

## Handling Procedures for Acquisition and Disposal of Assets

### Article 1 Purpose

The Procedures are prescribed to protect shareholders' equity and investors' benefits, implement the information disclosure and enhance property management when the Company acquiring and disposing assets.

### Article 2 Basis

The Procedures are handled in accordance with Article 36-1 of Securities and Exchange Act and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" made by Financial Supervisory(hereinafter "FSC").

### Article 3 Scope of Assets

1. Investment in stocks(including shareholding), government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call(put) warrants, beneficial interest securities and asset-backed securities
2. Real property(including land, houses and buildings, investment property)
3. Memberships
4. Patents, copyrights, trademarks, franchises and other intangible assets
5. Equipment(including but not limited to vessels, containers, chassis, machinery, computer hardware and peripherals)
6. Right-of-use asset.
7. Derivatives
8. Assets acquired or disposed through mergers, split-up, tender offer or transfer of shares in accordance with laws
9. Other assets

### Article 4 Defined terms

**"Derivatives"** means forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts or long-term purchase (sales) agreements.

**"Assets acquired or disposed through mergers, split-up, tender offer or transfer of shares in accordance with laws"** means assets acquired or disposed through mergers, split-up or tender offer conducted under R.O.C. Business Mergers and Acquisitions Act, R.O.C. Financial Holding Company Act, R.O.C. Financial Institution Merger Act and other R.O.C. acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore(hereinafter "transfer of shares") under Article 156-3 of R.O.C. Company Act.

**"Related parties"** means related parties defined in Statements of International Accounting Standard No. 24.

**"Subsidiaries"** means subsidiaries defined in Statements of International Accounting Standard No. 27 and No.28.

**"Professional appraisers"** means real property appraisers or other persons duly authorized by laws to engage in the value appraisal of real property, equipment or other assets.

**"Date of occurrence"** means the date of contract signing, payment, consignment trade, transfer, the board of directors resolutions or other dates that can confirm the counterparties and monetary amount of the transactions, whichever date is earlier; provided, for investment for which approval of R.O.C. Competent Authority is required, the earlier of the above dates or the date of receipt of approval by R.O.C. Competent Authority shall apply.

**"Investments in Mainland China"** means investments in Mainland China in accordance with the provisions of "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" by Ministry of Economic Affairs Investment Commission, R.O.C..

#### Article 5 Operation procedures for acquiring or disposing assets

The Company acquires or disposes assets defined in Article 3 shall be assessed by department in charge, report to the management for authorization or approved by one-half or more of all audit committee members and report to the board of directors for approval according to the following authorized quota and then be executed by related departments.

When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

Third paragraph of the terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

##### 1. Authorized quota for the Company

- (1). The total amount of acquiring non-business real property or right-of-use assets thereof shall not exceed 5% of the Company's total assets of the individual financial statement for the most recent period, certified or reviewed by a certified public accountant.
- (2). The total amount of investments in securities shall not exceed 50% of the Company's total assets of the individual financial statement for the most recent period, certified or reviewed by a certified public accountant and the total amount of investments in each security shall not exceed 25% of the Company's total assets of the individual financial statement for the most recent period, certified or reviewed by a certified public accountant.

2. Authorized quota for the management
  - (1). Investments in securities:

The total amount shall not exceed TWD3 billion. In case it is essential to adjust the above-mentioned authorized investment quota, the management shall draw up the available investment quota by considering the company's operating capital and financial market conditions, and adjustment should be approved by one-half or more of all audit committee members and reported to board of directors for approval and then implement. However, acquiring or disposing monetary funds and repurchase or reverse repo of bonds or bills for the purpose of funds dispatching is not subject to this limit.
  - (2). Real property, equipment and other assets or right-of-use assets thereof besides right-of-use of vessels for the purpose of conducting business:

The amount for each transaction is within TWD100 million.
  - (3). Right-of-use assets of vessels for the purpose of conducting business:

The amount for each transaction is within TWD 600 million. If there are special timeliness considerations, the amount is TWD 800 million.
  - (4). Non-business real property and right-of-use assets thereof:

The amount for each transaction is within TWD10 million.
  - (5). Memberships and intangible assets and right-of-use assets thereof:

The amount for each transaction is within TWD10 million.
3. Once the amount for acquisition or disposal of assets exceeds the authorized quota for the management or the Company acquires or disposes long-term equity investments whether the amount is compiled in annual budget, should be approved by one-half or more of all audit committee members and reported to board of directors for approval and then implement, and shall be subject to mutatis mutandis application of Article 5, paragraphs 2 and 3.
4. The total amount of the investment in securities is calculated based on the original cost of the investment

#### Article 6 Assessment procedures for acquiring or disposing assets

The Company acquiring or disposing securities shall, prior to the date of occurrence of the event, first obtain the financial statements certified or reviewed by a certified public accountant(hereinafter "CPA") of the issuing company for the most recent period for reference when appraising the transaction price and if the amount of the transaction is over and above 20% of the Company's paid-in capital or TWD300 million, the Company shall also engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. . However, this requirement does not apply to securities that have public quoted prices in an active market or where otherwise provided by regulations of FSC.

If the amount of the Company acquiring or disposing real property, equipment, other assets or right-of-use asset thereof is over and above 20% of the Company's paid-in capital or TWD300 million unless transacting with domestic government institutions, engaging others to build on its own land or acquiring or disposing business equipments or right-of-use asset thereof, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and

further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent changes to the terms and conditions of the transaction.
2. If the transaction amount is over and above TWD1 billion, appraisals from two or more professional appraisers shall be obtained.
3. Unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price when the following situations apply:
  - (1). The discrepancy between the appraisal result and the transaction amount is over and above 20%.
  - (2). The discrepancy between the appraisal results of two or more professional appraisers is over and above 10% of the transaction amount.
4. The date of the appraisal report issued by a professional appraiser and the effective date of the contract shall not exceed three months; provided, however, that if the Government Assessed Current Land Price of the same period is applied and the date of submitting the report and the effective date of the contract do not exceed six months, an opinion may still be issued by the original professional appraiser.

If the amount of the Company acquiring or disposing intangible assets or right-of-use asset thereof or memberships is over and above 20% of the Company's paid-in capital or TWD300 million, except in transactions with a domestic government agency, a CPA shall render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price prior to the date of occurrence of the event.

The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

When the Company acquires or disposes assets through court auction, the evidentiary documents issued by the court may be substituted for the appraisal report or CPA's opinion.

The professional appraisers, CPA, lawyers and securities underwriters that issue appraisal reports and opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a

suspended sentence, or since a pardon was received.

2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall be handled in accordance with the self-discipline regulations of the trade associations to which it belongs and comply with the following:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When executing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

#### Article 7 Related Party Transactions

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the rationality of the transaction terms is appraised in compliance with the provisions of Article 6 and Article 7, if the transaction amount is over and above 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 6; the calculation of the transaction amount as used herein refers to shall be made in accordance with paragraph 4 of Article 6 herein.

The Company that intends to acquire or dispose of real property or right-of-use assets thereof (regardless the transaction amounts) from or to related parties, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to related parties and the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD300 million, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, may not proceed with the transaction until the followings were approved by one-half or more of all audit committee members (It shall be subject to mutatis mutandis application of Article 5, paragraphs 2,3 and 4) and reported to board of directors for approval; the calculation of the transaction amounts referred to this paragraph

shall be made in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by shareholders' meeting, the board of directors and recognized by the audit committee need not be counted toward the transaction amount.

1. The purpose, necessity and predetermined benefits of the acquisition or disposal of assets.
2. Reasons for choosing related parties as counterparties.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, related documents for evaluating the rationality of transaction terms according to the fourth and the fifth paragraphs of this Article.
4. The original date and price for related parties acquiring real property the original counterparties and its relationship between the Company and related parties.
5. Monthly cash flow forecasts for a year commencing from the predetermined-signed month and evaluation of the necessity of the transaction and rationality of funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the paragraph 1 of this Article.
7. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the company and its subsidiaries or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may pursuant to Article 5 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
2. Acquisition or disposal of real property right-of-use assets held for business use.

If the company or the company's subsidiary that is not a domestic public company has the transaction of the second paragraph, and the transaction amount is more than 10% of the company's total assets, the company needs to submit the information listed in the second paragraph to the shareholder's meeting for approval, before signing the transaction contract and making payment. However transactions between the company and its subsidiaries or between subsidiaries are not subject to this limitation.

