

# The Operational procedures for Acquisition and Disposal of Assets

## Article 1: Purpose

These Procedures are especially provided for the protection of investors' interests, effective control of risk, and compliance to openness of information for the public.

## Article 2: Source of law

These Procedures are provided in accordance with Article 36-1 of the Securities and Exchange Act (herein after referred to as the SEA) and the mandates stipulated by the Securities and Futures Commission, Ministry of Finance, in its letter "Principles Governing Public Companies Acquiring or Disposing Assets", issued on Dec. 10, 2003, reference number Tai-Cai-Jheng (1) No. 091000610.

## Article 3: Scope of assets

1. Negotiable securities: including long- and short-term investment in stock, bond, corporate bond, financial debenture, securities of outstanding fund, depositary receipt, call (put) warrant, beneficiary securities, and asset backed securities.
2. Real estate property (including land, house, building, investment property, tenure, and construction business inventory) and equipment.
3. Membership certificate.
4. Intangible asset: including patency, copyright, trade mark right, and franchise.
5. Financial institutes' debentures (including account receivable, foreign exchange buying discount, loan, and non-accrual debt).
6. Financial derivatives.
7. Asset acquired or disposed die to legal merger, division, acquisition, or receiving shares.
8. Other major assets.

## Article 4: Definitions

1. Derivatives: Forward contract, option contract, future contract, leverage contract, swap contract, and the composite contract of the above, of which value derive from asset, interest rate, exchange rate, index, or other interests. A forward contract shall exclude insurance policy, performance deed, after-sale service agreement, long-term lease contract, and long-term merchandise procurement/sale agreement.
2. Asset acquired or disposed die to legal merger, division, acquisition, or receiving shares: Assets acquired from or disposed through merger, division, or acquisition in accordance with Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws and regulations, or receiving IPO shares of other company (herein after referred to as Received Shares) in accordance with Article 156-8 of the Company Act.

3. Stakeholders/subsidiary: As the Regulations Governing Security Issuer's Financial Report Compiling may define..
4. Professional appraiser: Real estate property appraiser or other professionals legally permitted for practicing appraisal on real estate property and other fixed assets.
5. Actual occurrence date: a contract execution date, payment date, completion date, ownership transfer date, board of directors' resolution date, or date on which a counterparty and transaction amount become definitely certain, whichever happens earlier. However, for investment that requires approval from the competent authority, an actual occurrence date shall be either the date abovementioned or the date of the said approval, whichever happens earlier.
6. Investment in Mainland China area: An investment made in Mainland China in compliance with the Regulations Governing Approval for Investment or Technical Cooperation in Mainland China Area stipulated by the Investment Board, Ministry of Economic Affairs.
7. A latest financial report shall mean the financial report audited, attested, or scrutinized by an accountant and released to the public before a company's acquisition or disposal of asset..

Article 5: Quota on investment of non-operational purpose real estate property and security

The quota of asset individually acquired by our Company or a subsidiary shall comply with the governing laws or our Company's internal hierarchical authorization system.

Article 6: The professional appraiser responsible for our Company's appraisal report and the CPA, attorney, or security underwriter responsible for opinion statement regarding to our Company, and their associated appraisers, accountants, lawyers, security underwriters, and transaction parties may not function as a stakeholder.

Article 7: Appraisal report or CPA opinion statement may be replaced with a certificate issued by the court if asset is acquired or disposed by way of court-administered foreclosure.

Article 8: Procedure for acquiring or disposing real estate property or equipment

1. Appraisal and operational procedure

Our Company's acquisition or disposal of real estate property or equipment shall comply with our Company's internal control system and fixed asset rules.

2. Trade terms and conditions and credit limit decision-making procedure

(1) Acquisition or disposal of asset shall first refer to announced present value, assessed value, actual transaction prices of the neighboring area to determine transaction terms and conditions and price. An analysis report is to be delivered to the decision-maker and the amount shall comply with our Company's hierarchical authorization system.

