNT	%
4000					
4000					
5000					
5900					
6100					
6200					
6300					
6000					
6900					
7010					
7020					
7050					
7060					
7000					
7900					
7950					
8200					
8310					
8325					
8360					
8370					
8399					
8300					
8500					
8610					
8620					
8710					
8720					
9750					
9850					

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

See report of independent accountants dated March 28, 2014.

HON HAI PRECISION INDUSTRY CO., LTD.  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to owners of the parent										
		Retained earnings				Other equity interest			Treasury stocks	Total	Non-controlling interest	Total
		Share capital - common stock	Capital surplus	Legal reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on valuation of available-for-sale financial assets					
<b>2012</b>												
Balance at January 1, 2012		\$ 106,890,967	\$ 53,206,711	\$ 51,821,402	\$ 340,192,127	\$ 21,047,357	\$ 4,447,831	(\$ 18,901 )	\$ 577,587,494	\$ 37,187,796	\$ 614,775,290	
Appropriations of 2011 earnings (Note 1):												
Legal reserve	6(26)	-	-	8,159,100	( 8,159,100 )	-	-	-	-	-	-	
Cash dividends	6(26)	-	-	-	( 16,033,645 )	-	-	-	( 16,033,645 )	-	( 16,033,645 )	
Stock dividends	6(26)	10,689,096	-	-	( 10,689,096 )	-	-	-	-	-	-	
Employees' stock bonus	6(24)	778,602	5,095,950	-	-	-	-	-	5,874,552	-	5,874,552	
Consolidated net income for 2012		-	-	-	94,641,972	-	-	-	94,641,972	( 2,975,236 )	91,666,736	
Other comprehensive income (loss) for 2012, net of income tax	6(27)	-	-	-	( 160,899 )	( 19,676,846 )	1,987,215	-	( 17,850,530 )	( 62,228 )	( 17,912,758 )	
Changes in equity of associates and joint ventures accounted for under the equity method		-	595,577	-	-	-	-	-	595,577	-	595,577	
Adjustments arising from changes in percentage of ownership in subsidiaries	6(28)	-	33,840	-	-	-	-	-	33,840	-	33,840	
Increase in non-controlling interests	6(28)	-	-	-	-	-	-	-	-	1,914,158	1,914,158	
Balance at December 31, 2012		<u>\$ 118,358,665</u>	<u>\$ 58,932,078</u>	<u>\$ 59,980,502</u>	<u>\$ 399,791,359</u>	<u>\$ 1,370,511</u>	<u>\$ 6,435,046</u>	<u>(\$ 18,901 )</u>	<u>\$ 644,849,260</u>	<u>\$ 36,064,490</u>	<u>\$ 680,913,750</u>	
<b>2013</b>												
Balance at January 1, 2013		\$ 118,358,665	\$ 58,932,078	\$ 59,980,502	\$ 399,791,359	\$ 1,370,511	\$ 6,435,046	(\$ 18,901 )	\$ 644,849,260	\$ 36,064,490	\$ 680,913,750	
Appropriations of 2012 earnings (Note 2):												
Legal reserve	6(26)	-	-	9,476,237	( 9,476,237 )	-	-	-	-	-	-	
Cash dividends	6(26)	-	-	-	( 17,753,800 )	-	-	-	( 17,753,800 )	-	( 17,753,800 )	
Stock dividends	6(26)	11,835,866	-	-	( 11,835,866 )	-	-	-	-	-	-	
Employees' stock bonus	6(24)	1,092,537	5,730,354	-	-	-	-	-	6,822,891	-	6,822,891	
Consolidated net income for 2013		-	-	-	106,697,157	-	-	-	106,697,157	648,719	107,345,876	
Other comprehensive income for 2013, net of income tax	6(27)	-	-	-	813	25,062,436	( 1,139,132 )	-	23,924,117	610,594	24,534,711	
Changes in equity of associates and joint ventures accounted for under the equity method		-	112,116	-	-	-	-	-	112,116	-	112,116	
Adjustments arising from changes in percentage of ownership in subsidiaries	6(28)	-	18,325	-	-	-	-	-	18,325	-	18,325	
Increase in non-controlling interests	6(28)	-	-	-	-	-	-	-	-	3,930,733	3,930,733	
Balance at December 31, 2013		<u>\$ 131,287,068</u>	<u>\$ 64,792,873</u>	<u>\$ 69,456,739</u>	<u>\$ 467,423,426</u>	<u>\$ 26,432,947</u>	<u>\$ 5,295,914</u>	<u>(\$ 18,901 )</u>	<u>\$ 764,670,066</u>	<u>\$ 41,254,536</u>	<u>\$ 805,924,602</u>	

Note 1: Directors' and supervisors' remuneration amounting to \$0 and employees' bonus amounting to \$5,874,552 had been deducted from the consolidated income statement.

Note 2: Directors' and supervisors' remuneration amounting to \$0 and employees' bonus amounting to \$6,822,891 had been deducted from the consolidated income statement.

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 28, 2014.



HON HAI PRECISION INDUSTRY CO., LTD.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2013	2012
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Consolidated profit before tax for the year		\$ 136,295,697	\$ 118,172,085
Adjustments to reconcile net income to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(32)	72,686,853	67,490,681
Amortization	6(32)	926,373	392,646
Provision for doubtful accounts and sales discount		227,523	388,623
Loss on impairment of non-financial assets	6(9)(10)	577,807	3,427,380
Loss (gain) on disposal of property, plant and equipment, net	6(31)	559,393	( 153,958 )
Loss (gain) on financial assets or liabilities at fair value through profit or loss, net	6(2)	311,994	( 485,960 )
Share of profit of associates and joint ventures accounted for under equity method		( 4,838,075 )	( 2,538,364 )
Gain on disposal of investment	6(31)	( 1,427,121 )	( 1,644,484 )
Interest expense	6(34)	9,117,464	9,596,761
Interest income	6(30)	( 10,845,494 )	( 13,348,559 )
Dividend income	6(30)	( 419,216 )	( 289,536 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets held for trading		( 1,411,995 )	( 403,168 )
Notes receivable		( 582,757 )	4,100
Accounts receivable		( 129,827,318 )	( 147,213,729 )
Accounts receivable due from related parties		15,521,393	( 10,177,840 )
Other receivables		( 1,707,015 )	( 2,031,301 )
Inventories		37,097,551	21,696,797
Prepayments		1,253,288	( 527,122 )
Net changes in liabilities relating to operating activities			
Accounts payable		80,186,615	83,030,692
Accounts payable to related parties		( 5,853,108 )	6,845,670
Other payables		14,011,616	53,246,163
Provisions for liabilities - current		( 1,057,944 )	( 3,838,604 )
Receipts in advance		( 10,539,496 )	15,933,049
Other current liabilities		( 641,479 )	403,067
Accrued pension liabilities		( 86,428 )	213,735
Cash generated from operations		199,536,121	198,188,824
Income tax paid		( 26,784,550 )	( 24,697,266 )
Net cash provided by operating activities		<u>172,751,571</u>	<u>173,491,558</u>

(Continued)

HON HAI PRECISION INDUSTRY CO., LTD.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(37)	(\$ 44,395,165 )	(\$ 80,466,662 )
(Increase) decrease in other financial assets		( 3,394,991 )	43,731,078
Acquisition of available-for-sale financial assets		( 488,977 )	( 7,740,334 )
Decrease (increase) in other non-current assets		830,897	( 4,122,571 )
Acquisition of investments accounted for under equity method		( 1,408,714 )	( 2,806,699 )
Acquisition of financial assets at cost		( 2,060,666 )	( 6,093,326 )
Acquisition of intangible assets	6(12)	( 9,180,000 )	( 3,448,500 )
Increase in land use right		( 563,668 )	( 502,553 )
Proceeds from disposal of financial assets carried at cost		456,764	1,139,173
Proceeds from disposal of available-for-sale financial assets		1,401,164	7,971,912
Proceeds from disposal of investments accounted for under equity method		2,436,170	3,437,782
Proceeds from disposal of property, plant and equipment		9,106,480	6,093,536
Proceeds from disposal of land use right		-	102,608
Other investing activities		1,327,042	( 598,154 )
Interest received		10,475,314	12,661,964
Dividends received		1,552,262	1,267,852
Net cash used in investing activities		<u>( 33,906,088 )</u>	<u>( 29,372,894 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term loans		54,232,791	37,049,416
Increase in short-term notes and bills payable		11,990,920	2,285
Proceeds from issuing bonds		28,242,000	45,176,000
Repayment of bonds		( 32,477,430 )	( 3,000,000 )
Proceeds from long-term debt		17,761,410	6,214,600
Repayment of long-term debt		( 26,877,214 )	( 6,653,250 )
Increase in other non-current liabilities		834,513	1,246,818
Cash dividends paid		( 17,753,800 )	( 16,033,645 )
Changes in non-controlling interests	6(28)	3,930,733	1,914,158
Interest paid		( 8,188,197 )	( 8,928,971 )
Net cash provided by financing activities		<u>31,695,726</u>	<u>56,987,411</u>
Net effect of changes in foreign currency exchange rates		<u>17,958,880</u>	<u>( 25,372,752 )</u>
Increase in cash and cash equivalents		188,500,089	175,733,323
Cash and cash equivalents at beginning of year		505,526,956	329,793,633
Cash and cash equivalents at end of year		<u>\$ 694,027,045</u>	<u>\$ 505,526,956</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 28, 2014.