The Company shall evaluate the rationality of the transaction costs by the following means when acquiring real property or right-of-use assets thereof from related parties. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously

created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the counterparties.

The company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding paragraph shall also engage a CPA to check the appraisal and render a specific opinion. If one of the following circumstances exists when the Company acquiring real property or right-of-use assets thereof from related parties, the acquisition shall be conducted in accordance with the provisions of the second paragraph of this Article instead of the fourth and fifth paragraphs.

1. Related party acquires the real property or right-of-use assets thereof through inheritance or as a gift.
2. The time when the related party signs the contract to obtain the real property or right-of-use assets thereof is more than five years earlier than the date for signing the transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

When the appraisal results conducted in accordance with the fifth paragraph of this Article 7 are uniformly lower than the transaction price, the matters shall be handled in compliance with the ninth paragraph of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on rationality from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (1). Where undeveloped land is appraised in accordance with the means in the fifth paragraph of this Article and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (2). Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
3. Completed transactions involving neighboring or closely valued parcels of land in the preceding two subparagraphs in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in the Government Assessed Current Land Price; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property or obtainment of the right-of-use assets thereof.

Where the Company acquires real property or right-of-use assets thereof from related parties and the appraisal results conducted in accordance with the provisions of the fifth to the eighth paragraphs of this Article are uniformly lower than the transaction price or there is other evidence indicating that the acquisition was not an arms length transaction, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with the provisions of the first paragraph of Article 41 of Securities and Exchange Act against the difference between the transaction price and the appraised cost, and 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 the provisions of the first paragraph of Article 41 of 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.
2. Audit committee shall comply with the provisions of Article 218 of Company Act.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
4. The Company that has set aside a special reserve under the subparagraph 1 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.

#### Article 8 Procedures for engaging in derivatives

There are two kinds of purpose for the Company engaging in derivatives: "trading" and "hedging". "Trading" means the purpose for holding or issuing derivatives is making money from the differences of market prices and taking the accompanied risk at the same time.

"Hedging" means lower the risk of the Company's assets, liabilities, irrevocable commitment and expected business or financial transaction through derivatives transactions.

The policy applied by the Company for engaging in derivatives is to enhance the management of assets and liabilities and the efficiency of capital management and risk hedging.

The quota for engaging in derivatives is as follows:

1. Hedging transactions:
  - (1). The total amount in hedging transactions shall not exceed the quota authorized by the board of directors.
  - (2). The maximum loss limits: Either estimated loss of each individual contract exceed 1% of the Company's paid-up capital for two successive months or estimated loss of total contracts exceed 2% of the Company's paid-up capital for two successive months, the measures of controlling the losses shall report to the next board of directors.
2. Trading transactions:
  - (1). The total amount in trading transactions shall not exceed 15% of the Company's total assets.
  - (2). The total losses for all transactions should not exceed USD5 million in the same fiscal year.
  - (3). The losses for each transaction should not exceed USD1 million in the same fiscal year.

The authority and responsibility for the Company engaging in derivatives is as follows:

1. The Head of Finance Department should render information including product types, trading amount, trading purpose and strategy and maximum amount of losses should be submitted to and approved by one-half or more of all audit committee members (It shall be subject to mutatis mutandis application of Article 5, paragraphs 2, 3 and 4) and for approval of the board of directors when the Company engages in derivatives.
2. When the Company engages in derivatives, the authority and responsibility for the Head of Finance Department is as follows:
  - (1). Control the authorized quota by the board of directors.
  - (2). Confirm the transaction.
  - (3). Appoint and remove dealers.
3. When the Company engages in derivatives, the authority and responsibility for dealers is as follows:
  - (1). Grasp market information, collect characteristics of products and market risks and the credit of potential counterparties as reference for evaluating the trading feasibility.
  - (2). Draw up trading strategy and negotiate transaction terms with counterparties.
  - (3). Prepare transaction reports.
4. When the Company engages in derivatives, the authority and responsibility for persons in charge of settlement is as follows:
  - (1). Open accounts.
  - (2). Provide transaction documents immediately.
  - (3). Complete the settlement of the transaction.
5. When the Company engages in derivatives, accounting personnel shall record into the accounts based on recording document from persons in charge of settlement.

The procedures for risk management when the Company engages in derivatives are as follows:

1. Scope of risk management
  - (1). Credit risks  
Counterparties are limited to banks which have business with the Company or famous

international financial institutions which could provide professional information.