(2) Acquisition or disposal of other fixed assets shall choose one method among price inquiry, price competition, price negotiation, or bidding, and the amount shall comply with our Company's hierarchical authorization system.

3. Execution unit

When our Company acquires or disposes real estate property or equipment, the user unit and the Administration Department shall be responsible for execution after approval is obtained through the due process stipulated in the previous subparagraph.

#### 4.Appraisal report for real estate property or other fixed assets

The transaction amount of our Company's acquisition or disposal of real estate property or equipment exceeding 2% of our Company's paid-up capital or TWD 300 million shall require a price appraisal report issued by a professional appraiser and compliance to the followings:

- (1) If a limited price, specific price, or special price is used as a reference for the transaction price, the same transaction shall require approval from the board meeting in advance. The same shall apply to future change of terms and conditions for transaction.
- (2) Appraisals from two or more professional appraisers are required for transaction with amount exceeding TWD 1 billion, appraised price exceeding transaction price for asset acquisition or the appraisal result of asset disposal.
- (3) Unless otherwise the appraisal for asset acquisition is higher than transaction amount or the appraisal result of asset disposal is lower than transaction amount, if the professional appraiser's appraisal result applies to any of the following situation, the accountant shall exercise the Audit Principle Gazette No. 20 issued by the Accounting Research and Development Foundation (ARDF) and present opinion regarding to the cause of difference and the adequacy of the transaction price:
  - i. The difference between appraisal result and transaction amount is 20% or more of the transaction price;
  - ii. The difference between/among two or more professional appraisers' appraisal results is 10% or more of the transaction price.
- (4)The time between the date of appraisal report issued by a professional appraiser and the date of contract execution should not exceed 3 months. However, if the applicable announced present value for the same period does not exceed 6 months, the original professional appraiser may present opinion statement.

#### Article 9: Procedure for acquiring or disposing securities investment

1. Assessment and operational procedure

Our Company's purchase and sale of both long- and short-term securities shall comply with our Company's internal control system and investment rules.
2. Decision-making procedure for transaction terms and conditions and credit authorization
  - (1) Trade of securities conducted at the stock exchange market or through a business site of a securities dealer shall be determined by the responsible unit with reference to the market status. The transaction amount shall comply with internal authorization rules.
  - (2) Trade of securities conducted not at the stock exchange market or not through a business site of a securities dealer shall use the target company's latest financial statements audited, attested, or scrutinized by a CPA as reference for transaction assessment with considerations of net value per share, profitability, and future potential of the target company. The amount concerned shall also comply with internal authorization system.
3. Execution unit

When our Company acquires or disposes securities investment, the respective execution unit shall be responsible for execution.

#### 4. Obtaining accountant's opinion

A transaction with amount exceeding 20% of our Company's paid-up capital or TWD 300 million shall require the accountant to present opinion regarding to the reasonability of the transaction price prior to the actual occurrence date. If the said accountant requires exert statement, the accountant shall exercise the Audit Principle Gazette No. 20 issued by the ARDF. However, if the said securities may enhance the public price quotations in the market or comply with the Financial Supervisory Commission regulations in any of the following situations:

- (1) Acquiring securities with cash through IPO or fund raising.
- (2) The company partaking in the buying of the target increases capital by cash in accordance with the governing laws and issues securities at par value.
- (3) The company being invested and partaking in a 100% divestment increases capital by cash and issues securities.
- (4) Listed, OTC, emerging market securities traded at the stock exchange market or securities dealer's business site.
- (5) Bonds that are callable or puttable public bonds.
- (6) Offshore and onshore funds.
- (7) Listed (OTC) company shares acquired or disposed in accordance with the listed (OTC) securities subscription rules or auction rules stipulated by the Stock Exchange Market or GreTai Securities Market.
- (8) Securities acquired through stock warrant as a result of a listed company increasing capital by cash, and the said securities acquired are not privately raised securities.
- (9) Subscription of mutual fund prior to the establishment of the same fund as stipulated by Article 11-1 of the Securities Investment Trust and Consulting Act and the FSC Mandate Jin-Guan-Jheng No. 0930005249 of Nov. 1, 2004.
- (10) Subscription or buy-back of offshore and onshore private fund, of which scope of investment is the same as public fund, except securities margin transactions and open position of securities, if the trust agreement already prescribed the investment strategy.