**Attachment 4: Procedures for Asset Acquisition & Disposal Amendment Comparison Table**

<b>Original</b>	<b>Proposed Revision</b>	<b>Description</b>
<p><b>Article 3: Scope of Assets</b></p> <ol style="list-style-type: none"> <li>1. Stocks, bonds, corporate bonds, financial bonds, beneficiary certificates, depository receipt, call/put warrant, beneficial securities, asset-backed securitization, etc.</li> <li>2. Real estate and other fixed assets.</li> <li>3. Membership card.</li> <li>4. Patent, copyright, trademark right, franchise and other intangible assets.</li> <li>5. Derivatives.</li> <li>6. Assets acquired or disposed of through merger, division, acquisitions or share transfer in accordance with the law.</li> <li>7. Other important assets.</li> </ol>	<p><b>Article 3: Scope of Assets</b></p> <ol style="list-style-type: none"> <li>1. Stocks, bonds, corporate bonds, financial bonds, beneficiary certificates, depository receipt, call/put warrant, beneficial securities, asset-backed securitization, etc.</li> <li>2. Real estate (<u>including land, buildings, investment property, land usage rights</u>) and equipment.</li> <li>3. Membership card.</li> <li>4. Patent, copyright, trademark right, franchise and other intangible assets.</li> <li>5. Derivatives.</li> <li>6. Assets acquired or disposed of through merger, division, acquisitions or share transfer in accordance with the law.</li> <li>7. Other important assets.</li> </ol>	<p>Text amended pursuant to the change of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” issued by the Financial Supervisory Commission letter No. 1020053073 on December 30, 2013.</p>

Original	Proposed Revision	Description
<p><b>Article 4: Definition of Terms</b></p> <p>1. Derivatives: Refers to forward contracts, option contracts, futures contracts, leverage contracts, exchange contracts derived from assets, interest rates, exchange rates, index and other similar commodities, and complicate contracts from combination of them. Forward contracts are excluded from insurance contracts, performance contracts, post-sale service contracts, long-term lease contracts and long-term purchasing (selling) goods contracts.</p> <p>2. Assets acquired or disposed of through merger, division, acquisitions or share transfer in accordance with the law: Those acquired or disposed of through merger, division and acquisition in accordance with the Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act or other laws, or by acquisitions or share transfer of new stocks of other companies (hereafter referred to as “share exchange”) under Clause 6 of Article 156 of the Company Act.</p> <p>3. Related parties: As defined by FASB Statement No. 6 issued by the Accounting Research and Development Foundation of the Republic of China (hereafter referred to as “Accounting Research and Development Foundation”) that is a consortium as a juridical person.</p> <p>4. Subsidiary: As defined by FSB Statements No. 5 and No. 7 of issued by Accounting Research and Development Foundation.</p> <p>5. Professional appraiser: A person</p>	<p><b>Article 4: Definition of Terms</b></p> <p>1. Derivatives: Refers to forward contracts, option contracts, futures contracts, leverage contracts, exchange contracts derived from assets, interest rates, exchange rates, index and other similar commodities, and complicate contracts from combination of them. Forward contracts are excluded from insurance contracts, performance contracts, post-sale service contracts, long-term lease contracts and long-term purchasing (selling) goods contracts.</p> <p>2. Assets acquired or disposed of through merger, division, acquisitions or share transfer in accordance with the law: Those acquired or disposed of through merger, division and acquisition in accordance with the Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act or other laws, or by acquisitions or share transfer of new stocks of other companies (hereafter referred to as “share exchange”) under Clause 6 of Article 156 of the Company Act.</p> <p>3. Related parties <u>and subsidiaries shall be identified as stated in The Securities Issuers Financial Statements Preparation Regulations.</u></p> <p>4. Professional appraiser: A person who is engaged in the evaluation of real estate and <u>equipment</u> in accordance with the law.</p> <p>5. Transaction date: The contract date of a transaction, cash day, entrusting trade date, transfer day, decision day of board of directors, or other day that a</p>	<p>1. Section 2 text amended pursuant to the revision of Company Act article 156.</p> <p>2. Pursuant to the “Guidelines”, merge section 3 &amp; 4 and amend text.</p> <p>3. Adjusting the following- sections per above amendments.</p> <p>4. Text amended pursuant to the “Guidelines”.</p> <p>5. Section 8 added pursuant to the “Guidelines”.</p>

Original	Proposed Revision	Description
<p>who is engaged in the evaluation of real estate and other fixed assets in accordance with the law.</p> <p>6. Transaction date: The contract date of a transaction, cash day, entrusting trade date, transfer day, decision day of board of directors, or other day that a transaction can be made with specific transaction objects and amounts, of which the previous will prevail. However, in the case that any investment is subject to any authority approval, the above-mentioned dates or receipt date of approval will prevail, depending on whichever is the former.</p> <p>7. Investment in mainland: Refers to investment that in engaged in China mainland in accordance with the licensing regulations of investment and technical cooperation in Mainland China, issued by the Investment Commission of Ministry of Economic Affairs.</p> <p>8. “Latest financial statement” refers to the disclosed financial statement that is checked or reviewed by the accountant before the company’s acquisition or disposal of assets.</p>	<p>transaction can be made with specific transaction objects and amounts, of which the previous will prevail. However, in the case that any investment is subject to any authority approval, the above-mentioned dates or receipt date of approval will prevail, depending on whichever is the former.</p> <p><u>6. Investment in mainland: Refers to investment that in engaged in China mainland in accordance with the licensing regulations of investment and technical cooperation in Mainland China, issued by the Investment Commission of Ministry of Economic Affairs.</u></p> <p><u>7. “Latest financial statement” refers to the disclosed financial statement that is checked or reviewed by the accountant before the company’s acquisition or disposal of assets.</u></p> <p><u>8. The total assets referred in “ten per cent of total assets” shall be the Company’s total assets which stated in the most recent prepared financial reports in accordance with The Securities Issuers Financial Statements Preparation Regulations.</u></p>	

Original	Proposed Revision	Description
<p><b>Article 7 Procedures for Acquisition or Disposal of Real Estate or Other Fixed Assets</b></p> <p>1. Appraisal Procedure The appraisal of real estate or other fixed assets that are acquired or disposed of by the Company shall be done after the feasibility evaluation report conducted by the assets sponsoring department, signed by the management department and with approval in accordance with approval authority regulations of the Company.</p> <p>2. Operational Procedure (a) The Company acquires or disposes of real estate or other fixed assets, except for transactions with governmental agencies, contracted construction with self-owned land, contracted construction with leased land or the acquisition or disposal of machinery equipment for business purposes, the appraisal report shall be received before the transaction date if the transaction amount is more than 20% of the Company’s paid-up capital or NTD 300 million: (1) The transaction shall be addressed to and pass the board resolution if it takes limit price, specific price or special price as the reference basis of the transaction price, and it shall be done in accordance with the above procedures in case of change of terms of exchange in future. (2) The transaction amount that is more than NTD 1000 million shall be appraised by appraisers from more than two institutes. (3) Except when the appraisal results of acquired assets are</p>	<p><b>Article 7 Procedures for Acquisition or Disposal of Real Estate or <u>Equipment</u></b></p> <p>1. Appraisal Procedure The appraisal of real estate or <u>equipment</u> that are acquired or disposed of by the Company shall be done after the feasibility evaluation report conducted by the assets sponsoring department, signed by the management department and with approval in accordance with approval authority regulations of the Company.</p> <p>2. Operational Procedure (a) The Company acquires or disposes of real estate or <u>equipment</u>, except for transactions with governmental agencies, contracted construction with self-owned land, contracted construction with leased land or the acquisition or disposal of <u>equipment</u> for business purposes, the appraisal report shall be received before the transaction date if the transaction amount is more than 20% of the Company’s paid-up capital or NTD 300 million: (1) The transaction shall be addressed to and pass the board resolution if it takes limit price, specific price or special price as the reference basis of the transaction price, and it shall be done in accordance with the above procedures in case of change of terms of exchange in future. (2) The transaction amount that is more than NTD 1000 million shall be appraised by appraisers from more than two institutes. (3) Except when the appraisal</p>	<p>Text amended pursuant to the “Guidelines”.</p>

Original	Proposed Revision	Description
<p>higher than the transaction amount or when the appraisal results of disposed assets are lower than the transaction amount, require the accountant shall be required to solve this issue in accordance with Statement No. 20 of the Auditing Standards issued by the Accounting Research and Development Foundation and give opinions on differential reasons and the fairness of transaction price, under such cases when:</p> <p>(i) The difference between the appraised results and the transaction amount is more than 20% of the transaction amount.</p> <p>(ii) The difference between the appraisal results by professional appraisers from more than 2 appraisal institutes is more than 10% of the transaction amount.</p> <p>(4) The period between the issued date of the appraisal report and the establishment of the contract shall be no more than 3 months. However, if the report applies the reported current value of the same period with less than 6 months, it shall obtain the opinion from the original professional appraiser.</p> <p>(b)After being obtained, assets shall be registered, managed and applied in accordance with “Fixed Assets Management Measures.”</p> <p>3. Determination Procedure for Trading Terms &amp; Conditions and Authorization Limit</p> <p>(a) The determination method and reference basis for acquisition or disposal of real estate or other fixed assets shall</p>	<p>results of acquired assets are higher than the transaction amount or when the appraisal results of disposed assets are lower than the transaction amount, require the accountant shall be required to solve this issue in accordance with Statement No. 20 of the Auditing Standards issued by the Accounting Research and Development Foundation, <u>R.O.C.</u> and give opinions on differential reasons and the fairness of transaction price, under such cases when:</p> <p>(i) The difference between the appraised results and the transaction amount is more than 20% of the transaction amount.</p> <p>(ii) The difference between the appraisal results by professional appraisers from more than 2 appraisal institutes is more than 10% of the transaction amount.</p> <p>(4) The period between the issued date of the appraisal report and the establishment of the contract shall be no more than 3 months. However, if the report applies the reported current value of the same period with less than 6 months, it shall obtain the opinion from the original professional appraiser.</p> <p>(b) After being obtained, assets shall be registered, managed and applied in accordance with “Fixed Assets Management Measures.”</p> <p>3. Determination Procedure for Trading Terms &amp; Conditions and Authorization Limit</p> <p>(a) The determination method and reference basis for acquisition or disposal of real estate or <u>equipment</u> shall be</p>	