(2). Market risks

The Company shall control the market risk derived from the volatility of interest rate, exchange rate or other factors.

(3). Liquidity risks

The Company shall consider if the derivatives engaged are general and universal in the market to avoid the illiquidity circumstances.

(4). Cash flow risks

The Company shall take notice of its cash flows to ensure the completion of settlement when the transaction is expired.

(5). Operational risks

The Company shall obey the authorized quota and operation procedures and dealers shall have full and accurate knowledge about derivatives to avoid operation risk.

(6). Legal risks

Any documents such as contracts, commitment, appointment signed with counterparties shall be reviewed by the internal legal staff or external counselors in advance.

2. When the Company engages in derivatives, Finance Department should be in charge of trading, confirmation and settlement but personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. When the Company engages in derivatives, persons who are in charge of risk evaluation, supervision and control shall not be from Finance Department and shall report to the board of directors or senior management personnel who are not responsible for trading or position decision-making. If there are any irregular circumstances, the persons shall report to the board of directors immediately and take necessary action.

Measures of periodic evaluation and handling irregular circumstances:

1. The trading positions shall be evaluated at least once a week while the hedging positions required by business shall be evaluated at least twice a month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
2. When the Company engages in derivatives, the board of directors shall faithfully supervise and manage such trading in accordance with the following principles:
  - (1). The assigned senior management personnel shall pay attention to monitoring and controlling trading risks at all times.
  - (2). Periodically evaluate whether the performance is consistent with established operational strategy and whether the risk undertaken is affordable for the Company.
3. Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
  - (1). Periodically evaluate whether the risk management measures currently applied are appropriate and faithfully conducted in accordance with the Procedures.
  - (2). Supervise trading and profit–loss circumstances and if irregular circumstances are found, take necessary action and report to the board of directors immediately, independent directors should attend the board of directors and express an opinion.

The company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

Internal audit system:

1. The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives and prepare an audit report. If any material violation is discovered, audit committee shall be notified in writing.
2. The company shall file the audit report of derivatives transactions and the implementation of annual Internal audit plans to Securities and Futures Bureau of FSC(hereinafter "SFB") before the end next February and shall also report the improvement situation for any irregular circumstances to SFB before next May.

The Company engaging in derivatives shall establish a log book and the product types, trading amounts, the board of directors approval dates and the matters required to be carefully evaluated under this Article 8 shall be recorded in detail in the log book.

#### Article 9 Procedures for merger, split-up, tender offer or transfer of shares

The Company that conducts a merger, split-up, tender offer or transfer of shares, prior to the board of directors resolution, shall engage a CPA, attorney, or securities underwriter to give an opinion on the rationality of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.

The Company participating in a merger, split-up, tender offer or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, split-up or tender offer prior to the shareholders' meeting and include it along with the experts' opinion referred to in preceding paragraph when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, split-up or tender offer. Provided, where a provision of another act exempts the Company from convening the shareholders' meeting to approve the merger, split-up or tender offer, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, split-up or tender offer fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, split-up or tender offer shall immediately publicly explain the reason, the follow-up measures and the preliminary date of the next shareholders' meeting.

The Company participating in a merger, split-up or tender shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, split-up or tender off, unless another act provides otherwise or FSC is notified in advance of extraordinary circumstances and grants consent. The Company participating in transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or FSC is notified in advance of extraordinary circumstances and grants consent.

Every person participating in or privy to the plan for merger, split-up, tender offer or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, split-up, tender offer or transfer of shares.

The Company participating in a merger, split-up, tender offer or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances and shall stipulate the circumstances permitting alteration in the contract for the merger, split-up, tender offer or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants or other equity based securities.
2. An action such as a disposal of major assets that affects the Company's financial operations.
3. An event such as a major disaster or major change in technology that affects shareholders equity or share prices.
4. An adjustment where any of the companies participating in the merger, split-up, tender offer or transfer of shares from another company buys back treasury stocks.
5. An increase or decrease in the number of entities or companies participating in the merger, split-up, tender offer or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

The contract for participation by the Company in a merger, split-up, tender offer or transfer of shares shall record the rights and obligations of the companies participating in the merger, split-up, tender offer or transfer of shares and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is split-up.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion and relevant procedures.