#### Article 10: Procedure for transaction with stakeholder

1. Our Company's acquisition or disposal of asset from or with stakeholders shall comply with, in addition to Article 7 pertaining to the procedure for real estate property acquisition, the following rules for the decision-making procedure and reasonability of the transaction's terms and conditions. If the amount exceeds 10% of our Company's total asset, then an appraisal report issued by a professional appraiser or opinion stated by an accountant is required. In addition, when identifying the counterparty's identity as a stakeholder shall take into account not only the legal formality, but also de facto relation.
2. Assessment and operational procedure  
Our Company's acquisition or disposal of real estate property from or with a stakeholder, or acquisition or disposal of other non-real estate property, with transaction amount equals to or more than 20% of our Company's paid-up capital, 10% of total asset, or TWD 300 million, except for government bonds,

re-purchase or re-sale of bonds, subscription or redemption of domestic monetary funds, shall also require presenting the following information to the board of directors and audit committee for approval before the respective transaction agreement may be executed and payment be made:

- (1) The purpose, necessity, and expected benefit of the asset acquisition or disposal.
- (2) The reason for choosing a stakeholder as transaction counterparty.
- (3) The information regarding to assessing the reasonability of the intended transaction's terms and conditions in accordance with Paragraph 3, Subparagraph (1) and (4) of this Article.
- (4) The date and price of the property originally acquired by the stakeholder, and the counterparty's relation with our Company and the stakeholder.
- (5) Monthly cash flow forecasts for the 12 months from the month when the agreement is expected to be executed. The necessity of the transaction and the reasonability of the capital maneuver shall be assessed as well.
- (6) Appraisal report issued by a professional appraiser or opinion presented by accountant shall be obtained in accordance with Paragraph 1 of this Article.
- (7) Restrictions or other important considerations applicable to the transaction in concern.

The president is authorized by the board of directors to make decision with discretion for acquisition or disposal of business machine and equipment of a certain value between our Company and subsidiary, provided the transaction is reported afterwards to the board for approval.

If independent directors are already in place, their opinions as the previous Paragraph may concern shall be thoroughly considered. Any objection or reserve opinion raised by an independent director shall be recorded in the meeting record of the board meeting.

### 3. Assessment of the reasonability of the transaction

- (1) Our Company's acquisition or disposal of real estate from or with stakeholder shall require assessment on the reasonability of transaction cost pursuant to the following methods:
  - i Adding necessary capital interest and costs to be carried by the buyer as the laws may require to the stakeholder's transaction price. The term of necessary capital interest cost shall be the weighted average interest of the fiscal year for the loan borrowed by the Company for the purchase of asset, and may not exceed the maximum loan interest rate for non-financial business announced by the Ministry of Finance.
  - ii If the stakeholder has ever pledged the target with a financial institute, then assess the total value of the target appraised by the same financial institute for the mortgage. The total accumulated loan granted by the same financial institute on the same target shall be 70% or more of the assessed value of the target and the loan has been made for longer than one year. However, if the financial institute is a stakeholder to either party of the transaction, then this rule does not apply.
- (2) For joint acquisition of a same land and house, the separate assessments for the transaction cost of the land and the house shall be made pursuant to any of the above methods.
- (3) Our Company's acquisition of real estate property from a stakeholder shall require assessment on the real estate property cost pursuant to Subparagraphs (1) and (2), Paragraph 3 of this Article, and a secondary review and opinion from accountant are required.