Original	Proposed Revision	Description
<p>be decided after the requesting department submits a brief document with the reason for the transaction, references to reported current value, real trade price of nearby real estate, etc., as well as enquiry, bargaining, or bidding.</p> <p>(b) Authorization Hierarchy</p> <p>(1) If the transaction amount for the acquisition or disposal of real estate or other fixed assets is less than NTD 300 million (included), this may be decided by the authorized organizing unit; however, if the transaction amount is more than NTD 300 million, prior approval from the board of directors must be obtained.</p> <p>(2) The above transaction amount limit can be extended to NTD 500 million in the case where assets to be acquired or disposed of belong to the machinery equipment for business and the transaction party is not a related party.</p> <p>(3) In cases where time is of the essence or where business needs require entering into a contract of sale, it is permissible for the transaction to be proposed to the chairman of the board for approval first, but after the transaction is complete it shall be proposed at the next board of directors meeting for ratification.</p> <p>(4) Any procedure for the acquisition or disposal of assets shall be completed in accordance with the Company Act or other regulations, and shall be approved at or reported to the shareholders' meeting as required by law.</p>	<p>decided after the requesting department submits a brief document with the reason for the transaction, references to reported current value, real trade price of nearby real estate, etc., as well as enquiry, bargaining, or bidding.</p> <p>(b) Authorization Hierarchy</p> <p>(1) If the transaction amount for the acquisition or disposal of real estate or <u>equipment</u> is less than NTD 300 million (included), this may be decided by the authorized organizing unit; however, if the transaction amount is more than NTD 300 million, prior approval from the board of directors must be obtained.</p> <p>(2) The above transaction amount limit can be <u>raised</u> to NTD 500 million in the case where assets to be acquired or disposed of belong to the <u>equipment</u> for business and the transaction party is not a related party.</p> <p>(3) In cases where time is of the essence or where business needs require entering into a contract of sale, it is permissible for the transaction to be proposed to the chairman of the board for approval first, but after the transaction is complete it shall be proposed at the next board of directors meeting for ratification.</p> <p>(4) Any procedure for the acquisition or disposal of assets shall be completed in accordance with the Company Act or other regulations, and shall be approved at or reported to the shareholders'</p>	



Original	Proposed Revision	Description
	meeting as required by law.	
<p><b>Article 8 Procedure for Acquisition or Disposal of Securities</b></p> <p>1. Appraisal Procedure</p> <p>(a) Before acquiring securities, the Company shall obtain the most recent audited or reviewed financial statements of the subject company's securities as the evaluation of the transaction price.</p> <p>(b) If the transaction amount reaches 20% of paid-up capital or beyond NTD 300 million, opinions from accountants shall be obtained on the rationality of the transaction price before the transaction; if the accountant adopts consultancy reports, it shall be treated in accordance with Statement No. 20 of the Auditing Standards issued by the Accounting Research and Development Foundation. Unless these securities have an active public offering from the market or are otherwise regulated by the Financial Supervisory Commission of Executive Yuan of Taiwan, they can be excluded from the requirement mentioned above.</p> <p>2. Operational procedure</p> <p>(a) Each organizer is in charge of valuation, trading, delivery, and</p>	<p><b>Article 8 Procedure for Acquisition or Disposal of Securities</b></p> <p>1. Appraisal Procedure</p> <p>(a) Before acquiring securities, the Company shall obtain the most recent audited or reviewed financial statements of the subject company's securities as the evaluation of the transaction price.</p> <p>(b) If the transaction amount reaches 20% of paid-up capital or beyond NTD 300 million, opinions from accountants shall be obtained on the rationality of the transaction price before the transaction; if the accountant adopts consultancy reports, it shall be treated in accordance with Statement No. 20 of the Auditing Standards issued by the Accounting Research and Development Foundation. Unless these securities have an active public offering from the market or are otherwise regulated by the Financial Supervisory Commission, R.O.C., they can be excluded from the requirement mentioned above.</p> <p>2. Operational procedure</p> <p>(a) Each organizer is in charge of valuation, trading, delivery, and tabulation (listing).</p>	<p>“Financial Supervisory Commission, <u>Executive Yuan</u>” to “the Financial Supervisory Commission,” the text with amendments</p>

Original	Proposed Revision	Description
<p>tabulation (listing).</p> <p>(b)Custody: All securities obtained by the Company shall be submitted to the finance department for custody or stored in safe deposit boxes.</p> <p>(c)Evaluation: In accordance with the provisions of the relevant Accounting Standards, the finance department shall collect relevant data, which shall be submitted to the accountants for regular follow-up and evaluation.</p> <p>3. Determination Procedure for Terms &amp; Conditions and Authorization Limit</p> <p>(a)If the transaction amount of bonds, corporate bonds, financial bonds, beneficiary certificates, asset-backed securitization specified in Article 3, Section 1 of these procedures is no more than 20% (inclusive) of the paid-up capital, the Chief Financial Officer is authorized to approve the transaction. If the transaction amount is more than 20% of the paid-up capital, it shall be submitted to board of directors for approval before completing the transaction.</p> <p>(b)If the transaction amount of stocks, depository receipt, call/put warrants, beneficiary certificates specified in Article 3, Section 1 of these procedures is no more than 5% (inclusive) of the paid-up capital, it shall be decided by the authorized organizing unit. If it is more than 5% of the paid-up capital, it shall be submitted to chairman for approval before transaction.</p>	<p>(b)Custody: All securities obtained by the Company shall be submitted to the finance department for custody or stored in safe deposit boxes.</p> <p>(c)Evaluation: In accordance with the provisions of the relevant Accounting Standards, the finance department shall collect relevant data, which shall be submitted to the accountants for regular follow-up and evaluation.</p> <p>3. Determination Procedure for Terms &amp; Conditions and Authorization Limit</p> <p>(a)If the transaction amount of bonds, corporate bonds, financial bonds, beneficiary certificates, asset-backed securitization specified in Article 3, Section 1 of these procedures is no more than 20% (inclusive) of the paid-up capital, the Chief Financial Officer is authorized to approve the transaction. If the transaction amount is more than 20% of the paid-up capital, it shall be submitted to board of directors for approval before completing the transaction.</p> <p>(b)If the transaction amount of stocks, depository receipt, call/put warrants, beneficiary certificates specified in Article 3, Section 1 of these procedures is no more than 5% (inclusive) of the paid-up capital, it shall be decided by the authorized organizing unit. If it is more than 5% of the paid-up capital, it shall be submitted to chairman for approval before transaction.</p>	
<p><b>Article 9 Procedure for Acquisition or Disposal of Intangible Assets</b></p> <p>1. Appraisal Procedure</p> <p>The appraisal of intangible assets</p>	<p><b>Article 9 Procedure for Acquisition or Disposal of Intangible Assets</b></p> <p>1. Appraisal Procedure</p> <p>The appraisal of intangible assets</p>	<p>Text amended pursuant to the “Guidelines”.</p>

Original	Proposed Revision	Description
<p>that are acquired or disposed of by the Company shall be done in the form of a feasibility report conducted by the requesting department, and submitted to Intellectual Property Unit.</p> <p>2. Operational Procedure Professional appraisal institutes shall be invited to issue appraisal reports before any acquisition or disposal of intangible assets; opinions from accountants on the rationality of the transaction price shall be obtained before closing a transaction when the transaction amount is more than 20% of the paid-up capital or NTD 300 million.</p> <p>3. Determination Procedure for Trading Terms &amp; Conditions and Authorization Limit</p> <p>(a) Determination method and reference basis: the requesting department shall submit the market price of intangible assets of the same category; if there is no market price, the price shall be based on a report issued by professional appraisal institutes.</p> <p>(b) Authorization Hierarchy</p> <p>(1) If the transaction amount is NTD 300 million or less, the authorized organizing unit shall decide; the approval shall be received from the aboard if it is more than NTD 300 million. However, for the effectiveness for a given period of time needed for business, it is allowed to refer to chairman for approval first and then confirmed on the next board meeting by submitting the proposal.</p> <p>(2) Any procedure for the acquisition or disposal of intangible assets shall be completed in accordance with the Company Act or other regulations, and shall be approved at or reported to the</p>	<p>that are acquired or disposed of by the Company shall be done in the form of a feasibility report conducted by the requesting department, and submitted to Intellectual Property Unit.</p> <p>2. Operational Procedure Professional appraisal institutes shall be invited to issue appraisal reports before any acquisition or disposal of intangible assets; <u>except for transactions with governmental agencies</u>, opinions from accountants on the rationality of the transaction price shall be obtained before closing a transaction when the transaction amount is more than 20% of the paid-up capital or NTD 300 million.</p> <p>3. Determination Procedure for Trading Terms &amp; Conditions and Authorization Limit</p> <p>(a) Determination method and reference basis: the requesting department shall submit the market price of intangible assets of the same category; if there is no market price, the price shall be based on a report issued by professional appraisal institutes.</p> <p>(b) Authorization Hierarchy</p> <p>(1) If the transaction amount is NTD 300 million or less, the authorized organizing unit shall decide; the approval shall be received from the aboard if it is more than NTD 300 million. However, for the effectiveness for a given period of time needed for business, it is allowed to refer to chairman for approval first and then confirmed on the next board meeting by submitting the proposal.</p> <p>(2) Any procedure for the acquisition or disposal of intangible assets shall be completed in accordance with the Company Act</p>	