After public disclosure of the information, if the Company participating in the merger, split-up, tender

offer or transfer of shares intends further to carry out a merger, split-up, tender offer or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, split-up, tender offer or transfer of shares; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

When participating in a merger, split-up, tender offer or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:

1. Basic identification data for personnel including the occupational titles, names and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, split-up, tender offer or transfer shares prior to disclosure of the information.
2. Dates of material events including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract and the convening of a board of directors meeting.
3. Important documents and minutes including merger, split-up, tender offer and plans for transfer of shares, any letter of intent or memorandum of understanding, material contracts and minutes of board of directors meetings.

When participating in a merger, split-up, tender offer or transfer of shares, the Company shall, within two days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in the first and second subparagraphs of the preceding paragraph to FSC for recordation.

Where any of the companies participating in a merger, split-up, tender offer or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such companies whereby the latter is required to abide by the provisions of the eighth and ninth paragraphs of this Article.

Where any of the companies participating in a merger, split-up, tender offer or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of the third, fourth, seventh, eighth and ninth paragraphs of this Article.

#### Article 10 Public disclosure of information

Under any of the following circumstances, the Company acquiring or disposing assets shall publicly announce and report the relevant information on FSC's designated website in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to related parties (regardless transaction amounts), or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to related parties where the transaction amount is over and

above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD 300 million; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

2. Merger, split-up, tender offer or transfer of shares.
3. Losses from derivatives are over and above the authorized quota set out in the Procedures.
4. Where the type of asset acquired or disposed is equipment/machinery or right-of-use assets thereof for business use, the trading counterparty is not a related party, and the transaction amount reaches TWD1 billion or more.
5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches TWD500 million or more.
6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, or an investment in the mainland China area is over and above 20% of the Company's paid-in capital or TWD300 million; provided, this shall not apply to the following circumstances:
  - (1). Trading of domestic government bonds or foreign bonds with a credit rating which is not lower than Taiwan's Sovereign Rating.
  - (2). Trading of bonds under repurchase/resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

1. The amount of each transaction.
2. The cumulative transaction amounts of acquisitions and disposals of the same type of underlying assets with the same counterparty within one year.
3. The cumulative transaction amounts of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within one year.
4. The cumulative transaction amounts of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

Within one year as used in the second paragraph refers to the year preceding the base date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be entered.

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the first paragraph of this Article, a public report of relevant information shall be made on the information reporting website designated by FSC within two days commencing immediately from the date from the day of occurrence of the fact:

1. Change, termination or rescission of a contract signed in regard to the original transaction.
2. The merger, split-up, tender offer or transfer of shares is not completed by the scheduled date

set forth in the contract.

3. Change to the originally publicly announced and reported information.

The Company shall compile monthly reports on the status of derivatives engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by FSC by the tenth day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

The Company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for five years except where another act provides otherwise.

Article 11 Procedures for control and management of the acquisition and disposal of assets by subsidiaries

The Company's subsidiaries should set up its own handling procedures of acquisition and disposal of assets in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by 'SFC, the 'Procedures and its business and management requirements. Subsidiaries' handling procedures should be submitted to its board of directors and shareholders' meeting for approval and then submitted to the Company for reference. The amendments hereof shall be subjected to the same.

Each subsidiary shall set up its own authorized quota for purchasing non-business real property or right-of-use assets thereof and securities.

Information required to be reported in accordance with the provisions of Article 10 on acquisitions and disposals of assets by the Company's subsidiaries that are not domestic public companies in R.O.C. shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 10.

Article 12 Penalty

The Company acquiring and disposing assets should be pursuant to the Procedures and the Company's internal control system. If irregular circumstances are found, it shall be considered as violation of the Company's internal stipulation and the related undertakers shall be punished.

Article 13 Others

For the calculation of 10 percent of total assets under the procedure, the total assets stated in the most recent parent company only financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Anything that is not specified in the Procedures shall follow the related regulations, the Company's

internal control system and operation procedures.

Article 14 Enforcement

The Procedures shall be first implemented upon approval by one-half or more of all audit committee members (It shall be subject to mutatis mutandis application of Article 5, paragraphs 2, 3 and 4) and then submitted to the board of directors and shareholders' meeting for approval. The amendments hereof shall be subjected to the same.