- (4) If the assessment on the real estate property that our Company is to acquire from a stakeholder pursuant to Subparagraphs (1) and (2), Paragraph 3 of this Article suggests the cost is lower than the transaction cost, then follow Subparagraph (5), Paragraph 3 of this Article. However, this rule does not apply to the following situations, provided objective evidence, real estate professional appraiser's and accountant's opinions on reasonability are obtained:
- i The stakeholder builds building on the raw land acquired or leased shall prove any of the following qualification:
    - (i) The raw land is appraised pursuant to the methods provided in the previous Article, while the cost of the house shall be the stakeholder's construction cost plus reasonable construction profit, and the sum of the two exceeds the actual transaction price. The term reasonable construction profit shall be the average gross profit from operation of the construction department of the stakeholder over the past 3 years, or the construction industry gross profit ratio announced by the Ministry of Finance, whichever is lower.
    - (ii) The assessment on the transaction of other property having comparable acreage on other floor or in adjacent area to the property in concern traded by other non-stakeholders, with terms and conditions complying with common practice in real estate transactions, suggests similar terms and conditions.
    - (iii) The assessment on other property on other floor leased to a non-stakeholder in the past one year, with terms and conditions complying with common practice in real estate transactions and referencing to price difference due to floor number, suggests similar terms and conditions.
  - ii Our Company presents evidence that proves the transaction terms and conditions for the acquisition of property from a stakeholder are comparable to other transactions property of comparable acreage in adjacent area made between other non-stakeholders. The term transactions in adjacent area shall mean, principally, a property locating on the same or neighboring block with a distance to the target property in concern does not exceed 500 meters and the announced present values are comparable. The term comparable acreage shall mean the transactions of property, having acreage no less than 50% of the target property's acreage, made between other non-stakeholders. The term one year shall be the past year before the actual occurrence date of the property acquisition.
- (5) Our Company's acquisition of real estate property from a stakeholder shall require completing the following tasks if the assessment made in accordance with Subparagraphs (1) and (2), Paragraph 3 of this Article suggests a price lower than transaction price:
- i Regarding to the recognition of special reserve, pursuant to Paragraph 1, Article 40 of the Securities Exchange Act, our Company may not distribute or transfer as common stock for distribution the difference of the real estate transaction's transaction price and assessed cost. A listed company investing in our Company and adopting equity method for assessment shall recognize the special reserve at the share holding ratio in accordance with Paragraph 1, Article 41 of the Securities Exchange Act.
  - ii The audit committee shall observe Article 218 of the Company Act.

iii The handling of Points 1 and 2, Subparagraph (5), Paragraph 3 of this Article shall be reported to the shareholders' meeting and disclose the details of the transaction in the annual report and the prospectus.

In addition, our Company and the listed company investing in our Company adopting equity method for investment assessment and having recognized the special reserve abovementioned may not use the said special reserve until the asset purchased at a high price has been recognized as loss or disposal due to price fall or adequately compensated or redeemed, or other evidence proving no unreasonability exists, and approved by the FSC..

(6) Our Company acquiring real estate property from a stakeholder having any of the following situations shall comply with Paragraphs 1 and 2 of this Article regarding to the assessment and operation procedures, and Subparagraphs (1), (2), and (3), Paragraph 3 of this Article concerning the assessment on transaction reasonability do not apply:

- i The stakeholder acquires the real estate property through heritage or gift.
- ii The stakeholder's acquisition date of the real estate property has been more than 5 years from the current transaction's agreement execution date.
- iii The real estate property is acquired by executing a joint property development agreement with a stakeholder or a construction project commissioned to the stakeholder on own land or leased land.

Subparagraph (5), Paragraph 3 of this Article shall be also observed if other evidence is in place proving that the transaction in which our Company acquires real estate property from a stakeholder does not conform to common practice.