Original	Proposed Revision	Description
shareholders’ meeting as necessary.	or other regulations, and shall be approved at or reported to the shareholders’ meeting as necessary.	
<p><b>Article 10 Procedure for Related Party Transactions</b></p> <p>1. Appraisal Procedure and Operation Procedures</p> <p>(a) Appraisal procedures and operation procedures by which the Company acquires or disposes of assets from a related party shall be in accordance with Articles 7, 8 or 9 respectively, based on the nature of the assets. Furthermore, if the transaction amount is more than 10% of the paid-up capital of the Company, appraisal reports shall be obtained from professional appraisers or opinions from accountants in accordance with Articles 7, 8, or 9 respectively.</p> <p>(b) If the assets disposed of or acquired by the Company from a related party are real estate or not real estate but with the transaction amount up to 20% of the paid-up capital, or 10% of the total assets or above NTD 300 million, it is necessary to make appraisals for them and prepare all data according to Section 2(a) of this Article and submit them to the board for approval and the supervisors for recognition</p> <p>(c) The calculation of transaction amounts in the two former items shall be performed according to the provisions of Section 2(e) of Article 13. The referred to “within one year” shall start from the transaction date and trace back one year. The part calculated in the appraisal report from professional appraisers or the opinion of the accountant performed in accordance with the provisions of these procedures or submitted the board</p>	<p><b>Article 10 Procedure for Related Party Transactions</b></p> <p>1. Appraisal Procedure and Operation Procedures</p> <p>(a) Appraisal procedures and operation procedures by which the Company acquires or disposes of assets from a related party shall be in accordance with Articles 7, 8 or 9 respectively, based on the nature of the assets. Furthermore, if the transaction amount is more than 10% of the paid-up capital of the Company, appraisal reports shall be obtained from professional appraisers or opinions from accountants in accordance with Articles 7, 8, or 9 respectively.</p> <p>(b) If the assets disposed of or acquired by the Company from a related party are real estate or not real estate but with the transaction amount up to 20% of the paid-up capital, or 10% of the total assets or above NTD 300 million, <u>trading of bonds or bonds with repurchase and resell conditions, purchasing or redemption domestic money market funds are not subject to this limit</u>, it is necessary to make appraisals for them and prepare all data according to Section 2(a) of this Article and submit them to the board for approval and the supervisors for recognition</p> <p>(c) The calculation of transaction amounts in the two former items shall be performed according to the provisions of Section 2(e) of Article 13. The referred to “within one year” shall start from the transaction date and trace back one year. The part calculated in the appraisal report from professional appraisers</p>	Text amended pursuant to the “Guidelines”.

Original	Proposed Revision	Description
<p>for approval and the supervisor for recognition is excluded.</p> <p>(d)To judge if the transaction counterpart is within the range of related party or not, substantial relationship shall be considered in addition to the legal form.</p> <p>2. Determination Procedure for Authorization Limit</p> <p>(a)If the real estate or non-real estate transaction amount up to 20% of the paid-up capital or 10% of the total assets or above NTD 300 million is acquired from or disposed of with a related party, it shall submit following data to the board for approval and the supervisor for recognition before signing any trade contract or making any payment. However, for <u>machinery</u> equipment acquired or disposed between the Company and its subsidiaries of less than 10% of the paid-up capital, it is permissible to be approved first by the chairman and then ratified at the next board of directors meeting by submitting the proposal:</p> <p>(1)Purposes, necessity and expected benefit for/from the acquisition or disposal of assets.</p> <p>(2)Reasons for choosing the related party as the transaction counterpart.</p> <p>(3)If any real estate is to be acquired from the related party, evaluation materials to assess the reasonableness of the conditions of scheduled transactions shall be provided in accordance with Sections 3(a), 3(b), 3(c), 3(d) and 3(f) of this Article.</p> <p>(4)Date and price of original acquisition by the related party, the original transaction counterpart of the related party, and the relationship between the original</p>	<p>or the opinion of the accountant performed in accordance with the provisions of these procedures or submitted the board for approval and the supervisor for recognition is excluded.</p> <p>(d)To judge if the transaction counterpart is within the range of related party or not, substantial relationship shall be considered in addition to the legal form.</p> <p>2. Determination Procedure for Authorization Limit</p> <p>(a)If the real estate or non-real estate transaction amount up to 20% of the paid-up capital or 10% of the total assets or above NTD 300 million is acquired from or disposed of with a related party, it shall submit following data to the board for approval and the supervisor for recognition before signing any trade contract or making any payment. However, for <u>equipment</u> acquired or disposed between the Company and its subsidiaries of less than 10% of the paid-up capital, it is permissible to be approved first by the chairman and then ratified at the next board of directors meeting by submitting the proposal:</p> <p>(1)Purposes, necessity and expected benefit for/from the acquisition or disposal of assets.</p> <p>(2)Reasons for choosing the related party as the transaction counterpart.</p> <p>(3)If any real estate is to be acquired from the related party, evaluation materials to assess the reasonableness of the conditions of scheduled transactions shall be provided in accordance with Sections 3(a), 3(b), 3(c), 3(d) and 3(f) of this Article.</p> <p>(4)Date and price of original acquisition by the related party, the</p>	

Original	Proposed Revision	Description
<p>counterpart and the Company as well as the related party.</p> <p>(5)Estimates of the balance sheet for every month of the coming year starting from contract establishment month, and evaluations of the necessity of the transaction and the reasonableness of the use of funds.</p> <p>(6)The appraisal report from professional appraisers or the opinion from the accountant shall be performed accordance with Section 1 of this Article.</p> <p>(7)Restrictions and other important covenants for the transaction</p> <p>(b)The calculation of transaction amount provided herein above shall be done according to provisions of Section 2(e) of Article 13. The referred to “within one year” shall start from the transaction date and trace back to one year. The part which has been submitted the board for approval and the supervisor for recognition is excluded.</p> <p>(c)Acquiring assets beyond the mentioned in Section 2(a)(1) from the related party or disposing of them shall be done in accordance with the first three Articles.</p> <p>3. Reasonable Assessment of Transaction Cost</p> <p>(a)When the Company acquires real estate from related parties it shall appraise the reasonableness of the transaction cost in accordance with the following procedures:</p> <p>(1)It is based on the trading price of the related party plus necessary interests of the capital and necessary costs on the buyer. The so-called necessary interests of capital are calculated based on weighted average interests of annual loans for purchasing the</p>	<p>original transaction counterpart of the related party, and the relationship between the original counterpart and the Company as well as the related party.</p> <p>(5)Estimates of the balance sheet for every month of the coming year starting from contract establishment month, and evaluations of the necessity of the transaction and the reasonableness of the use of funds.</p> <p>(6)The appraisal report from professional appraisers or the opinion from the accountant shall be performed accordance with Section 1 of this Article.</p> <p>(7)Restrictions and other important covenants for the transaction</p> <p>(b)The calculation of transaction amount provided herein above shall be done according to provisions of Section 2(e) of Article 13. The referred to “within one year” shall start from the transaction date and trace back to one year. The part which has been submitted the board for approval and the supervisor for recognition is excluded.</p> <p>(c)Acquiring assets beyond the mentioned in Section 2(a)(1) from the related party or disposing of them shall be done in accordance with the first three Articles.</p> <p>3. Reasonable Assessment of Transaction Cost</p> <p>(a)When the Company acquires real estate from related parties it shall appraise the reasonableness of the transaction cost in accordance with the following procedures:</p> <p>(1)It is based on the trading price of the related party plus necessary interests of the capital and necessary costs on the buyer. The so-called necessary interests of</p>	

Original	Proposed Revision	Description
<p>Company's assets, but it cannot be higher than the highest lending rate of non-financial industry issued by Ministry of Finance.</p> <p>(2)If the related party once made any loan through pledging this object to a financial institution, and the financial institution has appraised the total value of this object for loan granting, the value can be recognized as long as the actual loan has exceeded 70% of the total loan value of this object and the loan period has exceeded 1 year. However, this is not applicable if the financial institution is related to one of the transaction parties.</p> <p>(b)When jointly purchasing land and houses placed thereon, one of the methods mentioned above shall be adopted to appraise the transaction cost respectively for the land and the houses.</p> <p>(c)In the case that the real estate is acquired from a related party, the cost shall be appraised in accordance with Sections 3(a) and 3(b) of this Article and accountants shall be invited to review and issue specific opinions.</p> <p>(d)When the appraised values of real estate acquired by the Company from the related party according Sections 3(a) and 3(b) of this Article are all relatively lower, it shall be handled according to Section 3(f) of this Article. Subject to the following situations and combined with objective evidence and reasonable opinions obtained from professional appraisers of real estate and accountants, the limit herein will be excluded:</p> <p>(1)In the case that the related party obtains undeveloped land or leases the land for construction, the</p>	<p>capital are calculated based on weighted average interests of annual loans for purchasing the Company's assets, but it cannot be higher than the highest lending rate of non-financial industry issued by Ministry of Finance.</p> <p>(2)If the related party once made any loan through pledging this object to a financial institution, and the financial institution has appraised the total value of this object for loan granting, the value can be recognized as long as the actual loan has exceeded 70% of the total loan value of this object and the loan period has exceeded 1 year. However, this is not applicable if the financial institution is related to one of the transaction parties.</p> <p>(b)When jointly purchasing land and houses placed thereon, one of the methods mentioned above shall be adopted to appraise the transaction cost respectively for the land and the houses.</p> <p>(c)In the case that the real estate is acquired from a related party, the cost shall be appraised in accordance with Sections 3(a) and 3(b) of this Article and accountants shall be invited to review and issue specific opinions.</p> <p>(d)When the appraised values of real estate acquired by the Company from the related party according Sections 3(a) and 3(b) of this Article are all relatively lower, it shall be handled according to Section 3(f) of this Article. Subject to the following situations and combined with objective evidence and reasonable opinions obtained from professional appraisers of real estate and accountants, the limit herein will be excluded:</p> <p>(1)In the case that the related</p>	

<b>Original</b>	<b>Proposed Revision</b>	<b>Description</b>
<p>evidences put forward by the related party shall be in accordance with one of the following requirements:</p> <p>(i)The undeveloped land was appraised according to the provisions of the preceding Article, but the buildings have been appraised based on the related party’s construction costs plus reasonable construction profit and in combination with the land, the total exceeds the actual transaction price. The referred to reasonable construction profit shall be calculated based on the average operating margin of the construction sector of the related party in last three years or the latest average operating margin issued by the Ministry of Finance, whichever is lower.</p> <p>(ii)There are cases of completed transactions by unrelated parties within the preceding year involving other floors of the same property or property in an adjacent area in which the properties are similar in area and the terms of the transactions in those cases are found to be similar after assessment of reasonable discrepancies in the prices of different floors or districts in accordance with standard property market practices.</p> <p>(iii)There are cases of leasing transactions completed by unrelated parties for other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>(2)If the Company can prove that the transaction conditions are</p>	<p>party obtains undeveloped land or leases the land for construction, the evidences put forward by the related party shall be in accordance with one of the following requirements:</p> <p>(i)The undeveloped land was appraised according to the provisions of the preceding Article, but the buildings have been appraised based on the related party’s construction costs plus reasonable construction profit and in combination with the land, the total exceeds the actual transaction price. The referred to reasonable construction profit shall be calculated based on the average operating margin of the construction sector of the related party in last three years or the latest average operating margin issued by the Ministry of Finance, whichever is lower.</p> <p>(ii)There are cases of completed transactions by unrelated parties within the preceding year involving other floors of the same property or property in an adjacent area in which the properties are similar in area and the terms of the transactions in those cases are found to be similar after assessment of reasonable discrepancies in the prices of different floors or districts in accordance with standard property market practices.</p> <p>(iii)There are cases of leasing transactions completed by unrelated parties for other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>(2)If the Company can prove</p>	



Original	Proposed Revision	Description
<p>similar to those of other transaction cases of similar areas in the vicinity between other parties when the Company purchased real estate from the related party. The above-mentioned nearby transactions refer to those which are on the same street or nearby streets within the distance of 500 meters of the target transaction or with similar current value as reported; the similar area acreage refers to that its acreage shall not be less than 50% of the target transaction in area; the above mentioned “within one year” shall start from the transaction date to trace back to one year.</p> <p>(e)When the appraised values of real estate acquired by the Company from related parties according to Sections 3(a) and 3(b) of this Article is lower than the transaction price, the situation shall be handled in following manner. Moreover, if the Company uses the equity method to account for its investment in another company and sets aside a special reserve according to the above provision, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence to confirm there was nothing unreasonable in the transaction, and the Financial Supervisory Commission of the Executive Yuan has given its consent.</p> <p>(1)In accordance with the provisions of Clause 1 of Article 41 of the Securities and Exchange Act, a special reserve shall be set aside based on the difference between the</p>	<p>that the transaction conditions are similar to those of other transaction cases of similar areas in the vicinity between other parties when the Company purchased real estate from the related party. The above-mentioned nearby transactions refer to those which are on the same street or nearby streets within the distance of 500 meters of the target transaction or with similar current value as reported; the similar area acreage refers to that its acreage shall not be less than 50% of the target transaction in area; the above mentioned “within one year” shall start from the transaction date to trace back to one year.</p> <p>(e)When the appraised values of real estate acquired by the Company from related parties according to Sections 3(a) and 3(b) of this Article is lower than the transaction price, the situation shall be handled in following manner. Moreover, if the Company uses the equity method to account for its investment in another company and sets aside a special reserve according to the above provision, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence to confirm there was nothing unreasonable in the transaction, and the Financial Supervisory Commission of the Executive Yuan has given its consent.</p> <p>(1)In accordance with the provisions of Clause 1 of Article 41 of the Securities and Exchange Act, a special reserve shall be set aside</p>	

Original	Proposed Revision	Description
<p>transaction price and the appraised cost, which may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company’s equity stake in the other company.</p> <p>(2)Supervisors shall comply with Article 218 of the Company Act.</p> <p>(3)Actions taken pursuant to Sections 3(e)(1) and 3(e)(2) of this Article shall be reported to the shareholders’ meeting, and the details of the transaction shall be disclosed in the annual report and prospectuses.</p> <p>(f)Acquisition by the Company of real estate from a related party shall be performed in accordance with the provisions relating to appraisal procedures and operational procedures set forth in Section 2 of this Article; the provisions relating to appraisal procedures and operational procedures in Sections 3(a), 3(b) and 3(c) of this Article are not applicable.</p> <p>(1)Real estate that the related party obtained through inheritance or as a gift.</p> <p>(2)More than five years will have elapsed from the time the related party signed the contract to obtain the real estate to the signing date for the current transaction.</p> <p>(3)The real estate is acquired by the signing of a joint development contract with the related party</p> <p>(g)When the Company acquires</p>	<p>based on the difference between the transaction price and the appraised cost, which may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company’s equity stake in the other company.</p> <p>(2)Supervisors shall comply with Article 218 of the Company Act.</p> <p>(3)Actions taken pursuant to Sections 3(e)(1) and 3(e)(2) of this Article shall be reported to the shareholders’ meeting, and the details of the transaction shall be disclosed in the annual report and prospectuses.</p> <p>(f)Acquisition by the Company of real estate from a related party shall be performed in accordance with the provisions relating to appraisal procedures and operational procedures set forth in Section 2 of this Article; the provisions relating to appraisal procedures and operational procedures in Sections 3(a), 3(b) and 3(c) of this Article are not applicable.</p> <p>(1)Real estate that the related party obtained through inheritance or as a gift.</p> <p>(2)More than five years will have elapsed from the time the related party signed the contract to obtain the real estate to the signing date for the current transaction.</p> <p>(3)The real estate is acquired by the signing of a joint development contract with the related party <u>or</u></p>	

Original	Proposed Revision	Description
<p>real estate from a related party and any evidence indicates that the acquisition was not performed in accordance with operational conventions, then it shall comply with Section 3(e) of this Article.</p>	<p><u>ask related party to construct real estate as prefectural construction or rental prefectural construction on behalf of the Company</u>  (g)When the Company acquires real estate from a related party and any evidence indicates that the acquisition was not performed in accordance with operational conventions, then it shall comply with Section 3(e) of this Article.</p>	
<p><b>Article 13 Information Disclosure Procedures</b>  1. Time Limit for Announcement and Reporting  The Company shall report related information to the website designated by FSC for announcement and reporting within 2 days of the transaction date if the assets acquired or disposed of by the Company are within the scope stipulated in Section 2 of this Article and the transaction amount reaches the announcement standard.  2. Projects that shall be declared or Report Standard  (a)Real estate is acquired or disposed from the related party, or the transaction amount of non-real estate with the related party reaches to 20% of the Company’s paid-up capital, or 10% of the Company’s total assets or above NTD 300 million. However, trading of bonds or bonds with repurchase and resell conditions are not subject to this limit.  (b)Merger, Division, Acquisitions or Shares Transfer  (c)The loss in derivatives reaches to upper loss limit, including in total or of an individual contract as regulated in the procedure.  (d)In addition the provisions of the former three Paragraphs, any transactions of assets, disposal of</p>	<p><b>Article 13 Information Disclosure Procedures</b>  1. Time Limit for Announcement and Reporting  The Company shall report related information to the website designated by FSC for announcement and reporting within 2 days of the transaction date if the assets acquired or disposed of by the Company are within the scope stipulated in Section 2 of this Article and the transaction amount reaches the announcement standard.  2. Projects that shall be declared or Report Standard  (a)Real estate is acquired or disposed from the related party, or the transaction amount of non-real estate with the related party reaches to 20% of the Company’s paid-up capital, or 10% of the Company’s total assets or above NTD 300 million. However, trading of bonds or bonds with repurchase and resell conditions, <u>purchasing or redemption domestic money market funds</u>, are not subject to this limit.  (b)Merger, Division, Acquisitions or Shares Transfer  (c)The loss in derivatives reaches to upper loss limit, including in total or of an individual contract as regulated in the procedure.  (d)In addition the provisions of the former three Paragraphs, any</p>	<p>Text amended pursuant to the “Guidelines”.</p>

Original	Proposed Revision	Description
<p>debts by financial institutions or investment in mainland China which have reach a transaction amount up to 20% of the Company’s paid-up capital or more than NT \$ 300 million. Following situations are not subject to this limit:</p> <p>(1)Bonds Trading</p> <p>(2)Any professional investment in securities trading in domestic and foreign exchanges</p> <p>(3)Trading bonds attached with repurchase and resell conditions</p> <p>(4)Acquisition or disposal of such assets as <u>machinery</u> equipment for business which does not involve the related party and the transaction amount of which does not reach to above NTD 500 million.</p> <p>(5)Acquisition or disposal of real estate for construction purpose by the Company which run construction business without any involvement of the related party and the transaction amount of which does not reach to above NTD 500 million.</p> <p>(6)Acquisition of real estate in the methods of contracted construction on self-own land/leased land, co-construction &amp; housing sharing, co-construction &amp; profit sharing, and co-construction &amp; housing distribution; the Company predicts its invested transaction amount will not reach to above NTD 500 million.</p> <p>(e)The calculation method of the transaction amounts for the above-mentioned fourth Subparagraph is as followed; Moreover, the referred “within one year” starts from transaction date, and trace back to one year; the amount that has been reported according to regulations shall not be counted in.</p>	<p>transactions of assets, disposal of debts by financial institutions or investment in mainland China which have reach a transaction amount up to 20% of the Company’s paid-up capital or more than NT \$ 300 million. Following situations are not subject to this limit:</p> <p>(1)Bonds Trading</p> <p>(2)Any professional investment in securities trading in domestic and foreign exchanges</p> <p>(3)Trading bonds attached with repurchase and resell conditions <u>or purchasing or redemption domestic money market funds</u></p> <p>(4)Acquisition or disposal of such assets as <u>equipment</u> for business which does not involve the related party and the transaction amount of which does not reach to above NTD 500 million.</p> <p>(5)Acquisition or disposal of real estate for construction purpose by the Company which run construction business without any involvement of the related party and the transaction amount of which does not reach to above NTD 500 million.</p> <p>(6)Acquisition of real estate in the methods of contracted construction on self-own land/leased land, co-construction &amp; housing sharing, co-construction &amp; profit sharing, and co-construction &amp; housing distribution; the Company predicts its invested transaction amount will not reach to above NTD 500 million.</p> <p>(e)The calculation method of the transaction amounts for the above-mentioned fourth Subparagraph is as followed; Moreover, the referred “within one year” starts from transaction date, and trace back to</p>	