#### Article 11: Procedure for Acquisition or Disposal of Membership Certificate or Intangible Asset

##### 1. Assessment and operational procedure

Our Company's acquisition or disposal of membership certificate or intangible asset shall comply with our Company's internal control system for fixed asset cyclical procedure.

##### 2. Transaction terms and conditions and authorization granting procedure

The procedure provided by our Company or other procedures require by the laws for asset acquisition and disposal shall require approval by the board. An objection raised by a director, whether documented or in the form of written affidavit, shall be presented to the audit committee. In addition, if our Company already has independent directors in place, their opinions and reasoning shall be thoroughly considered and documented in the meeting record, whether for or against, regarding to asset acquisition or disposal.

##### 3. Execution unit

Our Company acquiring or disposing membership certificate or intangible asset shall obtain approval according to the authorization level abovementioned and the user unit and finance or administration department shall be responsible for execution.

##### 4. Appraisal and opinion report by expert on membership certificate or intangible asset

Our Company acquiring or disposing membership certificate or intangible asset with transaction amount of 20% of our Company's paid-up capital or TWD 300 million or more, unless the said transaction is made with the government, shall have the accountant to present opinion on the

reasonability of the transaction price prior to the actual occurrence date. The said accountant shall comply with Audit Principle Gazette No. 20 issued by the ARDF.

Article 12: Procedure for acquiring or disposing financial institute debenture

Basically our Company does not engage in transactions of acquisition or disposal of financial institute debenture. If such transaction is ever to be engaged in the future, it shall first require approval from the board, followed by respective assessment and operational procedure and governed by Article 13: Procedure for acquiring or disposing derivatives.

Article 13: Procedure for acquiring or disposing derivatives

1. Prior to engagement in derivatives, the transaction department of our Company shall first present the guidelines for the respective transactions to the General Manager for approval.
  - (1) Transaction principles and guidance:

They shall include the types, operation or risk aversion strategy, responsibility, key points for performance appraisal, total amount of derivative agreements, and upper limit of loss for general and individual agreements for derivative transactions.
  - (2) Risk management measure.
  - (3) Internal audit system.
1. Scheduled assessment method and policy for abnormality.
2. Our Company engaging derivative transactions shall adopt the following risk management measures:
  - (1) Scope of risk management shall include credit, market price, currency, cash flow, operational risk, and legal risk.
  - (2) Derivative transaction agent may not concurrently assume the job of confirmation and settlement personnel.
  - (3) The personnel responsible for risk assessment, supervision, and control shall be deployed in department other than the department responsible for the personnel mentioned in the previous Subparagraph and shall report to the board of directors or high-ranking management not responsible for transaction or position policy.
  - (4) The positions of derivatives on hand shall be reviewed at least once per week. Risk-preventive transactions shall be reviewed twice per month if so required for business. The review report shall be presented to the high-ranking management authorized by the board of directors.
  - (5) Other major risk management measures.
3. The board of directors shall thoroughly perform their duties of supervision and control according to the following principles regarding to our Company's engagement in derivative transactions:
  - (1) Assign high-ranking management to keep close watch on the supervision and control of the risk of derivative transactions.
  - (2) Periodically review derivative transactions and determine their conformity to existing operation strategy and risk tolerance stipulated by our Company.The high-ranking management authorized by the board shall manage derivative transactions according to the following principles:
  - (1) Periodically review the adequacy of currently adopted risk management measure and strictly



observe these guidelines and the procedures stipulated by our Company for derivative transactions.

- (2) Supervise transaction and gain/loss status and adopt necessary countermeasure upon finding of abnormality and report to the board of directors. A listed company engaging in derivatives transactions and authorizing is personnel to practice the said transaction in accordance with the derivatives transaction procedure itself has provided shall report in the nearest meeting of the board.