Original	Proposed Revision	Description
<p>(1)Transaction amounts for every transaction</p> <p>(2)The total accumulative amounts in transacting with the same counterpart within a year for acquisition or disposal of objects with same property</p> <p>(3)The total accumulative amounts as results of acquisition or disposal (accumulating the acquisition and disposing real estate respectively) of real estate within same development plan within a year</p> <p>(4)The total accumulative amounts as results of acquisition or disposal (accumulating the acquisition and disposing securities respectively) of the same securities within a year</p> <p>3. Procedures for Announcement</p> <p>(a)The Company shall report related information to the designated website by FSC for announcement.</p> <p>(b)The Company shall report information relating to the prior month’s transactions in derivatives of the Company and subsidiaries to the designated website by FSC for announcement before the 10th of every month.</p> <p>(c)The Company shall report all items according to regulations, and if there are errors or omissions, shall declare and report all items again after making additions and corrections.</p> <p>(d)The Company shall keep related contracts, records, memorandums, appraisal reports, opinions from accountants, lawyers or securities underwriters with the Company for at least five years, unless otherwise provided for by related regulations.</p> <p>(e)In case of one of following</p>	<p>one year; the amount that has been reported according to regulations shall not be counted in.</p> <p>(1)Transaction amounts for every transaction</p> <p>(2)The total accumulative amounts in transacting with the same counterpart within a year for acquisition or disposal of objects with same property</p> <p>(3)The total accumulative amounts as results of acquisition or disposal (accumulating the acquisition and disposing real estate respectively) of real estate within same development plan within a year</p> <p>(4)The total accumulative amounts as results of acquisition or disposal (accumulating the acquisition and disposing securities respectively) of the same securities within a year</p> <p>3. Procedures for Announcement</p> <p>(a)The Company shall report related information to the designated website by FSC for announcement.</p> <p>(b)The Company shall report information relating to the prior month’s transactions in derivatives of the Company and subsidiaries to the designated website by FSC for announcement before the 10th of every month.</p> <p>(c)The Company shall report all items according to regulations, and if there are errors or omissions, shall declare and report all items again after making additions and corrections.</p> <p>(d)The Company shall keep related contracts, records, memorandums, appraisal reports, opinions from accountants, lawyers or securities underwriters with the Company for at least five years,</p>	

<b>Original</b>	<b>Proposed Revision</b>	<b>Description</b>
<p>situations, after the Company announces transactions according to the provisions of the former Article, the Company shall report related information to the website designated by FSC for announcement within 2 days of the transaction date:</p> <p>(1)Change, termination or rescission of contracts related to the original transaction.</p> <p>(2)The merger, division, acquisition or share transfer is not completed within the scheduled time.</p> <p>(3)Any changes to the original announcement.</p>	<p>unless otherwise provided for by related regulations.</p> <p>(e)In case of one of following situations, after the Company announces transactions according to the provisions of the former Article, the Company shall report related information to the website designated by FSC for announcement within 2 days of the transaction date:</p> <p>(1)Change, termination or rescission of contracts related to the original transaction.</p> <p>(2)The merger, division, acquisition or share transfer is not completed within the scheduled time.</p> <p>(3)Any changes to the original announcement.</p>	

**Attachment 5: Articles of Incorporation Amendment Comparison Table**

Original	Proposed Revision	Description
<p><b>Article 28</b> The annual net income of the Company shall be appropriated in accordance with the priorities listed as follows:</p> <ol style="list-style-type: none"> <li>1. Recovering of Losses.</li> <li>2. Appropriation of 10% for legal capital reserve.</li> <li>3. Special capital reserve pursuant to applicable law or regulation.</li> <li>4. Appropriation of 8% for employee bonuses; the Company may issue stock bonuses to employees of an affiliated Company meeting the conditions set by the board of directors, or other related guidelines the board of directors is authorized to develop.</li> <li>5. As to the remainder, the board of directors is authorized to draft a net profits appropriation plan in accordance with the dividend policy in this Article Section 2.</li> </ol> <p>The Company is currently in a growth stage; with the future business development, the net profit distributions shall consider future capital expenditures and demands for working capital; the board of directors is authorized to draft appropriation plans and proceed in accordance with resolutions of the shareholders' meeting. The shareholders bonus allocation shall be included in the current fiscal year dividends distributed, and no more than 90% of the payment shall be cash dividends.</p>	<p><b>Article 28</b> The annual net income of the Company shall be appropriated in accordance with the priorities listed as follows:</p> <ol style="list-style-type: none"> <li>1. Recovering of Losses.</li> <li>2. Appropriation of 10% for legal capital reserve.</li> <li>3. <u>Appropriate or return to special capital reserve pursuant to applicable law or regulation.</u></li> <li>4. <u>From the balance of distributable earnings,</u> appropriate 8% for employee bonuses; the Company may issue stock bonuses to employees of an affiliated Company meeting the conditions set by the board of directors, or other related guidelines the board of directors is authorized to develop.</li> </ol> <p><u>As to the shareholder earnings available for appropriation including accumulated un-appropriated earnings and earnings available for appropriation of this year,</u> the Board of Directors is authorized to draft an appropriation plan in accordance with the dividend policy in this Article Section 3.</p> <p>The Company is currently in a growth stage; the dividend distribution policy, subject to the Company's current and future investment environment, fund requirements, domestic competition and capital budgets, taking into account the interests of shareholders and long-term financial planning, <u>shareholder dividends set aside from accumulated un-appropriated earnings shall not be less than 15% of earnings available for appropriation and cash dividends shall not be less than 10% of total shareholder dividends.</u></p>	<p>Revised dividend policy.</p>

<b>Original</b>	<b>Proposed Revision</b>	<b>Description</b>
<p><b>Article 31</b> These Articles of Incorporation were enacted on January 5, 1974. ... The 45th amendment was made on June 26, 2013.</p>	<p><b>Article 31</b> These Articles of Incorporation were enacted on January 5, 1974. ... The 45th amendment was made on June 26, 2013. <u>The 46th amendment was made on June 25, 2014.</u></p>	<p>Updating of the date of amendment.</p>



## Appendices

### Appendix 1: Shareholders' Meeting Rules

Amended June 18, 2012

- Article 1** Meetings of shareholders shall be acted upon in accordance with these rules.
- Article 2** The shareholders or their representatives present shall wear identification and may hand in attendance cards in lieu of signing the attendance book. The total attendance shall be calculated in accordance with the attendance cards turned in at the meeting.
- Article 3** The participation and voting by shareholders shall be duly calculated based on the number of shares they hold.
- Article 4** The location of shareholders meeting shall be the Company's current location or such other place that is convenient for shareholders to attend. The meeting shall not commence earlier than 9AM or later than 3PM.
- Article 5** If a shareholders' meeting is convened by the board, the chairman of the board shall be the chairman presiding at the meeting. If the chairman of the board is on leave or cannot perform his duties for some reason, the vice chairman shall preside at the meeting on the chairman's behalf; if the Company does not have a vice chairman or the vice chairman is on leave or cannot perform his duties for some reason, the chairman shall designate one managing director to act on his behalf. If the Company does not have a managing director, the chairman shall designate one director to act on his behalf. If the chairman has not appointed an agent or the designated director cannot perform his duties for some reason, the meeting chair shall be elected from among the directors present.
- If the meeting is convened by any other person besides the board of directors who is entitled to convene the meeting, such person shall be the chairman to preside at the meeting. If there are more than two persons convening the meeting, then shall be the one elected by the other.
- Article 6** The Company may appoint designated attorneys, certified public accounts or other relevant persons to attend shareholders' meetings.
- The staff members who take charge of the shareholders' meeting affairs shall wear identification certificates or armbands.
- Article 7** The Company shall record the shareholders' meetings by audio or video and keep the recording for at least one year.
- Article 8** The chairman shall call the meeting to order at the time scheduled for the meeting, provided, however, that if during such a shareholders' meeting a

majority of the total number of outstanding shares ceases to be present, the chairman may postpone the shareholders' meeting to a later time, provided, however, that the maximum number of times a shareholder meeting may be postponed shall be two and total time of postponement shall not exceed one hour. If after two postponements no quorum can yet be constituted but the shareholders present at the meeting represent more than one third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Act.

If before the end of the meeting and at enough shares become present to constitute a quorum, the chairman may then re-submit the tentative resolutions to the meeting for approval, in accordance with Article 174 of the Company Act.

**Article 9** The agenda for the shareholders' meetings shall be set by the Board of Directors if the meeting is convened by the Board of Directors. The meeting shall be conducted in accordance with the agenda, which may not be altered without a resolution adopted at the shareholders' meeting. The preceding provisions of this Article apply *mutatis mutandis* to cases where shareholders' meetings are convened by any person(s), other than the Board of Directors, entitled to convene the meeting. Unless otherwise resolved at the shareholders' meeting, the chairman may not announce adjournment of the meeting unless the scheduled agenda items (including Extemporaneous Motions) set forth in the preceding provisions of this Article are concluded.

If the chairman announces adjournment of the meeting and violates these rules of procedure, the meeting may be continued after electing one of the attendees to be the meeting chairman in accordance to the approval of the majority of the votes represented by the attending shareholders. After the meeting is adjourned, shareholders may not separately elect a chair and resume the meeting at the original or another venue.