4. Our Company shall have in place a review journal for derivatives transactions and keep loggings of the types, amounts, board of directors' approval dates, and other issues to be prudent with for future reference.

The Company's internal auditors should be regularly informed of derivative transactions, and have to provide a monthly audit report of trading department transactions as well as the process of derivative transactions.

If any major irregularities are discovered, the auditors must notify the audit committee in writing..

#### Article 14: Procedure for merger, division, acquisition, or share receiving

##### 1. Assessment and operational procedure

- (1) Our Company handling merger, division, acquisition, or share receiving shall summon lawyers, accountants, and underwriters for meeting to determine the legal process and time schedule and organize a task force to execute in accordance with the legal process. Our Company shall also have the accountants, lawyers, and underwriters to share their opinions regarding to the reasonableness of share exchange ratio, purchase price, distribution of cash or other property among shareholders, followed by proposing the same to the board of directors for approval.
- (2) Prior to shareholders' meeting, our Company shall produce public document to the shareholders, stating important information pertaining to any merger, division, or acquisition and expert opinions as stipulated in Subparagraph 1, Paragraph 1 of this Article, as reference for decision on the said merger, division, or acquisition proposal, and deliver the said document together with shareholders' meeting notice to the shareholders. However, this does not apply to the merger, division, or acquisition the laws do not require decision in shareholders' meeting. The companies participating in the said merger, division, or acquisition shall immediately explain to the public about the reason, afterward handling, and intended shareholder's meeting schedule if the company's shareholders' meeting fails to proceed with the meeting or reach a resolution due to quorum problem, insufficient votes, or other legal restrictions, or proposition being vetoed.

##### 2. Other issues

- (1) Board meeting date: Unless otherwise stipulated by laws or excused by FSC in advance for special reason, the companies participating in a merger, division, or acquisition shall begin their board meeting and shareholders' meeting on the same day to determine the said merger, division, and acquisition. Unless otherwise stipulated by laws or excused by our Commission in advance for special reason, the company participating in receiving shares

shall also begin its board meeting on the same day.

The listed companies or companies traded at securities brokers' business sites, participating in a merger, division, acquisition, or share receiving, shall keep the following information in their archive for at least 5 years for future reference:

1. Personnel basic information: including the names, job titles, Citizen ID (passport number for foreigner) of the persons who plan and/or execute the merger, division, acquisition, or share receiving prior to the disclose of the said transaction.
2. Important dates: including the execution dates of letter of intent, memorandum, commissioning of financial or legal consultants, execution of agreements, and board meetings.
3. Important document and meeting record: including the plan for merger, division, acquisition, or share receiving, letter of intent, memorandum, important agreements, and board meetings' meeting records.

The listed companies or companies traded at the securities brokers' business sites participating in the merger, division, acquisition, or share receiving shall deliver the information stipulated in Subparagraphs 1 and 2 of the previous Paragraph to the Commission through internet reporting system in the form stipulated within 2 days from the approval resolution is made by the board meeting.

The listed or OTC-traded companies participating in the merger, division, acquisition, or share receiving shall make and enter into agreement with the non-listed or non-OTC-traded participating companies in accordance with Paragraphs 3 and 4.

- (2) Non-disclosure agreement: All persons participating or having the knowledge of the said merger, division, acquisition, or share receiving plan shall execute a written guarantee not to disclose the said plan before the plan is officially disclosed to the public, and may not engage in the trade under his/her own name or other people's names the shares or equity-equivalent securities of the companies participating in the merger, division, acquisition, or share receiving.
- (3) Principles for share exchange or purchase price determination and change: The companies participating in the merger, division, acquisition, or share receiving shall have their respective accountants lawyers, and securities underwriters to present their opinions regarding to the reasonability of the share exchange ratio, purchase price, cash or other property distributed among shareholders before the board meeting, and such companies shall disclose these opinions in their shareholders' meetings. Basically, share exchange ratio or purchase price may not be changed without justifiable cause unless otherwise the conditions to the said change has been agreed in the agreement and disclosed to the public. Share exchange ratio and purchase price may be changed if:
  1. Increasing capital by cash, issuing convertible bond, free-gratis, warrant bonds, preferred shares with warrants, warrants, and other equitable securities.
  2. Disposal of company's major asset to have impact on the company's financial standing.

3. Major disaster, critical change of technology, or other incident that has impact on the company's shareholders' interest or securities prices.
  4. Any of the companies participating in the merger, division, acquisition, or share receiving adjusting its treasury stocks as adjustment.
  5. The main entity or number of companies participating in the merger, division, acquisition, or share receiving has changed.
- (4) Information required to be stated: The companies participating in the merger, division, acquisition, or share receiving shall observe Article 317-1 of the Company Act and Article 22 of the Business Mergers And Acquisitions Act and clearly state the following information:
1. Measure for breaching;
  2. The principles for handling the equitable securities already issued by the eliminating company due to merger or division or treasury stocks already bought back;
  3. The quantity of treasury stocks to be bought back and the principles for handling the said stocks after the participating companies have determined the share exchange ratio and record date;
  4. The handling method for change of the main entity or number of participating companies;
  5. Estimated plan execution progress and completion date; and
  6. Handling procedure for failure to meet the plan's deadline, and estimated date of shareholders' meeting as required by the laws.
- (5) Upon change of number of companies participating in the merger, division, acquisition, or share receiving: After the information of the merger, division, acquisition, or share receiving is disclosed to the public, a participating company wishes to engage in a merger, division, acquisition, or share receiving with other companies, unless otherwise the number of participating company decreases and the shareholders' meeting has determined and authorized the board of directors to change the authority, the participating company is not required to summon a shareholders' meeting to re-determine, and the procedure or legal action already completed for the original plan of merger, division, acquisition, or share receiving shall be re-do by and among all participating companies.
- (6) Our Company shall make and enter into agreement with non-listed companies participating in the merger, division, acquisition, or share receiving and observe Paragraph 2 (1) of this Article regarding to the board meeting date, Subparagraph (2) regarding to the non-disclosure agreement, and Subparagraph (5) regarding to the change of the number of companies participating in the merger, division, acquisition, or share receiving.

#### Article 15: Procedure for information disclosure

1. Information to be reported and the report standard
  - (1) Acquisition or disposal of real estate property from or with a stakeholder, or property other than real estate property, of which transaction amount exceeds 20% of our Company's paid-up capital, 10% of total asset, or TWD 300 million. However, this rule does not apply

- to the government bonds, re-purchase or re-sale of bonds, subscription or redemption of domestic monetary funds,.
- (2) Engaging in merger, division, acquisition, or share receiving.
  - (3) Loss realized from derivatives transactions, of which loss amount satisfies the upper limit of all or individual contracts in accordance with the stipulated handling procedure.
  - (4) Asset transactions other than the ones stated in the previous 3 subparagraphs, a financial institute disposing debt or investment in Mainland China area with transaction amount exceeding 20% of paid-up capital or TWD 300 million. However, this rule does not apply to the followings:
    - i. Trade of public bond;
    - ii. Trades of securities by professional investors at onshore or offshore securities exchange markets or securities brokers' business sites or securities prescribed by securities brokers at primary market or in accordance with applicable regulations..
    - iii. Re-purchase or re-sale of bonds and subscription or redemption of onshore currency market fund.
    - iv. Acquisition or disposal of assets of which types are machine and equipment for business, the transaction counterparty is not a stakeholder, and the transaction amount is less than TWD 500 million.
    - v. Acquisition or disposal of real estate for the use of construction by our Company engaging in construction business, the transaction counterparty is not a stakeholder and the transaction amount is less than TWD 500 million.
    - vi. Acquisition of property by way of commissioned project on own land, commissioned project on leased land, joint construction and split house, joint construction and allocation of ownership percentage, and joint construction and separate sale; the Company's planned committed transaction amount is less than TWD 500 million.
  - (5) The transaction amount is calculated according to the method in below, and the abovementioned within one year shall be the year before the record date of the actual happening of this transaction. The part announced in compliance with the regulations is not included.
    - i. Amount per each transaction.
    - ii. Amount accumulated for acquiring or disposing a property of the same nature from the same counterparty within one year.
    - iii. Amount accumulated for acquiring or disposing (separately accumulated for acquisition and disposal) the same property development within one year.
    - iv. Amount accumulated for acquiring or disposing (separately accumulated for acquisition and disposal) the same securities.
2. Time limit for public disclosure and reporting
- Our Company shall disclose to the public and complete reporting within 2 days from the occurrence date of property acquisition or disposal to which transaction amount the disclosure and reporting standards apply as stipulated in Paragraph 1 of this Article.