**Article 10** When a shareholder attending the meeting wishes to speak, he or she shall first fill out a speaker's card, specifying therein the major points of his or her speech, account number (or number appeared on attendance pass) and account name. The chairman shall determine sequence of shareholders' speeches.

A shareholder in attendance who submits a speaker's slip but does not speak shall be deemed to have not spoken. In the case where the contents of a shareholder's speech differ from those specified on the speaker's card, the contents of the actual speech shall prevail.

Unless otherwise permitted by the chairman and speaking shareholder, no shareholder shall interrupt the speech of the speaking shareholder; the chairman shall stop any such interruptions.

**Article 11** A shareholder may not speak more than twice on the same resolution without the chairman's consent, with five minutes maximum for each speech.

The chairman may stop any shareholder who violates the above rules or exceeds the scope of the agenda item.

**Article 12** Any legal entity designated as proxy by shareholder(s) to be present at the meeting may appoint only one representative to attend the meeting.

If a corporate shareholder designates two or more representatives to attend the meeting, only one of the representatives so designated may speak on any one motion.

**Article 13** The chairman may respond or designate other persons to respond after an attending shareholder's speech.

**Article 14** When the chairman considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.

**Article 15** The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman, provided, however, that the person supervising the casting of votes shall be a shareholder.

**Article 16** During the process of the meeting, the chairman may announce a recess at an appropriate time

**Article 17** Unless otherwise specified in the Company Act and the Articles of Incorporation, resolutions shall be adopted by a majority of the votes represented by the attending shareholders. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after inquiry by the chairman.

**Article 18** Unless listed in the handbook, the contents of new proposals shall ask the chairman or master of ceremonies to be read to attending shareholders. If there is an amendment or replacement proposal to the original proposal, the chairman shall decide the sequence of voting for such proposals, provided that if any one of the proposals has been approved, the others shall be deemed vetoed and no further voting is required.

**Article 19** The chairman may direct disciplinary officers (or security personnel) to maintain the order of the Meeting. For identification purposes, they shall wear a badge bearing the words of "disciplinary officer."

**Article 20** If the matters do not provided this rules, shall pursuant to the Company Act and other laws and regulations.

**Article 21** These rules and procedures shall be effective after ratification at the shareholders' meetings. The same applies to modifications.

## **Appendix 2: Articles of Incorporation**

### **Chapter I General Provisions**

**Article 1** The Company, organized under the Company Act as a Company limited by shares, and shall be named Hon Hai Precision Industry Co., Ltd. (hereinafter, “the Company”).

**Article 2** The Company’s scope of business is as follows:

1. The development, design, manufacture and sale of computer system equipment, connectors for peripherals, cable assemblies chassis and frames.
2. The development, design, manufacture and sale of connectors, cable assemblies and parts for computer networking systems, telecommunications, fiber optical and optoelectronic products.
3. The development, design, manufacture and sale of parts or assembly work for consumer electronic products, automobile and aerospace industry equipment.
4. The development, design, manufacture and sale of precision molds, mold parts and assemblies and molding equipment.
5. Metal and plastic parts manufacture and sale.
6. Metal surface treatment, machining and equipment manufacture and sale.
7. Machining and hardware tools and equipment business.
8. The development, design, manufacture and sale of automated machineries and their peripherals.
9. Computer network and industrial computer software agent development, design, sales and after-sales service.
10. Measurement and inspection services for machineries, electronic parts and molds.
11. The development, manufacture, or sale of testing equipment or acting as a sale agent thereof.
12. Plastic materials and metal materials import and export.
13. The development, design, manufacture, processing and sale of constructions materials.
14. Shipping centers and bonded warehouse business.

15. The development, design, manufacture, sale and sale services of prevention and control of air pollution, noise and vibration control, prevention and control of water pollution, waste disposal, environmental testing and monitoring equipment.
16. Construction of industrial plants, residential and commercial real estate business.
17. Construction materials and machineries business or as an agent thereof.
18. Illumination and telecommunication system design and installation.
19. Health and safety system and interior remodeling design and installation.
20. Operation of real estate property management, trading broker, lease, contract and agency businesses.
21. The development, design, manufacture, assembly, processing, testing and trading of integrated circuit and the docking stations.
22. The development, design, manufacture, processing and trading of CD-ROM drives.
23. The development, design, manufacture and trading of CD-ROM disks.
24. The manufacture, processing and trading of gold potassium cyanide (氰化金鉀).
25. Research and development of engineering plastics, blending, mixing, and processing applications, technology transfer and trading.
26. Import and export trade business of the products listed above.
27. CC01020 Wire and cable manufacturing.
28. CC01080 Electronic parts and components manufacturing.
29. CB01020 Office machines manufacturing.
30. CC01010 Power generation, transmission, and distribution equipment manufacturing.
31. CB01010 Machinery and equipment manufacturing.
32. CD01030 Automotive and parts manufacturing.
33. CD01060 Aircraft and parts manufacturing.
34. CA01990 Other non-ferrous metal industries. (Mg)
35. C805050 Industrial plastic products manufacturing.

36. CC01050 Data storage and processing equipment manufacturing.
37. F119010 Electronic materials wholesale trading.
38. F219010 Electronic materials retail sales.
39. CA01090 Aluminum foundry.
40. CA01130 Copper secondary processing.
41. CC01060 Wired communication machinery and equipment manufacturing.
42. CC01070 Wireless communication machinery and equipment manufacturing.
43. CC01101 Restricted telecommunications RF equipment manufacturing.
44. F401021 Restricted telecommunications RF equipment importers.
45. ZZ99999 In addition to licensed businesses, the Company may operate any other businesses that are not prohibited or restricted by law.

**Article 3** The Company may provide endorsements and guarantees and act as a guarantor.

**Article 4** The Company is headquartered in New Taipei City, Taiwan and when necessary may establish branches or subsidiaries at home and abroad according to resolutions by the board of directors.

By a resolution of the board of directors, the Company may engage in domestic or foreign investment in other companies. The total amount of the Company's investment in other companies is exempted from the prohibition against exceeding 40 percent of paid-up capital described in Article 13 of the Company Act.

**Article 5** Public announcements of the Company shall be made in accordance with the provisions of Article 28 of the Companies Act.

## **Chapter II Shares**

**Article 6** The authorized capital of the Company is NT\$150 billion, consisting of 15 billion shares, all of common stock, with a par value of NT\$10 per share. The board of directors is authorized to issue the shares in separate installments as required, of which 500 million shares are reserved for stock options with warrants or corporate bonds for the exercise of stock options. The board of directors is also authorized to issue shares in separate installments as required.

**Article 7** The share certificates of the Company shall without exception be in registered form, signed by, or affixed with the seals of, at least three directors, and authenticated by the

competent governmental authority upon issuance. Shares issued by the Company need not be in certificate form.

**Article 8** All stock processing and related activities shall follow the Financial Supervisory Commission's "Guidelines for Stock Operations for Public Companies" unless specified otherwise by law and securities regulations.

**Article 9** All entries in the shareholders register due to share transfers shall be suspended for 60 days prior to an ordinary shareholders meeting, or for 30 days prior to an extraordinary shareholders meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefit.

### **Chapter III Shareholders' Meeting**

**Article 10** Shareholders' meetings of the Company are of two kinds: regular shareholders meetings and extraordinary shareholders meetings. The regular shareholders' meeting is called once per year within six months of the close of the fiscal year. Extraordinary shareholders meetings may be called in accordance with applicable laws and regulations whenever necessary.

**Article 11** The shareholders' meeting shall be convened by the board of directors; the chairman of the board shall be the chairman presiding at the meeting. If the chairman of the board is on leave or cannot perform his duties for some reason, pursuant to Article 208 of the Company Act, the shareholders' meeting shall be convened by others who have the right to convene a meeting and he or she shall be the chairman. If there is more than one person with the rights to convene a shareholders' meeting, they shall nominate a chairman from among themselves.

**Article 12** For any shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy.

**Article 13** Each shareholder of the Company is entitled to one vote per share, unless otherwise provided by applicable law or regulation.

**Article 14** Unless otherwise provided by applicable law or regulation, a resolution of the shareholders' meeting shall be adopted by the consent of a majority of the votes represented by those in attendance at the meeting, in person or by proxy, by shareholders who represent a majority of the total issued shares.

**Article 15** The resolutions of the shareholders meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the stamp of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at the head office of the Company and announced to all shareholders within 20 days.

### **Chapter IV**

## Board of Directors and Supervisors

**Article 16** The Company shall have seven directors, to be elected by the shareholders' meeting from among candidates with legal capacity in accordance with Article 192-1 of the Company Act. The term of office shall be three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors shall comply with the regulations prescribed by the securities supervisory authorities.

**Article 16-1** Pursuant to Article 14-2 and Article 183 of the Securities and Exchange Act, the Company's board of directors shall include two independent. The election of independent directors shall proceed pursuant to Article 192-1 of the Company Act.

**Article 17** The board of directors shall consist of the directors of the Company; the chairman of the board of directors shall be elected from among the directors by a majority of directors in attendance at a meeting attended by at least two-thirds of the directors. The chairman of the board of directors shall represent the Company in external matters. If the chairman of the board is on leave or cannot perform his duties for some reason, the chairman shall designate a director to act on his behalf. If the chairman has not appointed an agent or the designated director cannot perform his duties for some reason, the directors shall nominate one from among themselves to act on behalf of the chairman.

**Article 18** Except for the first meeting of the board of directors of every new term, which shall be convened pursuant to Article 203 of the Company Act, all other meetings of the board of directors shall be convened by the chairman of the board of directors. Unless otherwise provided for by applicable law or regulation, a resolution of the board of directors shall be adopted by the consent of a majority of the votes represented by those the majority in attendance at the board of directors meeting. Directors shall attend meetings of the board of directors. If a director is unavailable to attend a meeting in person, the director may issue a power of attorney for the given meeting specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting pursuant to Article 205 of the Company Act. Meetings of the board of directors shall be called once per quarter, and extraordinary sessions may be convened only when necessary.