### 3. Disclosure and reporting procedure

- (1) Our Company shall disclose and report the related information at the website designated by the FSC.
- (2) Our Company shall upload the information of the derivatives transactions made by our Company and subsidiary not domestically listed as of the end of the previous month as stipulated by the FSC, in the form stipulated, by the 10<sup>th</sup> day of each month.
- (3) Our Company shall make prompt correction if the information disclosed as required by laws is found to be incorrect or incomplete, and re-disclose and re-report all information again.
- (4) Unless otherwise stipulated by laws, our Company shall keep the contracts, meeting records, memorandum, appraisal report, accountant/lawyer/securities broker opinion regarding to our Company's acquisition or disposal of asset in archive at our Company for at least 5 years.
- (5) Our Company shall disclose and report the related information within two days from the occurrence date at the website designated by our Commission if any of the following occurs after our Company has completed disclosure and reporting in accordance with regulations:
  - i. Change, termination, or cancellation of the original executed contract;
  - ii. The merger, division, acquisition, or share receiving is not completed as scheduled; or
  - iii. Change of the information disclosed and reported.

### 4. Disclosure format

As the competent authority may stipulate.

Article 16: Our Company's subsidiary shall comply with the followings:

1. A subsidiary shall comply with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies for its Procedure for Property Acquisition and Disposal.
2. Our Company shall act on behalf of a subsidiary that is not a listed company and its acquisition or disposal of property is subject to reporting standard stipulated by the Regulations Governing the Acquisition and Disposal of Assets by Public Companies for disclosure and reporting.
3. The standard applicable to a subsidiary that "exceeds 20% of our Company's paid-up capital or 10% of total asset" shall mean the principal (our) Company's paid-up capital.

Article 17: Penalty

Employee handling acquisition and disposal of asset who violates these Procedures shall be subject to penalty provided by our Company's Employee Management Rules depending on the severity. The said violation will be considered in the scheduled review.

Article 18: Implementation and amendment

Our Company's Procedures for Asset Acquisition or Disposal is to be approved by the board of directors with carbon copies delivered to the audit committee , and will be proposed to the shareholders' meeting for approval. Amendment shall follow the same procedure. Our Company shall deliver any objection raised by any director, documented, or made in written statement to the audit committee . If Independent directors are already in place, their opinions, for or against, shall

be given thorough considerations in the board's review of the Procedures for Asset Acquisition and Disposal and recorded in the board meeting's record..

Article 19: Miscellaneous

Any issue not comprehensively covered in these Procedures shall be governed by the applicable laws.

Article 20: These Procedures shall be implemented after the approval from the board of directors and the shareholders' meeting. Amendment shall follow the same procedure. These Procedures are promulgated on March 11, 2003. The first amendment is made on June 15, 2007. The second amendment is made on June 15, 2010. The third amendment is made on June 21, 2012. The fourth amendment is made on June 20, 2014. The fifth amendment is made on June 12, 2015.