**Article 18-1** Seven days prior to the convening of a meeting of the board of directors, notice shall be sent to all directors, specifying the reasons for calling the meeting, though in emergency situations, a meeting may be called whenever necessary.

Notice of the convening of a meeting described in the preceding paragraph may be in writing, by fax or by e-mail notification thereof.

**Article 19** The authorities of the board of directors are as follows:

1. The Company's business focus, business and long term development plans shall be decided by the board of directors.
2. Propose the Company's annual budget plan.



3. Propose to increase or decrease Company capital.
4. Propose profit distribution or a plan for recovery of losses.
5. Propose major contracts.
6. Propose to revise the Articles of Incorporation.
7. Set up Company organizational structures and business rules.
8. Setup, dissolution, re-organization and dismissal of branch offices.
9. Commissioning and decommissioning of the Company's CEO, deputy general managers and managers.
10. Convening of the shareholders' meeting.
11. Propose the acquisition or disposal of the Company's major assets.
12. Propose external endorsements and guarantees or schedule foreign investments.
13. Propose to increase the Company's capital plan by dividends, bonus or reserves.
14. The authorities pursuant to Article 202 of the Company Act.

**Article 20** If there exists a shortfall of one-third of directors or all supervisors have been dismissed, the board of directors shall convene a shareholders' meeting for the by-election of absent directors or supervisors. The term of newly elected directors or supervisors shall continue for the original term of the directors or supervisors replaced, except in the case of a comprehensive re-election of all new directors and supervisors.

**Article 21** The resolutions of the meetings of the board of directors shall be recorded in the minutes, and such minutes shall be signed by or sealed with the stamp of the chairman of the meeting. Such minutes, together with the attendance list, shall be filed and kept at the head office of the Company and announced to all directors within 20 days.

**Article 22** The Company shall have two supervisors, to be elected by the shareholders' meeting from among candidates with legal capacity in accordance with Article 192-1 of the Company Act. The term of office is three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire body of supervisors shall comply with the regulations prescribed by the competent authority.

**Article 23** The authorities of the supervisors are as follows:

1. Review the Company's annual report.
2. Monitor the Company's business operations and request status updates from the board of directors or all level managers.
3. Attend meetings of the board of directors.

4. Other authorities provided by applicable law or regulation.

**Article 24** When the term of board of the directors and supervisors has expired and no time exists to hold the re-election, the term of the directors and supervisors shall be extended until the newly elected directors and supervisors take office.

**Article 25** When the Company's directors and supervisors perform Company duties, the Company may compensate them at a rate consistent with general practices in the industry. The board of directors is authorized to purchase liability insurance for directors and supervisors, in accordance with a resolution of the board of directors adopted by consent of a majority of the votes represented by those the majority in attendance at the board of directors meeting.

## **Chapter V Managers**

**Article 26** The Company may appoint one Chief Executive Officer, whose commissioning, decommissioning and pay rate shall be as pursuant to Article 29 of the Company Act.

## **Chapter VI Finance**

**Article 27** After the close of each fiscal year, the following reports shall be prepared by the board of directors and submitted to the regular shareholders' meeting by the supervisors for reviewing and for ratification.

1. Business Report.
2. Financial Statements.
3. Proposal Concerning Appropriation of Net Profits or Recovering of Losses.

**Article 28** The annual net income of the Company shall be appropriated in accordance with the priorities listed as follows:

1. Recovering of Losses.
2. Appropriation of 10% for legal capital reserve.
3. Special capital reserve pursuant to applicable law or regulation.
4. Appropriation of 8% for employee bonus; the Company may issue stock bonuses to employees of an affiliated Company meeting the conditions set by the board of directors, or other related guidelines the board of directors is authorized to develop.

5. As to the remainder, the board of directors is authorized to draft a net profits appropriation plan in accordance with the dividend policy in this Article Section 2.

The Company is currently in a growth stage; with the future business development, the net profit distributions shall consider future capital expenditures and demands for working capital; the board of directors is authorized to draft appropriation plans and proceed in accordance with resolutions of the shareholders' meeting. The shareholders bonus allocation shall be included in the current fiscal year dividends distributed, and no more than 90% of the payment shall be cash dividends.

**Article 29** The Company may transfer stock to employees at a price that is lower than the actual average price of the shares, or the Company may issue employee stock options at a price that is lower than the common stock closing price of the issue date, pursuant to a resolution approved by the majority of total issued shares represented at the shareholders' meeting and the consent of more than two-thirds of the attending shareholders' voting rights.

## **Chapter VII Supplementary Provisions**

**Article 30** Any matters not sufficiently provided for in these Articles of Incorporation shall be handled in accordance with the Company Act and other applicable laws or regulations.

**Article 31** These Articles of Incorporation were enacted on January 5, 1974.

The 1st amendment was made on January 20, 1974.

The 2nd amendment was made on November 30, 1974.

The 3rd amendment was made on July 28, 1975.

The 4th amendment was made on August 19, 1975.

The 5th amendment was made on January 5, 1976.

The 6th amendment was made on February 23, 1976.

The 7th amendment was made on November 29, 1977.

The 8th amendment was made on August 25, 1978.

The 9th amendment was made on April 15, 1982.

The 10th amendment was made on March 10, 1983.

The 11th amendment was made on April 24, 1984.

The 12th amendment was made on September 1, 1984.

The 13th amendment was made on April 10, 1986.

The 14th amendment was made on December 10, 1986.

The 15th amendment was made on November 6, 1987.

The 16th amendment was made on April 29, 1989.

The 17th amendment was made on October 2, 1989.

The 18th amendment was made on October 24, 1989.

The 19th amendment was made on December 20, 1989.

The 20th amendment was made on December 31, 1989.

The 21st amendment was made on May 19, 1990.

The 22nd amendment was made on April 28, 1991.

The 23rd amendment was made on May 27, 1992.  
The 24th amendment was made on June 21, 1993.  
The 25th amendment was made on May 21, 1994.  
The 26th amendment was made on June 10, 1995.  
The 27th amendment was made on June 24, 1996.  
The 28th amendment was made on June 21, 1997.  
The 29th amendment was made on October 7, 1997.  
The 30th amendment was made on June 15, 1998.  
The 31st amendment was made on June 1, 1999.  
The 32nd amendment was made on June 2, 2000.  
The 33rd amendment was made on May 31, 2001.  
The 34th amendment was made on June 10, 2002.  
The 35th amendment was made on December 24, 2003.  
The 36th amendment was made on June 10, 2004.  
The 37th amendment was made on June 14, 2005.  
The 38th amendment was made on June 14, 2006.  
The 39th amendment was made on June 8, 2007.  
The 40th amendment was made on June 2, 2008.  
The 41st amendment was made on April 16, 2009.  
The 42nd amendment was made on June 8, 2010.  
The 43rd amendment was made on June 8, 2011.  
The 44th amendment was made on June 18, 2012.  
The 45th amendment was made on June 26, 2013.

### Appendix 3: Shareholdings of Directors and Supervisors

- As of 04/27/2014, all directors and supervisors minimum shareholding number and actually registered holding shares.

<b>Title</b>	<b>Minimum number of shares to be held</b>	<b>Shares actually held in share register</b>
Directors	160,000,000	1,644,837,324
Supervisors	16,000,000	62,190,037

- As of 04/27/2014, table of shares held by all directors and supervisors.

<b>Title</b>	<b>Name</b>	<b>Shares held in share register</b>
President	Gou, Tai-ming (Terry Gou)	1,621,388,489
Director	Hon Chiao International Investment Co., Ltd. Representative: Tai, Jeng-wu	20,523,686
Director	Hon Jin International Investment Co., Ltd. Representative: Lu, Fang-ming	1,433,093
Director	Chien, Yi-bin	1,492,056
Director	Huang, Qing-yuan	0
Independent Director	Wu, Yu-chi	0
Independent Director	Liu, Cheng-yu	0
Supervisor	Wan, Jui-hsia	0
Supervisor	Fu-Rui International Investment Co., Ltd. Representative: Cho, Min-Chi	62,190,037

**Appendix 4: Impact of Stock Dividend Issuance on the Company’s Business Performance, Earnings per Share and Return on Shareholders’ Investment**

Item	Year	Year 2014 (Forecast)	
Beginning Paid-in Capital (NTD)		131,287,068,400	
Dividend Distribution	Cash dividend per share (NTD) <sup>(1)</sup>	1.8	
	Stock dividend per share for capital increase from retained earnings (Share) <sup>(1)</sup>	0.12	
	Stock dividend per share for capital increase from capital reserve (Share) <sup>(1)</sup>	-	
Business Performance Variation	Operating profit	N/A <sup>(2)</sup>	
	Year-on-year increase / decrease (%) of operating profit		
	Net profit after tax		
	Year-on-year increase / decrease (%) of net profit after tax		
	Earnings per share		
	Year-on-year increase / decrease of earnings per share		
Pro forma earnings per share and its P/E ratio	If cash dividend is distributed instead of capital increase from retained earnings	Pro forma earnings per share (NTD)	N/A <sup>(2)</sup>
		Pro forma average return over investment (annualized)	
	If no capital increase from capital reserve	Pro forma earnings per share (NTD)	
		Pro forma average return over investment (annualized)	
	If no capital reserve and cash dividend is distributed instead of capital increase from retained earnings	Pro forma earnings per share (NTD)	
		Pro forma average return over investment (annualized)	

Note 1: Pending resolution by 2014 Annual General Shareholders’ Meeting.

Note 2: Hon Hai is not required to disclose its 2014 financial forecast pursuant to “Regulations Governing the Publication of Financial Forecasts of Public Companies.”